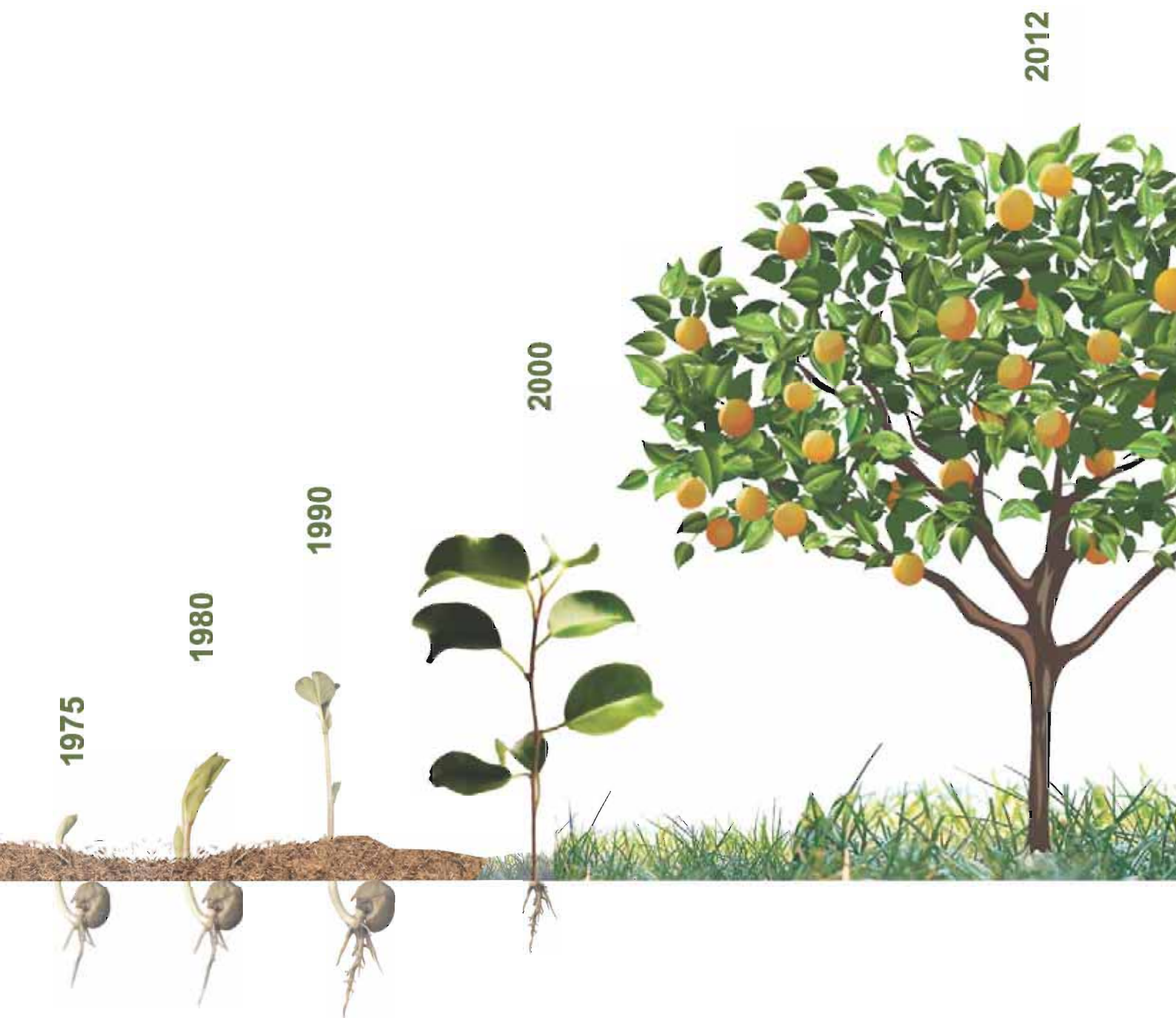




Chembond Chemicals Limited

37th Annual Report 2011-12



Board of Directors

Dr. Vinod D. Shah

Executive Chairman

Sameer V. Shah

Vice Chairman & Managing Director

Nirmal V. Shah

Managing Director

Ashwin R. Nagarwadia

Perviz H. Dastur

Jayantilal S. Vasani

Jawahar I. Mehta

Mahendra K. Ghelani

O. P. Malhotra

Sushil U. Lakhani

Group Key Executives

Abhijit Giri	DGM Flooring, Coatings
Akshay Shah	CEO, Water Equipments
Amit Charate	Plant Manager, Sitarganj
Anil Pillai	Sr. Manager, Enviro Tech
Bhadresh D. Shah	GM Commercial
Deepak Kanitkar	DGM Tech. & Bus. Development, Construction Chemicals
Deepak M. Wadekar	Sr. Manager, SHEQ
Devkinand Sharma	Plant Manager, Baddi
Dhananjay Yerawadekar	Head- Administration
Janak Bhatt	Plant Manager, Dudhwada
Jinesh Maniar	Finance Controller
Mahesh Kulkarni	GM Industrial, Coatings
Mangesh Patil	DGM, Construction Chemicals
Manoj Mishra	National Sales Manager, Construction Chemicals
M. P. Nagarkar	GM Projects
N. A. Patil	GM Corporate Sales, Water Equipments
N. C. Padia	Sr. GM Operations, Water Technologies
Naresh Adivarekar	GM Surface Technologies
P. Basavaiah	Finance Controller, Water Technologies
Dr. Ramdas Kambale	Head, Animal Health
Rashmi Gavli	Business Controller
Ravikumar Mutaka	DGM Operations
Ravindra Pandit	Head Human Resources
Santosh Singh	Sr. Manager Sales, Textile Enzymes
Sanjay R. Naik	DGM Structural, Coatings
Sharad Mahadik	Technical Director, Water Technologies
Subhash Kolhe	Vice President, Surface Technologies
Vasant Kelkar	GM HP, Coatings
Vinod Deshpande	COO, Water Technologies

Auditors

Kasturi & Talati
Chartered Accountants, Mumbai

Bankers

HDFC Bank Limited
Bank of India
Kotak Mahindra Bank

Company Secretary

Omkar Mhamunkar

Whole Time Practicing

Company Secretary

Virendra Bhatt

Plants

Thane, Maharashtra
Nalagarh, Himachal Pradesh
Balasore, Orissa
Chennai, Tamilnadu
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

CONTENTS

Notice of Annual General Meeting	4-6
Directors' Report	5-9
Management Discussion and Analysis	10-14
Report and Certificate on corporate Governance	15-22
Auditors' Report on Financial Statements	23-25
Balance Sheet	26
Profit and Loss Account	27
Cash Flow Statement	28
Notes on Financial Statements for the year ended 31 st March, 2012	29-45
Statement under Section 212 of the Companies Act & Other Details	46
Auditors' Report on Consolidated Financial Statements	47
Consolidated Balance Sheet	48
Consolidated Profit and Loss Account	49
Consolidated Cash Flow Statement	50
Consolidated Notes on Financial Statements for the year ended 31 st March, 2012	51-66
Report on Corporate Social Responsibility	67-68
10 Years' Financial Performance	69
Green Initiative in Corporate Governance	70
Proxy Form	



CHAIRMAN'S MESSAGE

My Dear Shareholders,

This is the 37th annual report of your Company. In this report I want to share my views on some of the important milestones in the history of your Company.

Your Company is enjoying the backing of many of shareholders who subscribed to the initial public offer in the year 1995 and have remained steadfast with us. This gives me a sense of familiarity and confidence that I can share my views at personal level.

This year, I have crossed 80 years of my life. It was in the year 1973 at the age of 43 that I had given up a lucrative job with a multinational company to embark upon some of the dreams I had nurtured when I had returned to India from USA in 1965. It meant that I was to traverse into the 'Uncharted' future. My main assets were sound chemical engineering education, professional working experience in USA and India and an innate conviction and strong belief in myself to put up with all kinds of impediments to steer clear into success. My wife Padma not only endorsed the decisions but stood by me at every crossroad. Chembond thus came into being.

At this time after so many years, when I look back, I feel satisfied that I have fulfilled my mission. During my journey from 1973 and now, I received immense support from many individuals and I would like to share some of those here.

Firstly my elder brother late Chinubhai played an anchor role during the initial tough period of partnership days. I wholeheartedly offer my tributes to him.

In 1975 the Company was converted into a Private Limited company and Ashwin Nagarwadia and Perviz Dastur were inducted as promoter directors. Both of them had steered Ingersoll Rand from a relatively obscure company to one of the top-notch companies in India. Their rich experience and guidance has been of immense value to your Company. I take this opportunity to acknowledge their support.

Your Company has been singularly fortunate in having a team of many dedicated staff who joined at the very initial stages and remained steadfast to this date. They have worked very hard and brought about a steady transformation of the Company. Technology has been the backbone of the Company and that is where this team played a significant role. I would like to single out Subhash Kolhe, Naresh Padia, and Sharad Mahadik as the early crusaders who have become instrumental in giving a wide exposure to your Company. Bhadrash Shah, my younger brother, has supported as a 'do all' person. He joined after graduation in 1975, is now General Manager, and has become a 'trouble shooter' in many situations at the manufacturing plants and locations of your Company.

I am also proud of the workmen at the Tarapur manufacturing plant who joined at the initial stages and have continued to work with zeal and enthusiasm to this date. I wish to single out our very first employee, Ashok, who joined the Company as a "one man" manufacturing team at our Lower Parel manufacturing premises.

Our marketing agencies in Delhi and Pune represented by R K Gupta and Girish Shah respectively have been associated with Chembond right from the 'incubation' times. I recall several visits to Delhi and Pune during 70s to 90s in the company of above two gentlemen and enjoyed not only the exploration of business but also personal relationships. I appreciate their support because they had chosen to stake their future in Chembond and have stood by the Company through 'thick and thin'.

It was extremely fortuitous for me personally and for the Company that Nirmal Shah, my younger son joined the Company at a very early age after completing his college education and Sameer Shah, my elder son, returned from USA after 12 years of education and work to join the Company in 1992. In retrospect, these were the most valuable milestones in the history of the Company. It is to their credit that the Company became public in 1996. It is also to their credit that the Corporate premises were built on our own land at Mahape. Both of these decisions have had far-reaching effects and have resulted into the accelerated growth of your Company. Both of them continue to steer your Company to greater heights.

Making the Company public brought in eminent persons, leaders in their own respective professions, within the folds of Chembond's Board. Thus, Mahendra Ghelani, Jayant Vasani, Dr. Rajni Shah, V Ramachary, joined your Company's board. Over a period of time other equally prominent people replaced those who retired. Thus came O P Malhotra, Jawahar Mehta, and Sushil Lakhani. I am particularly thankful to all of them for guiding the Company in a spirit of companionship.

Mr. V. N. Kastury, Mr. Virendra Bhatt, and Mr. Dhiren Talati stand out as our long standing companions on accounting practices, company law and secretarial matters. I am particularly thankful to Bhatt Saheb for his unstinted support on all important secretarial matters.

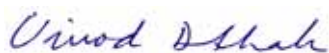
Coming to the present scenario, we all know very well that there are global crises of all sorts. The Indian economy is intimately connected to the global network because of dollar/rupee exchange rate, crude oil prices, and foreign direct investments. Added to the global problems is the morbid political situation and poor overall sentiment amongst people. As a result, there has been a setback in the growth and profits. However, your Company has taken adequate precautions and entered into many new manufacturing activities that will buffer adverse situations.

Therefore, as we look forward, I am convinced that the real growth process has just begun. Your Company is making aggressive investments in men and material in the new divisions of Animal Health products, Enzymes, Clean Environment Technology, Coatings and Construction Chemicals. As I stated in my last year's message, we have initiated steps for the establishment of a R & D Centre at Mahape. Our recent JV, H₂O Innovation is getting firmly established and poised for accelerated growth in times ahead.

I am overwhelmed with feelings of utmost fulfillment and satisfaction and it is therefore in fitness of things that I step down from the Executive Chairmanship of your Company and pass on the baton to the younger generation.

I earnestly thank you for giving me your support for all these years.

Best Wishes



Dr. Vinod D. Shah
Executive Chairman



NOTICE

NOTICE IS HEREBY GIVEN THAT THE THIRTY SEVENTH ANNUAL GENERAL MEETING OF THE MEMBERS OF CHEMBOND CHEMICALS LIMITED WILL BE HELD AT EL-37, MAHAPE, MIDC, NAVI MUMBAI 400 710, ON SATURDAY, THE 8TH SEPTEMBER, 2012 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 2012 and the Balance Sheet as on that date and the Reports of the Directors and Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Mr. Mahendra K. Ghelani who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Ashwin R. Nagarwadia, who retires by rotation and being eligible, offers him for re-appointment.
5. To appoint M/s. Kastury & Talati, statutory auditors to hold office from conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and authorize the Board of Directors to fix their remuneration.

SPECIAL BUSINESS:

6. To consider and if thought fit, to pass with or without modification the following resolution as a Special Resolution :
“**RESOLVED THAT** pursuant to the provisions of Section 314 of the Companies Act, 1956 including any other applicable provisions, if any, the Company hereby approves a retirement plan for Dr. Vinod D. Shah, the retiring Executive Chairman and Founding Promoter of the Company at his last drawn salary w.e.f. 9th September, 2012 for a period of five years”
“**RESOLVED FURTHER THAT** the Board of Directors of the Company on recommendation of Remuneration Committee be and is hereby empowered to sanction periodical increment as it may consider fit subject to approval of Central Government or any other statutory authority, if required”

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

Dr. Vinod D. Shah
Executive Chairman

Mumbai, 28th July, 2012

REGISTERED OFFICE:

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

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE ON A POLL ONLY INSTEAD OF HIM SELF AND THE PROXY NEED NOT BE A MEMBER.**
2. A proxy form duly completed and stamped, must reach the registered office of the Company not less than 48 hours before the time for holding the aforesaid meeting.
3. The register of members and the share transfer books of the company will remain closed from 24th August, 2012 to 8th September, 2012 (both days inclusive) in connection with the Annual General Meeting.
4. The Directors have recommended dividend of ₹ 2.35/- 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 8th September, 2012 and in respect of Shares held in Dematerialized in the depository system, to the beneficial owners of shares as on 23rd August, 2012 as per details furnished National Securities Depository Limited and Central Depository Services (India) Limited for the purpose.
5. Members are aware that as per the Finance Act, 2003 no tax will be deducted at source on the dividend payable to the shareholders

6. Consequent upon the amendment to Section 205A of the Companies Act, 1956 and introduction of Section 205C by the Companies (Amendment) Act, 1999 which came into force w.e.f. 31st October, 1998, the company would be obliged to transfer any money lying in the Unpaid Dividend Account which remain unpaid or unclaimed for a period of 7 years from the date of such transfers, to the Investor Education and Protection Fund, and hence all unclaimed dividend for the financial year 2003-04 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 2012 are as under

Date of Declaration	Amount (₹)	Due Date
12/08/05	30,812.40	11/08/2012
29/07/06	54,086.50	28/07/2013
18/08/07	35,197.50	17/08/2014
13/09/08	45,346.00	12/09/2015
22/08/09	35,273.00	21/09/2016
18/09/10	48,046.25	17/09/2017
10/09/11	62,240.35	09/09/2018

7. 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.
8. Members are requested to inform the Company about any change in their addresses, if any, immediately so as to enable the Company to dispatch dividend warrants and any further communication at their correct address. This information may be provided to – TSR DARASHAW LIMITED (Formerly Tata Share Registry Limited) 6-10, Haji Moosa Patrawala Indl. Estate, 20, Dr. E Moses Road, Mahalaxmi, Mumbai – 400 011.
9. As per the Listing Agreement, particulars of Directors who are proposed to be re-appointed is furnished below –
- I Name : Mr. Mahendra K. Ghelani
Age : 67 years
Qualification : Advocate Solicitor and Notary
Mr. Mahendra Ghelani is also on the Board of following Companies:
1) Protochem Industries Private Limited
2) Variety Investments Private Limited
- II Name : Mr. Ashwin R. Nagarwadia
Age : 75 years
Qualification : B.E. Mechanical
Mr. Ashwin R. Nagarwadia is also on the Board of following Companies:
1) Finor Piplaj Chemicals Limited
2) Henkel Chembond Surface Technologies Limited
3) CCL Optoelectronics Private Limited
4) Hitech Plast Limited
5) Equipment & Spares Engineering (India) Private Limited
6) H₂O Innovation (India) Limited
10. Members holding shares in electronic form may please note that their bank details as furnished by the respective Depositories to the Company will be printed on their dividend warrants as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such members for change/deletion in such bank details. Further instructions if any already given by them in respect of shares held in physical form will not be automatically applicable to the dividend paid on shares held in electronic form. Members may therefore give instructions regarding bank accounts in which they wish to receive dividend to their Depository Participants.



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

ITEM No. 6

Dr. Vinod D. Shah is the Founding Promoter of Chembond Chemicals Limited (the Company) and is currently its Executive Chairman.

After dedicating over 35 years in the Company on a full time basis, Dr. Vinod D. Shah has expressed his intention to retire from the Chairmanship as well as the Board with effect from the ensuing Annual General Meeting.

Dr. Vinod D. Shah is a Chemical Engineer who achieved his Bachelors in Chemical Engineering from UDCT, Masters in Chemical Engineering from University of Michigan, and Doctorate from Wayne State University, USA. During his doctoral work he worked with Parker Rust-Proof Company and Gage Products and after his return to India, with Union Carbide where he setup the country's first electrolytic manganese dioxide plant. It is due to his core expertise and rich experience that the Company has developed the wide range of products and applications and maintained its leading position in the market.

During his leadership, the Company attained several milestones - its first manufacturing facility at Tarapur in 1979, introduction of the water treatment chemicals in 1982, the IPO in 1995, the joint venture with Henkel in 1996, the new Mahape headquarters in 1997, the acquisition of Kansai Nerolac's water treatment business and concurrent joint venture with Ashland in 2001, and the recent joint venture with H₂O Innovation for water treatment. The forays into construction chemicals, high performance coatings, industrial biotechnology, bioremediation have been ideated and incubated by Dr. Shah.

The Company today is truly nationwide, with five manufacturing locations – at Maharashtra, Himachal Pradesh, Gujarat, Orissa, and Tamil Nadu – and operates three subsidiaries ie, Chembond Ashland Water Technologies Limited, Protochem Industries Private Limited, and H₂O Innovation India Limited.

Irrespective of his formal retirement from the Board of the Company, Dr. Shah will be involved in the Research and Development (R&D) activities of the company and will be available as a guide and mentor to the Board for strategic decisions.

Considering his unmatched contribution of nearly four decades, the vision he has executed and laid out for the future of the Company, the Board of Directors is honoured with Dr. Shah accepting the title of "Chairman Emeritus."

Your Directors recommend adoption of the resolution as set out in item No. 6 of the accompanying Notice as a Special Resolution.

Except Sameer V. Shah, and Nirmal V. Shah, and Dr. Vinod D. Shah himself, no other Director is concerned or interested in the said resolution.

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

Dr. Vinod D. Shah
Executive Chairman

Mumbai, 28th July, 2012

REGISTERED OFFICE:

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

--ERRATA--

The members hereby informed that in connection with the issue and allotment of 3,00,000 Convertible Warrants on preferential basis wherein the relevant date in the Notice of Postal ballot was mentioned as 20th February, 2012 (which falls on public holiday) and should have been 17th February, 2012 by considering the public holidays on 18th and 19th February, 2012, as per the ICDR Regulation including any amendments thereto. The Bombay Stock Exchange has granted the approval on the condition that the said error shall be brought to the notice of members and the said errata is issued accordingly.

DIRECTORS' REPORT

To

The Members,

Your Directors have pleasure in presenting the 37th Annual Report on the business and operations of your Company together with Audited Financial Statements for the year ended 31st March, 2012.

FINANCIAL RESULTS:

	2011-12 (₹ In lakhs)	2010 – 11 (₹ In lakhs)
Turnover of Sales	16,881.16	14,679.35
Less: Excise Duty	1,683.95	1,454.88
Net Sales	15,197.21	13,224.47
Profit Before Tax	801.05	817.88
(Less): Deferred Tax	(32.82)	(25.71)
Less: Provision for Taxation	(103.98)	(144.80)
Profit after Tax	664.25	645.48
Add: Balance as per last year	2,314.31	1,872.59
Add : Transfer from Revaluation Reserve	1.89	1.89
Total	2,980.45	2,519.97
Appropriation		
General Reserves	70.00	65.00
Set off of Dividend Tax in respect of dividend from Subsidiary Company.	(22.18)	(18.27)
Proposed Dividend	149.47	136.75
Tax on Proposed Dividend	Nil	22.18
Dividend on Shares issued on Amalgamation	-	-
Balance carried to Balance Sheet	2,783.16	2,314.30
Total	2,980.45	2,519.90

PERFORMANCE REVIEW

Your Company has recorded an increase in Sales of 14.92% with an increase in profit after tax (PAT) by 2.91%. The Earning per Share (EPS) increased to ₹ 10.44 as at 31st March, 2012 from ₹ 10.15 at the end of the previous fiscal year. A separate section on Management Discussion and Analysis follows in this annual report where in the Company Performance, Industry Environment, Economy, and the other aspects of your company's business are highlighted.

DIVIDEND

The Board of Directors recommends a dividend of ₹ 2.35 per Equity Share (Previous year ₹ 2.15) for the financial year ended 31st March, 2012. The total outflow on account of dividend amount to ₹ 149.47 Lakhs. The Company has also transferred the amount of ₹ 70 Lakhs (Previous year ₹ 65 Lakhs) from its current years profit to General Reserves.

SAFETY, HEALTH, ENVIRONMENT, AND QUALITY (SHEQ)

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

DEPOSITS

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

DIRECTORS

In accordance with the Articles of Association of the Company, Mr. Mahendra K. Ghelani and Mr. Ashwin R. Nagarwadia, Directors of the Company, are liable to retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

SUBSIDIARY COMPANIES

The Ministry of Corporate Affairs vide their Letter no. 5/12/2007-CL-III dated 8th February, 2011 has granted a general exemption under Section 212(8) of the Companies Act, 1956 for publication of the Accounts of subsidiary companies, subject to fulfillment of certain conditions. In view of the same, your company is also exempted from publication of the accounts of its subsidiaries under the provisions of Section 212 of the Companies Act, 1956. The Annual Accounts of the Subsidiary Companies and related detailed information will be made available to shareholder seeking such information at any point of time and the Annual Accounts of the Subsidiary Companies will be available for inspection at the registered



office of the Company. The statement as required under Section 212(1)(e) of the Companies Act, 1956 and the statement containing the details of the Subsidiary Companies as required to be given as per the above exemption letter are enclosed herewith and forms part of this annual report.

Further, as stipulated by Clause 32 of the Listing Agreement and as per the conditions stated in the above letter, the Company, in accordance with the requirements of Accounting Standard 21 and Accounting Standard 27 on consolidated Financial Statements read with Accounting Standard 23 on Accounting for Investments in Associates, has prepared the Consolidated Financial Statements for the year ended 31st March, 2012 and the same is attached to this Annual Report.

AUDITORS

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

DISCLOSURE UNDER SECTION 274(1) (g)

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

CODE OF CONDUCT

The Company has introduced the Code of Conduct as per revised clause 49 of the Listing Agreement applicable to all the Directors and Senior Management of the Company. Pursuant to said regulation, the Company has received a confirmation from all the Directors and Senior Management of the Company about the compliance of the said code of conduct during the financial year ended 31st March, 2012.

CORPORATE GOVERNANCE

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

CORPORATE SOCIAL RESPONSIBILITY

Your Company continued its CSR initiatives. Please refer to the Report on Corporate social Responsibility for more information on these activities.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- i) that in preparation of the Annual Accounts for the year ended 31st March, 2012, the applicable accounting standards had been followed along with proper explanation relating to material departures, if any;
- ii) that the directors had selected such accounting policies and applied consistently and made judgments and estimates that were reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March, 2012 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, 2012 have been prepared on a 'going concern basis'.

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

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

PARTICULARS OF EMPLOYEES

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

ACKNOWLEDGEMENTS

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

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

Dr. Vinod D. Shah
Executive Chairman
Place: Mumbai
Date: 28th July, 2012

ANNEXURE TO THE DIRECTORS' REPORT

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

I. CONSERVATION OF ENERGY

- A) Energy conservation measures undertaken:
The Company continues measures to reduce energy consumption by modifying its furnace and other improving energy at its plants and offices improving energy intensive manufacturing process.
- B) Additional investments and proposals for reduction of energy:
None under the present condition.
- C) Impact of the measure as (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:
In view of the measures taken by the company the consumption of energy reduced at satisfactory level.
- D) Total energy consumption & energy consumption per unit of production:

Particulars	2011-12	2010-11
I Electricity Purchased		
i) Units	718,676	605,588
ii) Total Amount (₹ In Lakhs)	49.99	38.84
iii) Rate/KWH (₹)	6.96	6.41
II Kerosene Purchased		
i) Liters	54,875	41,795
ii) Total Amount (₹ In Lakhs)	19.50	12.86
iii) Rate/ Lt. (₹)	35.54	30.77
III LPG Purchased		
i) Liters	15,184	14,217
ii) Total Amount (₹ In Lakhs)	8.62	8.14
iii) Rate/ Lt. (₹)	56.74	57.28

II. TECHNOLOGY ABSORPTION

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

III. FOREIGN EXCHANGE EARNINGS AND OUTGO

(₹ In Lakhs)

Particulars	2011-12	2010-11
Total Foreign Exchange Earned	136.26	296.89
Total Foreign Exchange Outgo	2,507.66	2,620.35

VI. RESEARCH & DEVELOPMENT

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

b) Benefits from the R & D activities

- Improved product performance
- Helps promotion of the products in industry
- Reduction of Future Plans of Action

c) Future Plans of Action

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

d) Expenditure on R & D

(₹ in Lakhs)

Particulars	2011-12	2010-11
Revenue Expenditure	45.55	19.55
Capital Expenditure	Nil	2.43
Total	45.55	21.98
Total R & D as percentage of Turnover	0.30%	0.17%

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

Dr. Vinod D. Shah
Executive Chairman

Place : Mumbai
Date : 28th July, 2012

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL REVIEW

During the year under review, the Company has achieved a growth of around 15% in sales on a standalone basis and 10% on a consolidated basis. In a tough pricing environment compounded by exchange rate fluctuations, the Company was able to fairly hold on to margins.

FINANCIAL AND OPERATIONAL PERFORMANCE

STANDALONE:

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

Financial Performance

(₹ in Lakhs)

Particulars	2011-12	2010 – 11	% Δ
Net Sales	15,197	13,224	14.92
Product Margin	2,586	2,372	9.02
Gross Margin	1,959	1,758	11.43
Sales & Admin Costs	1,352	1,135	19.12
EBITDA	1,177	1,185	(0.68)
PBT	801	816	(1.84)

Important Ratios

Particulars	2011-12	2010 – 11
% Raw Material Costs	17.02	17.94
% Gross Margin	12.89	13.29
% Sales and Admin Costs	8.90	8.58
% EBITDA	7.74	8.96
Earnings per Share	10.44	10.15
Debt / Equity %	0.53	0.47

The performance of Chembond in 2011 -12 was mixed. While the Company was able to increase its turnover by 15% in a poor economy, the profits were lower. This was mainly due to aggressive investments in the future of the Company in the newer product lines for animal health, bioremediation, and in the expansion of construction chemicals and coatings. The year ended March, 2012 also saw investments in the new facilities for coatings at Dudhwada and at Ranipet, TN for construction chemicals and metal treatment.

CONSOLIDATED

The highlights of the consolidated financial performance are as follows:

(₹ in Lakhs)

Particulars	2011-12	2010 – 11	% Δ
Net Sales	22,845	20,761	10.04
Product Margin	8,361	7,934	5.38
Gross Margin	7,441	7,042	5.67
Sales & Admin Costs	5,267	4,476	17.67
EBITDA	2,609	2,975	(12.30)
PBT	2,035	2,478	(17.88)

Important Ratios

Particulars	2011-12	2010 – 11
% Raw Material Costs	36.60	38.22
% Gross Margin	32.57	33.92
% Sales and Admin Costs	23.06	21.56
% EBITDA	11.42	14.33
Earnings per Share	19.7	21.25
Debt / Equity %	0.49	0.40

On a Consolidated basis, the performance of the stand alone Company and the new businesses showed a larger impact on the results. The margins in joint ventures were also under pressure due to the slowdown in the auto and engineering sectors and the steep devaluation of the Rupee. Furthermore, Chembond has ventured into new areas in the last couple of years and the investments in man and materials have resulted in reduced profits.

PERFORMANCE OF BUSINESS AREAS

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

Construction Chemicals

During the year, your Company has further stabilized and consolidated its position in the construction chemicals field. The products and solutions offered by your Company are categorized into concrete admixtures, waterproofing, concrete repair, grout and anchor, surface treatment, joint sealant, tiling and cementitious flooring. Several new products and technologies were added into each of the product groups thereby effectively delivering product line extensions. The distribution channel was strengthened and expanded increasing the reach of your company's products.

The year also saw significant investments going into further equipping the R&D and product development laboratory, enhancing the company's visibility and in personnel. The business revenue grew by 60% during the year.

With the developments of the past year and the initiatives planned for execution in the forthcoming period, the business is adequately confident of delivering a consistently good performance.

Coatings

The Coatings division, which consists of High Performance Coatings and Floor Coatings has shown significant growth in the financial year. The Coatings division is poised to be a new growth driver for the Company with new product lines under development for the infrastructure sector and for large turnkey projects. During the year a new plant was constructed at the Company's Dudhwada site to enable capacity addition, required due to higher demand for the coatings, which will now be produced at Dudhwada and metal treatment chemicals, which will be expanded at Tarapur.

Animal Health

After launching the Chembond Animal Health Business as an independent activity, there is a steady growth in business. Several new products have been launched in the market to cater to the needs of the fast growing animal health industry. With tremendous potential and a highly skilled and trained field force, your Company is slowly emerging as the supplier of choice. The division is now a national business with a significant presence in all four regions, central India, and steps towards a presence in the neighboring countries.

Industrial Enzymes

Your Company is emerging as a fast growing Company in the fields of Textiles and Distilleries. New products for textile pretreatment and enzymatic finishing were launched. In distilleries, in addition to the existing products for grain based alcohol production, a new product for improving the production of alcohol from molasses was launched. Owing to the assets of good R&D facilities and constant product development, we are sure to reach good heights in the years to come. Chembond's diversification into the field of biotechnology also shows our concern towards nature and to bring into practice more eco-friendly and energy efficient processes.



COMMENTS ON PERFORMANCE OF JOINT VENTURES & SUBSIDIARIES

Chembond Ashland Water Technologies Ltd.

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

Henkel Chembond Surface Technologies Ltd.

Chembond has been a market leader in the metal treatment industry since the inception of the Company and today Henkel Chembond continues to use the same philosophy of innovative products and sustainable solutions, including environment friendly anti-corrosion coatings and energy-saving solutions. Henkel Chembond's facilities in Delhi, Chennai, Mumbai, Pune, and Uttaranchal are providing the industry with a broad range of products like Aquence, Bonderite, Kem Kote, Passerite, Deltaforge, P3, Multan, TecTalis and others. At Henkel Chembond, innovation drives every decision of the management. To stay ahead of the game, the Company is constantly developing new products and solutions and ensuring their fast rollout to customers. In its automotive business, more than 20 per cent of its sales are generated from products and solutions that are less than five years old.

H₂O Innovation (India) Limited

H₂O Innovation India Limited was formed in April 2010 as a joint venture between Chembond Chemicals Limited, India and H₂O Innovation Inc, Canada, to engineer, manufacture and supply state-of-the-art custom built technological solutions to in-take water treatment, process water treatment and effluent water treatment systems, all backed by complete operations & maintenance services. Media filters, Membrane based systems (Microfiltration, Ultrafiltration and Reverse Osmosis), Resin based systems and Waste water treatment systems form the technology offering of H₂O Innovation India. This business is closely aligned with our objective of providing total water management solutions.

The Financial year 2011-2012 has been extremely challenging as global economy which has been losing steam over the year 2011, has brought in lot of uncertainty over its growth prospects in 2012. Core sectors in the country which are of key importance to the business have also faced multiple challenges due to policy delays. This business environment compounded by domestic competition has compelled us to book orders at lower margins in our efforts to maintain our growth targets. The company is currently executing domestic as well as export orders.

With our endeavor to become a profitable water treatment company with operational excellence, we have embarked upon a strategic plan and a vigorous implementation plan focused around improvement in execution and operational efficiency, considering people as our most important asset is under execution.

With identified key strategic initiatives the company is well positioned to chart out its course on the growth trajectory, creating value for all its stakeholders over the medium term and more so on long term, as good business opportunities are expected to prevail in Financial Year 2012-2013.

COMPANY'S OBJECTIVES & POLICIES

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

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

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.

OPPORTUNITIES AND THREATS

The overall increase in demand for quality specialty chemicals has presented a golden opportunity to the Company to embark upon developing of new products and on expanding of the volume of its existing products. Further in the view of sluggish economic growth and inflation, the Company has been able to achieve considerable growth in its business. The Increase in input cost is certainly a matter of concern resulting in compromising our margins which was essential to be a competitive in an Industry. However, the Company is confident about the future prospects to be in a position as a leader in the business of Specialty Chemicals.

RISK AND INTERNAL CONTROL SYSTEMS

The internal control system in place throughout the Chembond Group is aimed at ensuring the effectiveness of operations. It makes an important contribution towards ensuring compliance with the laws that apply to the Chembond Group 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.

The Company engaged the services of independent firms of professionals to function as internal auditor and provide report on various activities covering observation on adequacy of internal controls and their recommendations.

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS FRONT, INCLUDING NUMBER OF PEOPLE EMPLOYED.

As on 31st March, 2012, Chembond had a total workforce of 299 across India. Compared to the previous year there was a net increase of 60. The HR team constantly strives to provide strategic support to the company's expanding business by following rational HR policies and maintaining healthy work culture. Industrial Relations continued to be harmonious throughout the year at all establishments of the Company. Suitable employee engagement initiatives were taken during the year.

Recruitment

The Company recognizes the importance of talent acquisition and the selection processes have been devised accordingly. The ratio of the candidates appearing for selection v/s finally selected candidates worked out to about 4:1.

Training and development

Prime attention was given to the development of skills of the talent pool, keeping in view the roles assigned to them. Technical, functional and soft skills training programmes were organized to help employees sharpen their competencies. Due attention was also paid to enhance the employees' knowledge and commitment to raise the standards with respect to SHE (safety, health and environment).

Compensation

Our employees receive competitive salaries and benefits. Performance driven work culture is nurtured in Chembond. In keeping with this ideology annual performance review of employees is done and the rewards by way of salary increments and variable compensation are linked with the Company's results and individual contributions/ achievements.

RESEARCH & DEVELOPMENT

Chembond is a diversified specialty chemicals company where R&D is at the core of its businesses. Chembond has well organized and equipped R&D facilities to cater to all its business segments. The main R&D centre is located at Mahape in Navi Mumbai. It consists of laboratories that enable development and application testing covering areas such as water treatment, metal treatment, biotechnology, construction, coatings as well as analytical techniques. Apart from this there are specialized R&D centres at Dudhwada, Tarapur, and Baddi which mainly cater to construction chemicals and coatings divisions. All facilities are well equipped with state of the art equipment and manned by a competent and qualified research team. All product development is based on thorough knowledge of chemistry, biology, and the environment. Chembond's objective is to offer commercially viable, effective, and environmentally friendly products and solutions to market.

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

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



The Mahape R&D facilities are certified by the Department of Scientific and Industrial Research, Ministry of Science and Technology, New Delhi. Chembond is committed to contribute towards the nations efforts, of self-reliance in science and technology. In the years ahead, our R&D and testing facilities will be further fortified by addition of new laboratories and application centre.”

OPERATIONS

The Chembond Group has manufacturing units at Tarapur, Mahape, Dudhwada, Baddi, Chennai and Balasore. The overall manufacturing capacity is 4000 MT/Month with a flexibility of wide range of product categories. Around 300 people are engaged in manufacturing of metal treatment chemicals, water treatment chemicals, coatings, construction chemicals, and biotech products. The manufacturing operations consists of production, in-bound and outbound logistics, quality control and assurance, plant engineering, HR, ADMN, IT and factory accounts. The team is energetic, vibrant and competent to understand and fulfill customer requirements. The team is also well equipped with best manufacturing practices to deliver the right quality, in the right quantity at the right time. We continuously upgrade our knowledge, skills and facilities to remain the supplier of choice in the highly competitive global market

OUTLOOK

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

FORWARD LOOKING STATEMENTS

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

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

CORPORATE GOVERNANCE

PHILOSOPHY ON CODE OF GOVERNANCE

The philosophy underlying Corporate Governance seeks to create a system of “Checks and balances” based on transparency, ensuring integrity, clarity and consistency in the dealings of the Company with all its stakeholders. Good Governance ensures that the best corporate practices are followed by a Company. Implementation of the 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 best Corporate Governance practices and endeavors continuously to implement the code of Corporate Governance in its true spirit. Your Company has made Corporate Governance a practice and a process of development right across the Company.

BOARD OF DIRECTORS

The Company is managed by a Board of Directors. The Board formulates 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 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, 2012 and details of Board Meeting and Annual General Meeting held and attendance of the Director

Name of the Directors	Designation	No. of Board Meetings attended	Attendance at last AGM	Number of out-side Director ship held (excluded alternate directorship and in private companies)	Total Number of Committee Membership held**	Total Number of Chairman Ship held**
Dr. Vinod D. Shah	Promoter & Chairman	3	Yes	5	1	-
Mr. Sameer V. Shah	Promoter, Vice Chairman & Managing Director	4	Yes	9	1	-
Mr. Ashwin R. Nagarwadia	Promoter & Non – Executive Director	3	No	4	1	-
Mr. Perviz H. Dastur	Promoter & Non – Executive Director	4	No	3	2	-
Mr. Nirmal V. Shah	Promoter & Managing Director	4	Yes	9	1	-
Mr. Mahendra K. Ghelani#	Independent & Non – Executive Director	4	No	-	1	1
Mr. Jayantilal S. Vasani	Independent & Non – Executive Director	4	Yes	-	2	1
Mr. O. P. Malhotra	Independent & Non – Executive Director	3	Yes	6	1	-
Mr. Jawahar I. Mehta	Independent & Non – Executive Director	2	Yes	1	-	-
Mr. Sushil U. Lakhani	Independent & Non – Executive Director	3	No	1	-	-

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

Mr. Mahendra K. Ghelani could not attend the Annual General Meeting due to issues in respect of his health.

During the year, Meetings of Board of Directors were held on 07th May 2011, 30th July 2011, 12th November 2011, 04th February 2012.

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 purchase or disposal of property, major provisions and write offs.

C. Details of Directors being reappointed

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

Mr. Mahendra K. Ghelani & Mr. Ashwin Nagarwadia retire by rotation at the ensuing Annual General meeting and being eligible, offer themselves for reappointment.

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

- I. Name : Mr. Mahendra K. Ghelani
Age : 67 years
Qualification : Advocate, Solicitor & Notary
- II. Name : Mr. Ashwin R. Nagarwadia
Age : 75 years
Qualification : B. E. Mechanical

D. Code of Conduct

The Board has laid down the code of conduct for all the Members of the Board and senior management of the Company. The Company has also posted the same on Company's website. All 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, 2012 is as follows

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

During the year, four meetings of the audit Committee were held - on 30th April 2011, 30th July 2011, 12th November 2011 and 04th February 2012.

The Committee has members with sound knowledge of business, accounting and law and deals with accounting matters, financial reporting and internal controls. The Audit Committee has powers and performs its role as per the guidelines set out in the amended listing agreement. The Committee monitors any proposed changes in accounting policy, accounting implications of major transactions and also closely reviews the adequacy of internal audit controls and formulates and monitors the annual audit plan. The Committee also reviews relevant sections of the Management Discussion and Analysis, and areas such as the Company's financial condition, related party transactions, management letter, internal audit reports, matters related to appointment of internal and statutory auditors of the Company, and the financial statements of subsidiary Companies.

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

B. REMUNERATION COMMITTEE

The constitution of the Remuneration Committee as of 31st March, 2012 is as follows

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

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

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

C. SHARE TRANSFER COMMITTEE

The constitution of Share Transfer Committee as of 31st March, 2012 is as follows

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

The Committee deals with matter relating to transfer / transmission of Shares, issue of duplicate share certificates, review of shares dematerialized. 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 21 shareholders' complaints of which 21 were resolved during the year.

D. EXECUTIVE COMMITTEE

The constitution of Executive Committee as of 31st March, 2012 is as follows

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

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

III. SUBSIDIARY COMPANIES

- The Company has three subsidiaries namely Chembond Ashland Water Technologies Limited, Protochem Industries Private Limited and H₂O Innovation India Limited. One Independent Director of Chembond is on the board of each subsidiary - Mr. O. P. Malhotra on the Board of Chembond Ashland Water Technologies Limited, Mr. Mahendra K. Ghelani on the Board of Protochem Industries Private Limited and Mr. Sushil U. Lakhani on the

Board of 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 (₹)
Dr. Vinod D. Shah	Chairman	3,600,000.00
Mr. Sameer V. Shah	Vice Chairman & Managing Director	3,000,000.00
Mr. Nirmal V. Shah	Managing Director	3,000,000.00

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

ii) Sitting fees paid to Non Executive Directors :

The details of sitting fees paid to Non Executive Directors for the year ended 31st March, 2012 are as specified below.

Name	Amount (₹)	No. of Shares held as of 31 st March, 2012
Mr. Perviz Dastur	100,000	134,060
Mr. Ashwin Nagarwadia	350,000	340,932
Mr. Jayantilal Vasani	50,000	17,500
Mr. Mahendra Ghelani	125,000	4,500
Mr. Jawahar I. Mehta	50,000	1,200
Mr. O. P. Malhotra	50,000	-
Mr. Sushil Lakhani	100,000	-

- The Company remunerates to non executive Directors as per in terms of provisions of the Companies Act, 1956.
- The Company remunerates to non executive Directors as per in terms of provisions of the Companies Act, 1956.

V. OTHER SHAREHOLDERS COMPLIANCES:

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

VI. CEO/ CFO CERTIFICATION:

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

VII. GENERAL BODY MEETINGS:

Details of general body meetings held in last 3 years

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

Year	AGM / EGM	LOCATION	DATE	TIME	SPECIAL RESOLUTION PASSED
2010	AGM	EL-37, Chembond Centre, Mahape, MIDC, Navi Mumbai 400 710.	18.09.2010	3.00 p.m.	YES
2011	AGM	EL-37, Chembond Centre, Mahape, MIDC, Navi Mumbai 400 710.	10.09.2011	3.00 p.m.	YES

VIII. DISCLOSURES:

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

IX. GENERAL

SHAREHOLDERS

INFORMATION:

1. Date, Time & Venue of Annual General Meeting. 8th September, 2012 at 3.00 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 2012-2013 (tentative & subject to change) Financial Reporting for the quarter ending

30.06.2012	28 th July, 2012
30.09.2012	By Mid of November 2012
31.12.2012	By Mid of February 2012
31.03.2013	By end of May 2013
4. Date of Book Closure 24th August, 2012 to 8th September, 2012 (Both days inclusive)
5. Dividend Payment date On or after 8th September, 2012
6. Listing on Stock Exchange Bombay Stock Exchange Limited
7. Stock Code 530871
8. Market Price data

Month	High	Low
April 2011	208.70	165.05
May 2011	207.70	178.00
June 2011	209.70	185.00
July 2011	201.00	177.00
August 2011	210.00	169.00
September 2011	197.75	170.00
October 2011	208.00	170.00
November 2011	198.80	164.50
December 2011	179.00	132.00
January 2012	188.05	148.00
February 2012	209.00	178.00
March 2012	213.90	173.50



9. Registrar and Transfer Agent

TSR Darashaw Limited
6-10, Haji Moosa Patrawala Indl. Estate,
20, Dr. E Moses Road,
Mahalaxmi, Mumbai – 400 011.
Tel: 022 – 6656 8484
Fax: 022 – 6656 8494
E-mail : csg-unit@tsrdarashaw.com
Web : www.tsrdarashaw.com

10. Share Transfer System

Share transfer activities are carried out by Registrar and transfer Agent and shares are transferred within stipulated time period.

11. Distribution of shareholding

No. of Equity Shares Held	No. of Share-holders	% of Share-holders	Share amount	% of Shareholding
Upto 5000	1253	94.21	506,079	7.96
5001 - 10000	19	1.43	136,807	2.15
10001 - 20000	17	1.28	234,716	3.69
20001 - 30000	9	0.68	218,789	3.44
30001 - 40000	2	0.15	63,252	0.9 9
40001 - 50000	5	0.37	227,524	3.58
50001 - 100000	11	0.83	790,350	12.43
100001 & above	14	1.05	4,182,895	65.76
Total	1330	100.00	6,360,412	100.00

12. Dematerialization of share and liquidity

As of 31st March, 2012, out of total shareholding 6001580 shares are held in Demat form. The shares of the Company are actively traded on Bombay Stock Exchange Limited.

13. Details about the ADR/ GDR

The Company has not issued any ADR/GDRs.

14. Plant Locations

- 1) Plot E-6/3 & 6/4, MIDC Tarapur, Dist. Thane, Maharashtra.
- 2) T/129, MIDC Tarapur, Maharashtra.
- 3) Khasara 177/2, Post Manpura Tehsil Nalagarh, Village Theda, Himachal Pradesh.
- 4) Near Remaha Golai, Rajesh Chemicals, Balasore.
- 5) 5/5, 5/6B, Avadi Main Road, Sanneerkuppam, Poonamallee, Chennai.
- 6) 404/B-01, Dudhwada, Dist. Vadodara, Gujarat.

15. Address of Correspondence

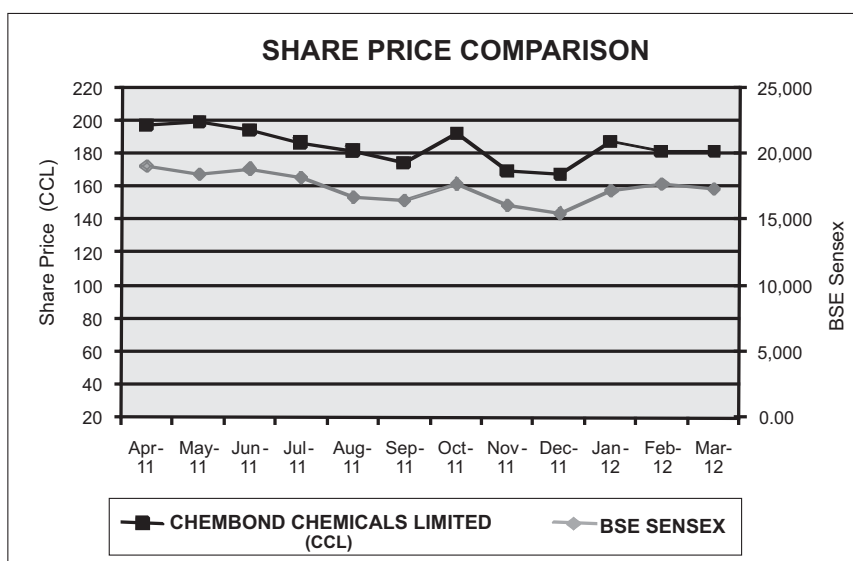
Chembond Chemicals Limited
Chembond Centre, Plot no. EL-71,
MIDC, Mahape,
Navi Mumbai 400 710.
Tel : 022 – 3921 3000 / 01 / 02
Fax : 022 – 2768 1294

16. Category of Shareholding as of 31st March, 2012

Category	No. of Shares	% of total shares
Promoters & their relatives	4,251,314	66.84
Banks/ FIs/Insurance Co. (Central/ State Govt./ Non- Govt. Institutions)	23,800	0.37
Corporate Bodies	521,820	8.20
NRIs/OCBs	82,433	1.30
Indian Public	1,481,045	23.29
Total	6,360,412	100

17. Share Price Performance in Comparison with BSE Sensex.

MONTH	CHEMBOND CHEMICALS LIMITED	BSE SENSEX
April 2011	198.05	19,135.96
May 2011	199.95	18,503.28
June 2011	195.00	18,845.87
July 2011	186.45	18,197.20
August 2011	181.75	16,676.75
September 2011	175.10	16,453.76
October 2011	193.00	17,705.01
November 2011	170.00	16,123.46
December 2011	168.00	15,454.92
January 2012	188.00	17,193.55
February 2012	182.00	17,752.68
March 2012	182.00	17,404.20





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, 2012 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

Place: Mumbai
Dated: 28th July, 2012

AUDITOR'S REPORT

To,

**The Members of
Chembond Chemicals Ltd.,**

1. We have audited the attached Balance Sheet of Chembond Chemicals Ltd., as at 31st March, 2012, the Profit and Loss account and the Cash Flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (the 'Order') issued by the Central Government of India in the terms of sub-section (4A) of section 227 of the Companies Act, 1956 (the 'Act'), we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - I. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - II. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - III. The Balance Sheet, Profit and Loss account and Cash Flow statement dealt with by this report are in agreement with the books of account;
 - IV. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - V. On the basis of written representations received from the directors of the Company and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2012 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - VI. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the balance sheet, of the state of affairs of the Company as at 31st March, 2012,
 - (b) in the case of the profit and loss account, of the profit for the year ended on that date; and
 - (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

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

Dhiren P.Talati
Partner
Membership No.: F/41867
Place: Mumbai
Dated: 28th July, 2012

Annexure referred to in paragraph "3" of the Auditors report to the members of Chembond Chemicals Ltd. on the accounts for the year ended 31st March, 2012.

- i. (a) The Company has generally maintained accounting records showing certain particulars in respect of quantitative details and situation of fixed assets.
- (b) During the year the Management had carried out physical verification of these assets at regular interval and we have been informed that no material discrepancies were noticed on such verification as compared to the available records. In our opinion, the frequency of physical verification of Assets is reasonable having regard to the size of the Company and the nature of its Fixed Assets.
- (c) During the year, the Company has not disposed off any substantial part of the fixed assets.
- ii. (a) As explained to us, the inventory of the Company has been physically verified by the Management and in our opinion the frequency of verification is reasonable.
- (b) In our opinion, and according to the information & explanations given to us the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) In our opinion, the Company is maintaining proper records of inventory. As per the information and explanations provided to us and having regard to the size of the operations of the Company, no material discrepancies have been noticed on physical verification of inventory as compared to book records.
- iii. (a) The Company has granted an unsecured loan to a subsidiary company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs 32.29 lakhs and the year end balance of the loan given is Rs 32.29 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.
- (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 10 companies/ individuals covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.465.23 lakhs and the year-end balance of loans taken from such parties was Rs. 465.23 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.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of sales tax, service tax, customs duty and excise duty were in arrears as at 31.03.2012 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, there are no dues of income tax, sales tax, service tax, customs duty and excise duty which have not been deposited on account of any dispute except as follows :

Nature of Dues	Amount (Rs in lakhs)	Period for which the amount relate	Forum where the dispute is pending
Income tax	1.35	2006-07	CIT (Appeals)

- x. The Company does not have any accumulated losses as at the balance sheet date and the Company has not incurred any cash losses during the financial year ended on that date or in the immediately preceding financial year.
- xi. According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank as at the balance sheet date.
- xii. We are informed that the Company has not granted any loans and advances on the basis of security by way of Pledge of shares, debentures and other securities. Accordingly the provisions of clause 4(xii) of the Order are not applicable to the Company.
- xiii. The Company is not a chit fund or a nidhi/mutual benefit fund/society. Accordingly the provisions of clause 4(xiii) of the Order are not applicable to the Company.
- xiv. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments. Accordingly the provisions of clause 4(xiv) of the Order are not applicable to the Company.
- xv. In our opinion, the terms and conditions on which the Company has given guarantees for loans taken by others from banks are not prejudicial to the interest of the Company.
- xvi. In our opinion and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purpose for which they were obtained.
- xvii. According to the information and explanations given to us and on an overall examination of the balance sheet and the cash flow statement of the Company, in our opinion no funds raised on short-term basis have been used for long-term investment.
- xviii. According to the information and explanations given to us, during the year, the Company has not made any preferential allotment of shares to parties or companies covered in the Register maintained under section 301 of the Act. Accordingly the provisions of clause 4(xviii) of the Order are not applicable to the Company.
- xix. According to the information and explanations given to us, during the year, the Company has not issued any debentures. Accordingly the provisions of clause 4(xix) of the Order are not applicable to the Company.
- xx. According to the information and explanations given to us, during the year the Company has not raised any money by way of public issues. Accordingly the provisions of clause 4(xx) of the Order are not applicable to the Company.
- xxi. According to the information and explanations given to us, no material fraud on or by the Company has been noticed or reported during the year.

For M/s Kastury & Talati

Chartered Accountants

Firm Registration No 104908W

Dhiren P. Talati

Partner

Membership No.: F/41867

Place: Mumbai

Dated: 28th July, 2012



Chembond Chemicals Ltd.

Balance Sheet as at 31st March 2012

	Notes	As at 31/3/2012 (₹ In lakhs)	As at 31/3/2011 (₹ In lakhs)
EQUITY AND LIABILITIES			
Shareholder's Funds			
Share Capital	1	636.04	636.04
Reserves and Surplus	2	3,341.03	2,804.08
		3,977.07	3,440.12
Convertible Warrants money pending allotment	3	137.98	-
		4,115.05	3,440.12
Non-Current Liabilities			
Long-Term Borrowings	4	935.16	844.46
Deferred Tax Liabilities (Net)	5	252.67	219.85
Long-Term Provisions	6	78.22	61.42
		1,266.05	1,125.73
Current Liabilities			
Short-Term Borrowings	7	799.01	457.35
Trade Payables	8	2,615.61	2,032.91
Other Current Liabilities	9	786.01	594.92
Short-Term Provisions	10	149.47	159.47
		4,350.10	3,244.65
Total		9,731.20	7,810.50
ASSETS			
Non-Current Assets			
Fixed Assets			
Tangible Assets	11	2,791.88	2,059.08
Intangible Assets	11	89.84	55.16
Capital Work-in-Progress	11	503.50	26.60
		3,385.22	2,140.84
Non Current Investments	12	1,437.74	1,384.45
Long Term Loans & Advances	13	106.75	59.24
		1,544.49	1,443.69
Current assets			
Current Investment	14	0.51	0.48
Inventories	15	2,153.00	1,779.98
Trade Receivables	16	2,247.76	2,291.30
Cash and Cash Equivalents	17	304.57	64.73
Short Term Loans and Advances	18	95.65	89.48
		4,801.49	4,225.97
Total		9,731.20	7,810.50
Notes on Financial Statements and Significant Accounting Policies	1-39		

As per our attached report of even date

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

Dhiren P. Talati
Partner
Membership No. F/41867
Mumbai, 28th July, 2012

For and on behalf of the Board of Directors

Dr. Vinod D. Shah
Executive Chairman

Sameer V. Shah
Vice Chairman
& Managing Director

Nirmal V. Shah
Managing Director

Omkar Mhamunkar
Company Secretary
Mumbai, 28th July, 2012

Mahendra K. Ghelani
Director

Perviz H. Dastur
Director

Chembond Chemicals Ltd.

Statement of Profit And Loss for the year ended 31st March 2012

	Notes	2011-2012 (₹ In lakhs)	2010-2011 (₹ In lakhs)
INCOME			
Revenue from operations	19	15,197.21	13,224.47
Other income	20	570.43	561.09
Total Revenue		15,767.64	13,785.56
EXPENDITURE			
Cost of materials consumed	21	11,471.59	9,964.42
Purchases of stock-in-trade		1,171.13	896.18
Changes in inventories of finished goods, work-in-progress and traded goods	22	(31.27)	(8.25)
Employee benefits expense	23	1,010.81	783.55
Finance costs	24	237.81	250.10
Depreciation and amortization expense	25	138.53	118.75
Other expenses	26	968.00	965.06
Total Expenses		14,966.60	12,969.81
Profit Befor Taxes		801.04	815.75
Tax Expenses			
Current Tax		103.98	144.54
Deferred Tax		32.82	25.71
Profit for the Year		664.24	645.50
Earning Per Equity Share of Face Value of ₹ 10 each			
Basic & Diluted (in ₹)		10.44	10.15
Notes on Financial Statements and Significant Accounting Policies	1-39		

As per our attached report of even date

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

Dhiren P. Talati
Partner
Membership No. F/41867
Mumbai, 28th July, 2012

For and on behalf of the Board of Directors

Dr. Vinod D. Shah
Executive Chairman

Sameer V. Shah
Vice Chairman
& Managing Director

Nirmal V. Shah
Managing Director

Omkar Mhamunkar
Company Secretary
Mumbai, 28th July, 2012

Mahendra K. Ghelani
Director

Perviz H. Dastur
Director



Chembond Chemicals Ltd.
Cash Flow Statement for the year ended 31st March 2012

(₹ In Lakhs)

	2011-2012	2010-2011
A Cash Flow from Operating Activities		
Net Profit before tax and extraordinary items	801.04	815.75
Adjustments for :		
Depreciation	136.64	116.86
Loss on Sale of Fixed Asset	3.73	1.33
Financial Charges	236.98	249.84
	377.35	368.03
Less :		
Foreign Exchange Fluctuation	0.83	13.36
Dividend Received	358.03	296.22
	18.49	58.44
Operating Profit before working capital changes	819.53	874.19
Adjustments for :		
Trade and Other Receivables	(1.35)	198.22
Inventories	(370.31)	(187.89)
Trade and Other Payables	790.87	(42.80)
	419.21	(32.47)
Cash generated from operations	1,238.74	841.72
Direct Tax paid	(113.58)	(156.29)
Net Cash from Operating Activities (A)	1,125.16	685.43
B Cash Flow from Investing Activities		
Purchase of Fixed Assets	(1,386.90)	(167.64)
Sale of Fixed Asset	0.26	2.84
Purchase of Investment	(53.32)	(50.40)
Sale of Investment		-
Net Cash used in Investing Activities (B)	(1,439.96)	(215.20)
C Cash Flow from Financing Activities		
Proceeds from Short Term Borrowings	341.67	(163.38)
Proceeds from Convertible warrant advances	137.98	-
Dividend paid	(136.75)	(111.30)
Tax on dividend paid	-	(0.22)
Dividend received	358.03	296.22
Proceeds from Long Term Borrowings	90.70	(268.07)
Interest paid	(236.98)	(249.84)
Net Cash from Financing Activities (C)	554.65	(496.59)
Net (Decrease)/Increase in Cash & Cash Activities (A+B+C)	239.85	(26.36)
Cash and Bank Balances as on 31.3.2011	64.73	91.09
Cash and Bank Balances as on 31.3.2012	304.57	64.73

As per our attached report of even date

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

Dhiren P. Talati
Partner
Membership No. F/41867
Mumbai, 28th July, 2012

For and on behalf of the Board of Directors

Dr. Vinod D. Shah
Executive Chairman

Sameer V. Shah
Vice Chairman
& Managing Director

Nirmal V. Shah
Managing Director

Omkar Mhamunkar
Company Secretary
Mumbai, 28th July, 2012

Mahendra K. Ghelani
Director

Perviz H. Dastur
Director

Notes on Financial Statements for the year ended 31st March, 2012

1 SHARE CAPITAL

Authorised

1,00,00,000 (1,00,00,000) Equity Shares of ₹ 10/- each

Issued, Subscribed and Paid up

63,60,412 (63,60,412) Equity Shares of ₹ 10/- each fully paid up

	As at 31/3/2012 (₹ In lakhs)	As at 31/3/2011 (₹ In lakhs)
	1,000.00	1,000.00
	636.04	636.04
Total	636.04	636.04

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

- i 1,90,206 (1,90,206) Equity Shares of ₹ 10/- each have been issued for consideration other than cash
- ii 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 31/3/2012		As at 31/3/2011	
	No of Shares	% held	No of Shares	% held
Dr. Vinod D. Shah	9,04,847	14.23	9,01,817	14.18
Padma V. Shah	7,47,360	11.75	7,47,360	11.75
Visan Holding & Financial Services Pvt. Ltd	4,75,121	7.47	4,69,271	7.38
Ajay Sheth	3,43,144	5.39	3,43,144	5.39
Quest Investment Advisors Pvt. Ltd	3,42,492	5.38	3,21,510	5.05
Ashwin R. Nagarwadia	3,40,932	5.36	3,40,932	5.36

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.

2 RESERVES AND SURPLUS

Revaluation Reserve

As per last year

Less : Transfer to Profit & Loss A/c.

	As at 31/3/2012 (₹ In lakhs)	As at 31/3/2011 (₹ In lakhs)
	59.71	61.60
	1.89	1.89
	57.82	59.71
General Reserve		
As per last year	430.05	365.05
Add: Transfer from Profit & Loss A/c.	70.00	65.00
	500.05	430.05

Notes on Financial Statements for the year ended 31st March, 2012

	As at 31/3/2012 (₹ In lakhs)	As at 31/3/2011 (₹ In lakhs)
Profit and Loss Account		
As per last year	2,314.32	1,872.59
Add: Profit for the Year	664.24	645.50
Add: Transfer from Revaluation Reserve	1.89	1.89
	2,980.45	2,519.98
Less: Appropriations		
Transferred to General Reserve	70.00	65.00
Set off of Dividend Tax in respect of Dividend from Subsidiary Company	(22.18)	(18.27)
Proposed Dividend	149.47	136.75
Tax on Proposed Dividend	-	22.18
	2,783.16	2,314.32
	3,341.03	2,804.08

- 3 The company had received "In Principle" approval from the Bombay Stock Exchange (BSE) for issue of 3,00,000 Convertible Warrants on preferential basis to company's promoters & promoter group, at a price of ₹ 183.97 per warrant, aggregating ₹ 551.91 Lakhs. Each warrant is convertible into one equity share of ₹ 10 each within 18 months from the date of allotment of warrants. The approval from BSE was received on 7th May, 2012 and the allotment made on 12th May, 2012. As per the SEBI ICDR Regulation, 2009, 25% of the amount called for pending allotment and received as on 31st March, 2012 aggregating ₹ 137.98 Lakhs has been shown as "Convertible warrants money pending allotment".

4 LONG TERM BORROWINGS

	As at 31/3/2012 (₹ In lakhs)		As at 31/3/2011 (₹ In lakhs)	
	Non Current	Current	Non Current	Current
Secured				
Term Loan from Banks	419.82	404.33	424.93	324.33
	419.82	404.33	424.93	324.33
Unsecured				
Loans from Related Parties	466.26		398.48	
Loans from Others	49.08		21.05	
	515.34	-	419.53	-
Total	935.16	404.33	844.46	324.33

- a Term Loan from Banks are secured by Equitable Mort gage 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	Beyond 4 Years
Term Loan from Banks	179.82	80.00	80.00	80.00

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

	1-2 years	2-3 years
Loans from Related Parties	319.61	146.65
Loans from Others	NIL	49.08

Notes on Financial Statements for the year ended 31st March, 2012

5 DEFERRED TAX LIABILITY (NET)

	As at 31/3/2012 (₹ In lakhs)	As at 31/3/2011 (₹ In lakhs)
Deferred tax Liability		
Depreciation	286.50	243.53
Deferred tax Asset		
Gratuity	25.38	19.93
Leave Encashment	-	0.18
Provision for Doubtful Debts	8.45	3.57
	33.83	23.68
Net Deferred Tax Liability	Total 252.67	219.85

6 LONG TERM PROVISION

Provision for Gratuity	78.22	61.42
Total	78.22	61.42

7 SHORT TERM BORROWINGS

Secured		
Over Draft Facilities	315.18	408.00
Working Capital Loan	-	38.59
Unsecured		
Working Capital Loan	473.07	-
Deferred Sales Tax Liability	10.76	10.76
Total	799.01	457.35

a Over Draft Facility are Secured against Fixed Deposit of Subsidiary Company Protochem Industries Pvt. Ltd.

b Deferred Sales Tax liability is repayable in the year 2012-13.

8 TRADE PAYABLES

Micro, Small and Medium Enterprises	42.69	48.12
Others	2,572.92	1,984.79
Total	2,615.61	2,032.91

a For Related party transactions Refer Note No.33

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	42.69	48.12
Interest accrued and due to suppliers under MSMED Act, 2006 on the above amount	2.78	2.90
Payment made to suppliers (other than interest) beyond the appointed day, during the year	176.01	217.28
Interest paid to suppliers under MSMED Act, 2006 (other than section 16)	2.90	2.67
Interest paid to suppliers under MSMED Act, 2006 (Section 16)	NIL	NIL
Interest due and payable to suppliers under MSMED Act, 2006 for payments already made	2.78	2.90
Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act, 2006	2.78	2.90

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.

c The Company is a recommended supplier under the Supplier Financing Services rendered by Deutsche Bank to Henkel Chembond Surface Technologies Ltd., the Joint Venture Company. The Company has assigned claims against supplies

Notes on Financial Statements for the year ended 31st March, 2012

as on 31.3.2012 aggregating ₹ 1936.07 lakhs (₹ 995.59 lakhs as on 31.3.2011) to Deutsche Bank and the amount realised has been credited to the account of Henkel Chembond Surface Technologies Ltd.

9 OTHER CURRENT LIABILITIES

	As at 31/3/2012 (₹ In lakhs)	As at 31/3/2011 (₹ In lakhs)
Current Maturities of Long Term Debt	404.33	324.33
Other Payables	343.87	261.87
Creditors for Capital Expenditure	34.70	5.76
Unclaimed Dividend *	3.11	2.96
Total	786.01	594.92

* Not due for Deposit to Investor Education and Protection Fund

10 SHORT-TERM PROVISIONS

Provision for Leave Encashment	-	0.54
Proposed dividend	149.47	136.75
Tax on proposed dividend	-	22.18
Total	149.47	159.47

11 FIXED ASSETS

(₹ In lakhs)

	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
Description	As at 1.04.2011	Additions	Deductions	As at 31.03.2012	As at 1.04.2011	Additions	Deductions	As at 31.03.2012	As at 31.03.2012	As at 31.03.2011
Tangible Assets										
Leasehold Land	61.71	-	-	61.71	-	-	-	-	61.71	61.71
Freehold Land	83.84	-	-	83.84	-	-	-	-	83.84	83.84
Buildings	1138.09	642.91	-	1781.00	161.58	40.21	-	201.79	1579.20	976.51
Equipment & Machinery	944.31	78.06	1.88	1020.49	216.44	45.12	0.18	261.38	759.11	727.87
Computers	143.50	27.96	-	171.46	88.76	17.45	-	106.21	65.25	54.74
Furniture & Fixtures	93.20	44.37	-	137.57	36.65	5.88	-	42.53	95.04	56.56
Motor Cars	35.44	36.80	5.65	66.59	22.96	1.73	3.36	21.33	45.26	12.48
Electric Fittings & Installations	111.16	22.98	-	134.14	25.79	5.88	-	31.67	102.47	85.37
Sub- total	2611.25	853.08	7.53	3456.80	552.18	116.27	3.54	664.91	2791.88	2059.08
Intangible Assets										
Computer Software	119.11	56.94	-	176.05	63.95	22.26	-	86.21	89.84	55.16
Sub-total	119.11	56.94	-	176.05	63.95	22.26	-	86.21	89.84	55.16
Total	2730.36	910.02	7.53	3632.85	616.13	138.53	3.54	751.12	2881.72	2114.24
Previous Year	2588.25	148.76	6.65	2730.36	499.84	118.75	2.47	616.11	2114.24	-
Capital Work in Progress									503.50	26.60

- 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.

Notes on Financial Statements for the year ended 31st March, 2012

12 NON-CURRENT INVESTMENTS

	As at 31/3/2012 (₹ In lakhs)	As at 31/3/2011 (₹ In lakhs)
LONG TERM INVESTMENT IN SHARES		
<u>UNQUOTED</u>		
<u>INVESTMENT IN SUBSIDIARY</u>		
2,74,995(2,74,995) Equity Shares of Chembond Ashland Water Technologies Ltd of ₹10/- each fully paid up. (Constituting 54.99% of the said Company's paid up capital)	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 % of the said Company's paid up capital)	1,052.25	1,052.25
10,36,695(5,03,812) Equity Shares of H2O Innovation India Ltd. of ₹10/- each fully paid up (Constituting 51% of the said Company's paid up capital)	103.67	50.38
<u>INVESTMENT IN JOINT VENTURE</u>		
4,89,930 (4,89,930) Equity Shares of Henkel Chembond Surface Technologies Ltd. of ₹ 10/- each fully paid up. (Constituting 48.99% of the said Company's paid up capital)	48.99	48.99
<u>INVESTMENT IN ASSOCIATES</u>		
2,35,000 (2,35,000) Equity Shares of Chembond Distribution Ltd. of Re 1/- each fully paid up. (Constituting 47 % 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 Re 1/- each fully paid up. (Constituting 49 % 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	1,437.74	1,384.45

- a. In respect of the Companies subsidiary-H2O Innovation India Ltd and Associates, Chembond Distribution Ltd. the net worth has eroded. The Management is of the view that this erosion is temporary. No Provision has therefore been made for diminution in the value of these investments aggregating ₹127.17 Lakhs.

13 LONG TERM LOANS AND ADVANCES

(Unsecured & considered good & subject to confirmation)

Loan & Advance to Related Parties	32.29	-
Income Tax (Net of Provision)	35.40	26.62
Fringe Benefit Tax	3.14	3.14
Other Deposits	35.92	29.48
Total	106.75	59.24

Notes on Financial Statements for the year ended 31st March, 2012

14 CURRENT INVESTMENTS

INVESTMENTS IN MUTUAL FUNDS - UNQUOTED

3369.027 (3147.673) Units of Reliance Mutual Fund (Liquid Fund Treasury Plan) Face value of ₹10/- each (Additional units have been received on account of dividend)

As at 31/3/2012 (₹ In lakhs)	As at 31/3/2011 (₹ In lakhs)
0.51	0.48
Total	0.51

15 INVENTORIES

(As per inventory taken, valued and certified by the Management)

Raw Material (at cost)	1,357.90	1,004.42
Packing Material (at cost)	100.69	67.74
Finished Goods (at cost)	461.90	380.71
Stock-in-Trade (at cost)	214.50	264.43
Stock in Transit	18.01	62.68
Total	2,153.00	1,779.98

16 TRADE RECEIVABLES

(Unsecured)

OUTSTANDING FOR MORE THAN 6 MONTHS

Considered Doubtful	26.04	11.00
Considered Good	383.34	242.86
	409.38	253.86

OTHER DEBTS (CONSIDERED GOOD)

	1,864.42	2,048.44
	2,273.80	2,302.30
Less : Provision for Doubtful Debts	26.04	11.00

Total	2,247.76	2,291.30
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For Related party transactions Refer Note No.33

17 CASH AND CASH EQUIVALENTS

Cash on hand	1.66	1.66
Bank balances		
In Current Accounts	258.93	22.29
Other Bank balances*	43.98	40.78
Total	304.57	64.73

* Other Bank balances includes deposits of ₹ 8.00 Lakhs (Previous year ₹ Nil) with maturity of more than 12 months.

18 SHORT TERM LOANS AND ADVANCES

(Unsecured & considered good & subject to confirmation)

Other Loans & Advances	5.69	8.92
Deposit - Excise	37.17	34.67
Other Deposits	32.66	31.20
Prepaid expenses	20.14	14.69
Total	95.65	89.48

Notes on Financial Statements for the year ended 31st March, 2012

19 REVENUE FROM OPERATIONS

	2011-2012 (₹ In lakhs)	2010-2011 (₹ In lakhs)
Sales	16,881.16	14,679.35
Less Excise Duty	1,683.95	1,454.88
Net Sales	15,197.21	13,224.47

20 OTHER INCOME

Dividend from Subsidiary Company-Chembond Ashland Water Technologies Ltd.	137.50	110.00
Dividend from Joint Venture Company-Henkel Chembond Surface Technologies Ltd.	220.50	186.20
Dividend from Mutual Fund	0.03	0.02
	358.03	296.22
Gross Interest {(TDS ₹ 0.33 lakhs) ₹ 0.26 lakhs}	8.33	7.47
Gross Rental Income {(TDS ₹ 2.29 lakhs) ₹ 1.29 lakhs}	22.00	12.75
Services Charges (From Related Parties)	133.01	164.05
Provision for Doubtful Debt (No longer required)	-	7.09
Miscellaneous Income	10.48	8.54
Technical Services Income	38.58	64.97
Total	570.43	561.09

21 COST OF MATERIALS CONSUMED

Raw Materials		
Acids	1,349.47	1,366.21
Oil & Solvent, Alkalies	992.78	759.17
Others	8,208.63	7,116.07
	10,550.88	9,241.45
Packing Material	920.71	722.97
Total	11,471.59	9,964.42

a Break-up of Raw Material Consumed

	2011-2012 (₹ In lakhs)	% of consumption	2010-2011 (₹ In lakhs)	% of consumption
Imported	1,340.21	12.70	1,337.58	14.47
Indigenous	9,210.67	87.30	7,903.87	85.53
Total	10,550.88	100.00	9,241.45	100.00

22 CHANGES IN INVENTORY OF FINISHED GOODS, WORK IN PROGRESS AND TRADED GOODS

	2011-2012 (₹ In lakhs)	2010-2011 (₹ In lakhs)
Finished products & Stock in Trade (at close)	676.40	645.13
Finished products & Stock in Trade (at commencement)	645.13	636.88
Total	(31.27)	(8.25)

Notes on Financial Statements for the year ended 31st March, 2012

23 EMPLOYEE BENEFIT EXPENSES

	2011-2012 (₹ In lakhs)	2010-2011 (₹ In lakhs)
Director Remuneration	103.50	90.99
Salaries & Wages	785.91	599.32
Contribution to Provident & other funds	73.33	54.57
Staff Welfare Expenses	48.07	38.67
Total	1,010.81	783.55

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

Projected Benefit Obligation at the beginning of the year	112.61	106.09
Service Cost	10.09	7.91
Interest Cost	9.29	8.75
Acturial Losses/(Gains)	9.04	0.13
Benefits paid	(2.34)	(10.27)
Projected Benefit Obligation at the end of the year	138.69	112.61
Change in Plan Assets		
Fair Value of plan assets at the beginning of the year	51.19	50.11
Expected Returns on Plan assets	4.77	4.32
Employer's Contribution	6.85	7.01
Benefits paid	(2.34)	(10.27)
Acturial Gain/(Loss)	-	-
Fair Value of plan assets at the end of the year	60.47	51.17
Cost of Defined Benefit Plan for the year		
Current Service Cost	10.09	7.90
Interest on Obligation	9.29	8.75
Expected Return on Plan Assets	(4.77)	(4.33)
Net Acturial Losses/(Gains) recognised in the year	9.04	0.13
Net Cost recognised in the Profit & Loss Account	23.65	12.45
Assumptions		
Discount Rate	8.75%	8.25%
Future Salary Increase	5%	4%
Withdrawal Rates	1%	1%

The Management has relied on the overall acturial 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 FINANCIAL CHARGES

Interest expenses	218.81	232.30
Bank Guarantee fees & charges	18.17	17.54
Interest on Income Tax	0.83	0.26
Total	237.81	250.10

25 DEPRECIATION & AMORTISATION EXPENSES

	2011-2012 (₹ In lakhs)	2010-2011 (₹ In lakhs)
Depreciation & Amortisation Expenses	138.53	118.75
Total	138.53	118.75

Notes on Financial Statements for the year ended 31st March, 2012

26 OTHER EXPENSES

MANUFACTURING EXPENSES

Consumable stores	25.37	20.62
Octroi	1.94	2.52
Power, fuel & water charges	60.26	56.03
Research and development	45.55	19.55
Repairs and Renewals to Plant & Machinery	13.86	4.10
Godown rent	20.71	18.29
Labour charges	148.07	130.86
Security expenses	27.54	22.90
Factory maintenance	29.80	23.87
Technical service charges	1.50	-
PTC Compensation Expenses (see note 'a' below)	27.53	90.35
WTC Compensation Expenses (see note 'b' below)	18.56	25.97
Enzymes Compensation Expenses (see note 'c' below)	17.05	3.43

A **437.74** 418.49

ADMINISTRATIVE EXPENSES

Director's Sitting fees	8.25	8.25
Rates & taxes	9.70	7.47
Electricity charges	34.97	29.69
Printing and stationary	20.43	16.41
Telephone & Postage expenses	39.22	32.10
Insurance	17.61	10.55
Motor car expenses	9.03	6.62
Auditors Remuneration	2.70	2.05
Legal, Professional & consultancy fees	63.41	91.07
Repairs & Maintenance Buildings	3.42	3.70
Repairs & Maintenance Others	81.51	58.61
Miscellaneous expenses	49.44	46.66
Donation	-	12.53
Sales Tax & Other Taxes	2.59	3.89
Loss on Sale of Fixed Asset	3.73	1.33
Provision for Doubtful Debts	15.04	6.65
Input Service Tax Disallowed	12.66	-
Foreign Exchange Fluctuation Loss	(4.26)	13.36
Bad Debts Written Off	8.76	68.27

B **378.21** 419.21

2011-2012 2010-2011
(₹ In lakhs) **(₹ In lakhs)**

SELLING AND DISTRIBUTION EXPENSES

Carriage outwards	96.49	77.43
Rent	18.74	15.67
Commission on sales	33.26	33.48

Notes on Financial Statements for the year ended 31st March, 2012

Travelling expenses	115.78	98.20
Conveyance expenses	28.85	27.01
Royalty expenses	33.70	26.75
Advertising & Publicity expenses	9.31	4.65
Warehousing charges	-	0.51
Packing expenses	9.91	7.78
Sales Promotion expenses	37.71	39.64
C	383.75	331.12
(A+B+C)	1,199.70	1,168.82
LESS : Tolling & Reimbursement of expenses	231.70	203.76
Total	968.00	965.06

- a As per the terms of the Joint Venture agreement with Henkel KGA, Germany, the Pre Treatment Chemicals (PTC) business of Chembond Chemicals Ltd. has been merged with the joint venture Henkel Chembond Surface Technologies Ltd "PTC compensation expenses" aggregating ₹ 27.53 lakhs (Previous year ₹ 90.35 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. "WTC compensation expenses" aggregating ₹ 18.56 lakhs (Previous year ₹ 25.97 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 Habio Bioengineering Co. Ltd. "Enzyme compensation expenses" aggregating ₹ 17.05 lakhs (Previous year ₹ 3.43 lakhs) included in manufacturing expenses represents transfer by overriding title to Chembond Habio Bioengineering Co. Ltd. the income arising on account of the said Enzyme Chemical business that arose in Chembond Chemicals Ltd.

d Auditor's Remuneration

Statutory Audit Fees	1.85	1.10
Tax Audit Fees	0.70	0.70
Taxation and Other Matters	0.15	0.25
Total	2.70	2.05

e 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 31/03/2012 (₹ In lakhs)	Total Minimum Lease Payment Outstanding as on 31/03/2011 (₹ In lakhs)
Due within one year	45.78	31.03
Due later than one year and not later than five years	7.48	1.13
Due later than five years	-	-
Lease payments recognised in the Statement of Profit & Loss	39.45	33.97

27 EARNINGS PER SHARE

	2011-2012 (₹ In lakhs)	2010-2011 (₹ In lakhs)
Net Profit available to Equity Shareholders (₹ In Lakhs)	664.24	647.37
Total number of Equity Shares (Face value of ₹ 10/- each fully paid up)	63,60,412	63,60,412
Basic and Diluted Earnings per Share (in ₹)	10.44	10.18

Notes on Financial Statements for the year ended 31st March, 2012

28 VALUE OF IMPORTS CALCULATED ON CIF BASIS

Raw Materials and Finished Goods	2,475.08	2,587.17
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29 EXPENDITURE IN FOREIGN CURRENCY

Professional Fees	31.57	25.98
Travelling	1.01	7.19
Total	32.58	33.17

30 EARNINGS IN FOREIGN EXCHANGE

Export of Goods on FOB Basis	136.26	296.54
Commission	-	0.03
Total	136.26	296.57

31 REMITTANCE IN FOREIGN CURRENCY

FINAL DIVIDEND

No. of Shareholders	1	1
No. of Shares held	72,800	72,800
Dividend Remitted - (₹ in Lakhs)	1.56	1.27
Year to which it relates	2010-11	2009-10

32 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.

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. **Subsidiary Companies:**

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

ii. **Joint Venture:**

Henkel Chembond Surface Technologies Ltd.

iii. **Associates:**

Chembond Distribution Ltd., Chembond Enzyme Company Ltd. & Chembond Habio Bioengineering Company Ltd.

iv. **Key Management Personnel and their relatives**

Key Management Personnel: (KMP)

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

v. **Relatives :**

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

Entities over which Key Management personnel are able to exercise influence - CCL Opto Electronics Pvt. Ltd., Finor Piplaj Chemicals Ltd., S and N Ventures Ltd. & Visan Holdings and Financial Services Pvt Ltd.

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

(₹ in Lakhs)

Description of the nature of transactions	31.03.2012				31.03.2011			
	Joint Venture	Subsidiary	Associates	KMP	Joint Venture	Subsidiary	Associates	KMP
Sales of Goods	9204.47	2821.91	284.54	33.47	8442.93	2454.72	3.96	46.76
Chembond Ashland Water Technologies Ltd.		2738.52				2335.56		
Protochem Industries Pvt. Ltd.		71.40				116.33		
H2o Innovation India Ltd.		11.99				2.83		

Notes on Financial Statements for the year ended 31st March, 2012

Description of the nature of transactions	31.03.2012				31.03.2011			
	Joint Venture	Subsidiary	Associates	KMP	Joint Venture	Subsidiary	Associates	KMP
Henkel Chembond Surface Technologies Ltd.	9204.47				8442.93			
Chembond Enzyme Co.Ltd.			0.03				3.96	
Chembond Distribution Ltd.			284.51					
Finor Piplaj Chemicals Ltd.				32.92				46.25
GTK Intermediates Pvt. Ltd.				0.55				0.51
Purchase of Goods	653.52	115.00	0.74	403.93	337.91	6.13		369.47
Protochem Industries Pvt Ltd.		115.00				6.13		
Henkel Chembond Surface Technologies Ltd.	653.52				337.91			
Chembond Distribution Ltd.			0.74					
Finor Piplaj Chemicals Ltd.				347.32				291.73
GTK Intermediates Pvt. Ltd.				53.92				74.43
Bentec Organo Clays Pvt. Ltd.				2.69				3.31
Tolling & Reimbursement of Expenses		231.70				203.76		
Chembond Ashland Water Technologies Ltd.		231.70				203.76		
Rent Income	5.40	5.40	0.48	0.72	5.40	6.15	0.48	0.72
Chembond Ashland Water Technologies Ltd.		2.10				2.10		
H2O Innovation India Ltd.		3.30				4.05		
Henkel Chembond Surface Technologies Ltd.	5.40				5.40			
Chembond Enzyme Co.Ltd.			0.24				0.24	
Chembond Distribution Ltd.			0.24				0.24	
Finor Piplaj Chemicals Ltd.				0.72				0.72
Service Charges	116.32	16.69			122.55	41.50		
H2O Innovation India Ltd.		16.69				41.50		
Henkel Chembond Surface Technologies Ltd.	116.32				122.55			
Interest Income		0.29						
H2O Innovation India Ltd.		0.29						
Dividend Income	220.50	137.50			186.20	110.00		
Chembond Ashland Water Technologies Ltd.		137.50				110.00		
Henkel Chembond Surface Technologies Ltd.	220.50				186.20			
Interest Expenses			4.76	43.12			6.00	35.03
Chembond Enzyme Co.Ltd.			4.76				6.00	
Dr. Vinod D. Shah				14.09				11.27
Padma V. Shah				5.32				5.05
Bhadresh D. Shah								0.17
Zarna K. Shah				0.13				0.12
Nirmal V. Shah				1.25				0.13
Jyoti N. Mehta				0.02				0.02
Alpana Shah				0.01				0.01
Jayant S. Vasani				1.00				0.49
Ashwin Nagarwadia				8.32				5.89
Perviz H. Dastur				6.26				5.94
Gulu Perviz Dastur				6.72				5.94
Rental Expenses	8.88				8.88			
Henkel Chembond Surface Technologies Ltd.	8.88				8.88			
Director Remunration				102.00				94.59
Dr.Vinod D. Shah				42.00				42.60
Sameer V. Shah				30.00				25.15
Nirmal V. Shah				30.00				26.84
Salaries				15.42				13.31

Notes on Financial Statements for the year ended 31st March, 2012

(₹ in Lakhs)

Description of the nature of transactions	31.03.2012				31.03.2011			
	Joint Venture	Subsidiary	Associates	KMP	Joint Venture	Subsidiary	Associates	KMP
Bhadresh D. Shah				15.42				13.31
WTC/PTC/Enzyme Compensation	27.53	18.56	17.05		90.35	25.97	3.43	
Chembond Ashland Water Technologies Ltd.		18.56				25.97		
Henkel Chembond Surface Technologies Ltd.	27.53				90.35			
Chembond Enzyme Co.Ltd.			17.05				3.43	
Royalty				33.70				26.75
S and N Ventures Ltd.				33.70				26.75
Balance at the end of the year								
A. Loans taken			51.91	414.35			50.50	347.99
Chembond Enzyme Co.Ltd.			51.91				50.50	
Dr Vinod D Shah				115.65				118.43
Padma V Shah				43.69				44.84
Zarna K. Shah				1.03				1.05
Nirmal V Shah				10.28				10.00
Jyoti N Mehta				0.03				0.03
Alpana Shah				0.10				0.10
Jayant S. Vasani				8.22				8.00
Ashwin Nagarwadia				82.14				60.04
Perviz H Dastur				51.40				52.75
Gulu Perviz Dastur				101.81				52.75
Bhadresh D. Shah								3.00
B. Loans Given		33.23				0.94		
H2O Innovation India Ltd.		33.23				0.94		
C. Sundry Debtors		286.38	231.92		841.88	312.10	32.33	
Chembond Ashland Water Technologies		267.40				217.82		
Protochem Industries Pvt. Ltd.						48.09		
H2O Innovation India Ltd.		18.98				46.19		
Henkel Chembond Surface Technologies Ltd.					841.88			
Chembond Distribution Ltd.			231.92				32.33	
D. Sundry Creditors	13.18	52.34	5.65	75.77		9.09	102.23	
Protochem Industries Pvt. Ltd.		52.34						
Henkel Chembond Surface Technologies Ltd.	13.18							
Chembond Enzyme Company Ltd.			5.65				9.09	
S and N Ventures Ltd.				25.32				0.86
Finor Piplaj Chemicals Ltd.				50.45				101.37
E. Investments	48.99	1316.22	72.50		48.99	1262.93	72.50	
Chembond Ashland Water Technologies Ltd.		160.30				160.30		
Protochem Industries Pvt Ltd.		1052.25				1052.25		
H2O Innovation India Ltd.		103.67				50.38		
Henkel Chembond Surface Technologies Ltd.	48.99				48.99			
Chembond Distribution Ltd.			23.50				23.50	
Chembond Enzyme Company Ltd.			49.00				49.00	

34 INFORMATION ON JOINT VENTURES

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

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

Notes on Financial Statements for the year ended 31st March, 2012

	As at 31/3/2012 (₹ In lakhs) Audited	As at 31/3/2011 (₹ In lakhs) Audited
A. Assets:		
Fixed Assets		
Tangible Assets	559.38	555.38
Intangible Assets	27.06	39.04
Capital Work-in-Progress	110.59	-
Non Current Investments	0.25	0.25
Long Term Loans & Advances	49.77	48.20
Current assets		
Current Investment	7.71	7.72
Inventories	636.52	571.46
Trade Receivables	1926.52	1785.13
Cash and Bank Balances	813.15	331.94
Short Term Loans and Advances	279.55	239.39
B. Liabilities:		
Deferred tax liabilities (Net)	26.40	27.64
Long-term provisions	7.41	7.00
Current Liabilities		
Borrowings	948.68	487.84
Trade payables	751.41	972.75
Other current liabilities	416.49	177.35
C. Income	7883.90	7347.70
D. Expenses	6954.64	6428.90
E. Tax	309.91	308.55

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

36 Contingent Liabilities not provided for are in respect of:-

Particulars	As at 31/3/2012 (₹ In lakhs)	As at 31/3/2011 (₹ In lakhs)
a. Outstanding L.C & Bank Guarantees issued by Bankers.	153.66	100.72
b. Corporate Guarantee given to Bank of India by the company on behalf of Subsidiaries Chembond Ashland Water Technologies Ltd. & H2O Innovation India Ltd.	900	900
c. Income Tax matter under appeal	1.35	1.35
d. Balance Payment for Capital Commitments	8.57	4.13
e. Claim against the Company not acknowledged as debts	9.60	9.60

37 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:

		(₹ In Lakhs)			
Currency	Exposure to buy/sell	As at 31/3/2012		As at 31/3/2011	
		Foreign Currency	Indian Currency	Foreign Currency	Indian Currency
USD	Buy	0.55	28.35	-	-

Notes on Financial Statements for the year ended 31st March, 2012

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

Particulars	As at 31/3/2012		As at 31/3/2011	
	Foreign Currency	Indian Currency	Foreign Currency	Indian Currency
Payable against imports of goods or services				
US Dollars	14.03	713.46	5.71	259.36
Euro	0.11	7.41	0.03	16.96

- 38 The previous year figures have been regrouped, reallocated or reclassified wherever necessary to confirm to current year classification and presentation.

39 SIGNIFICANT ACCOUNTING POLICIES

a SYSTEM OF ACCOUNTING

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

b FIXED ASSETS

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

c EXPENDITURE DURING CONSTRUCTION PERIOD

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

d IMPAIRMENT OF ASSETS

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

e DEPRECIATION

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

f REVENUE RECOGNITION ON SALES

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

g RESEARCH & DEVELOPMENT

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

h BORROWING COSTS

Borrowing Costs that are attributable to the acquisition or construction of qualifying assets are 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.

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

k INVESTMENTS

Investments are stated at the cost of acquisition.

l DIVIDEND RECEIVED

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

m VALUATION OF INVENTORY

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

n EMPLOYEE BENEFITS

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

o TAXATION

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

p FOREIGN EXCHANGE DIFFERENCES

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

q CUSTOM DUTY ON IMPORTS

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

r EARNING PER SHARE

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

s PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

- (a) the Company has a present obligation as a result of a past event,
- (b) a probable outflow of resources is expected to settle the obligation; and

(c) the amount of the obligation can be reliably estimated.

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

Contingent liability is disclosed in case of:-

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

Contingent Assets are neither recognized, nor disclosed.

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

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 amortized as expense or income over the life of the contract.

As per our attached report of even date

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

Dhiren P. Talati

Partner

Membership No. F/41867

Mumbai, 28th July, 2012

For and on behalf of the Board of Directors

Dr. Vinod D. Shah

Executive Chairman

Sameer V. Shah

Vice Chairman

& Managing Director

Nirmal V. Shah

Managing Director

Omkar Mhamunkar

Company Secretary

Mumbai, 28th July, 2012

Mahendra K. Ghelani

Director

Perviz H. Dastur

Director



Statement Pursuant to Section 212 of the Companies Act, 1956, relating to Company's interest in subsidiary companies for the Financial Year 2011-12

Name of Subsidiary Company	Chembond Ashland Water Technologies Ltd.	Protochem Industries Pvt. Ltd.	H2O Innovation India Ltd.
1. The Financial Year of the Subsidiary Company ended on.	31st March, 2012	31st March, 2012	31st March, 2012
2. Date from which it became Subsidiary Company.	6th April, 2001	30th April, 2009	17th April, 2010
3.a. Number of shares held by Chembond Chemicals Limited with its nominees in the subsidiary at the end of the financial year of the Subsidiary Company.	2,74,995	10,00,000	10,36,695
b. Extent of Interest of holding Company at the end of the financial year of the Subsidiary Company.	55%	100%	51%
4. The net aggregate amount of the Subsidiary Company Profit/ (Loss) so far as it concerns the members of the Holding Company.			
a. Not dealt with in the Holding Company's accounts:			
i) For the financial year ended 31st March, 2012 (₹ in Lakhs)	376.30	31.97	(132.62)
ii) For the previous Financial years of the Subsidiary Company since it became the Holding Company's subsidiary. (₹ in Lakhs)	880.54	339.72	(123.52)
b. Dealt with in Holding Company's accounts:	NIL	NIL	NIL
i) For the financial year ended 31st March, 2012	NIL	NIL	NIL
ii) For the previous Financial years of the Subsidiary Company since it became the Holding Company's Subsidiary.			

For and on behalf of the Board of Directors

Dr. Vinod D. Shah
Executive Chairman

Sameer V. Shah
Vice Chairman & Managing Director

Nirmal V. Shah
Managing Director

Omkar Mhamunkar
Company Secretary

Mahendra K. Ghelani
Director

Perviz H. Dastur
Director

Mumbai, 28th July, 2012

Details of Chembond Ashland Water Technologies Limited (CAWTL), Protochem Industries Private Ltd. (PIPL) & H2O Innovation India Limited (H2O) 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	H2O Innovation India Limited
Capital	50.00	100.00	203.27
Reserves	1,819.53	710.21	242.19
Total Assets	3,038.63	1,130.31	811.73
Total Liabilities	3,038.63	1,130.31	811.73
Investments	-	-	0.55
Turnover/Total Income	5,801.21	1,282.47	386.93
Profit Before Taxation	982.27	45.93	(375.25)
Provision for Taxation	329.64	15.56	(115.25)
Profit After Taxation	684.17	31.97	(260.04)
Proposed Dividend	275.00	-	-

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

1. We have audited the attached Consolidated Balance Sheet of Chembond Chemicals Limited (the Company), its subsidiaries, its Joint Venture and its Associates (including their Subsidiary) collectively referred as "Chembond Group" as at 31st March 2012, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These consolidated financial statements are the responsibility of the management of Chembond Chemicals Limited. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3.
 - (i) We did not audit the financial statements of all the 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 ₹4980.66 lakhs as at 31st March 2012, total revenues of Rs 7467.61 lakhs and net cash flows of Rs 256.75 lakhs for the year ended on that date.
 - (ii) The Financial Statements of the Joint Venture Company which reflect total assets of ₹9001.00 lakhs as at 31st March 2012, total revenues of Rs 16089.58 lakhs and net cash flows of Rs 982.06 lakhs for the year ended on that date, have been audited by us.
 - (iii) The Financial Statement of one of the Associates (including its Subsidiary) for the year ended 31st March, 2012 has been audited by another auditor whose report has been furnished to us. The Financial Statement of another Associate is compiled and certified by the Management and is unaudited. The size of these entities in the consolidated position of the group is not significant in relative terms.
4. We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standards, AS 21, Consolidated Financial Statements, AS 23, Accounting for Investments in Associates in Consolidated Financial Statements and AS 27, Financial Reporting of interest in Joint Ventures as notified by the Companies (Accounting Standards) Rules, 2006.
5. Subject to the effect if any on account of possible adjustment stated in para 3 above, based on our audit as aforesaid and on the basis of the information and explanations given to us, in our opinion the attached Consolidated Financial Statements together with the notes thereon give a true and fair view in conformity with the accounting principles generally accepted in India,
 - (a) In the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Chembond Group as at 31st March 2012,
 - (b) In the case of the Consolidated Profit and Loss Account, of the consolidated profit of the Chembond Group for the year ended on that date; and
 - (c) In the case of the Consolidated Cash Flow Statement, of the consolidated Cash Flows of the Chembond Group for the year ended on that date.

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

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

Place: Mumbai,
Dated: 28th July, 2012



Chembond Chemicals Ltd.
Consolidated Balance Sheet as at 31st March 2012

	Notes	As at 31/3/2012 (₹ In lakhs)	As at 31/3/2011 (₹ In lakhs))
EQUITY AND LIABILITIES			
Shareholder's Funds			
Share Capital	3	636.04	636.04
Reserves and Surplus	4	6,555.12	5,541.26
Minority Interest	5	945.97	846.89
		8,137.13	7,024.19
Convertible Warrants money pending allotment	6	137.98	-
		8,275.11	7,024.19
Non-Current Liabilities			
Long-Term Borrowings	7	1,066.27	878.33
Deferred Tax Liabilities (Net)	8	172.02	254.63
Long-Term Provisions	9	105.74	93.61
		1,344.03	1,226.57
Current Liabilities			
Short-Term Borrowings	10	2,141.93	1,240.14
Trade Payables	11	3,860.61	3,176.36
Other Current Liabilities	12	1,525.36	1,018.77
Short-Term Provisions	13	383.54	385.82
		7,911.44	5,821.09
Total		17,530.58	14,071.85
ASSETS			
Non-Current Assets			
Fixed Assets			
Tangible Assets	14	3,614.93	2,835.71
Intangible Assets	14	507.65	472.88
Capital Work-in-Progress	14	624.70	26.59
		4,747.28	3,335.18
Non Current Investments	15	49.19	52.60
Long Term Loans & Advances	16	436.76	376.38
		485.95	428.98
Current assets			
Current Investment	17	8.22	7.70
Inventories	18	3,170.41	2,578.07
Trade Receivables	19	6,307.16	6,002.03
Cash and Cash Equivalents	20	2,081.35	1,217.32
Short Term Loans and Advances	21	730.21	502.57
		12,297.35	10,307.69
Total		17,530.58	14,071.85

Notes on Financial Statements and Significant Accounting Policies

1-35

As per our attached report of even date

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

Dhiren P. Talati
Partner
Membership No. F/41867
Mumbai, 28th July, 2012

For and on behalf of the Board of Directors

Dr. Vinod D. Shah
Executive Chairman

Sameer V. Shah
Vice Chairman
& Managing Director

Nirmal V. Shah
Managing Director

Omkar Mhamunkar
Company Secretary
Mumbai, 28th July, 2012

Mahendra K. Ghelani
Director

Perviz H. Dastur
Director

Chembond Chemicals Ltd.

Consolidated Statement of Profit And Loss for the year ended 31st March 2012

	Notes	2011-2012 (₹ In lakhs)	2010-2011 (₹ In lakhs)
INCOME			
Revenue from operations	22	22,845.39	20,760.74
Other income	23	434.67	409.29
Total Revenue		23,280.06	21,170.03
EXPENDITURE			
Cost of materials consumed	24	13,512.20	12,035.87
Purchases of stock-in-trade		1,171.14	896.15
Changes in inventories of finished goods, work-in-progress and traded goods	25	(198.56)	(105.23)
Employee benefits expense	26	2,552.10	2,073.15
Finance costs	27	364.08	311.06
Depreciation and amortization expense	28	209.93	185.98
Other expenses	29	3,634.12	3,294.75
Total Expenses		21,245.01	18,691.73
Profit Before Taxes		2,035.05	2,478.30
Tax Expenses			
Current Tax		757.13	788.29
Deferred Tax		(82.63)	42.84
Profit After Tax		1,360.55	1,647.17
Less : Short / (Excess) provision of IT for earlier Years		(1.94)	(12.42)
Add : Income/(expense) for earlier year		20.60	(43.56)
Less : Stock Reserve		(2.22)	3.42
Add : Share of Profit/(Loss) from Associate		(3.40)	(10.17)
Less : Profit transfer to Minority Interest		128.88	250.75
Profit for the Year		1,253.03	1,351.69
Earning Per Equity Share of Face Value of ₹ 10 each			
Basic & Diluted (in ₹)		19.70	21.25
Notes on Financial Statements and Significant Accounting Policies	1-35		

As per our attached report of even date

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

Dhiren P. Talati
Partner
Membership No. F/41867
Mumbai, 28th July, 2012

For and on behalf of the Board of Directors

Dr. Vinod D. Shah
Executive Chairman

Sameer V. Shah
Vice Chairman
& Managing Director

Nirmal V. Shah
Managing Director

Omkar Mhamunkar
Company Secretary
Mumbai, 28th July, 2012

Mahendra K. Ghelani
Director

Perviz H. Dastur
Director



Chembond Chemicals Ltd.

Consolidated Cash Flow Statement for the year ended 31st March 2012

	2011 - 12	2010 - 11
A Cash Flow from Operating Activities		
Net Profit before tax and extraordinary items	2036.96	2480.45
Adjustments for :		
Depreciation	208.04	184.09
Loss on Sale of fixed assets	3.73	7.26
Foreign Exchange Fluctuation	19.77	9.29
Financial Charges	364.08	310.79
	595.62	511.43
Operating Profit before working capital changes	2632.58	2991.88
Trade and Other Receivables	(544.60)	(1111.66)
Inventories	(590.13)	(628.02)
Trade and Other Payables	1211.20	260.05
	76.47	(1479.63)
Cash generated from operations	2709.05	1512.25
Direct Taxes Paid	(808.02)	(809.84)
Net Cash from Operating Activities (A)	1901.03	702.41
B Cash Flow from Investing Activities		
Purchase of Fixed Assets	(1625.99)	(232.53)
Sale of Fixed Assets	0.26	18.53
Purchase of Investment	(0.52)	(2.86)
Net Cash used in Investing Activities (B)	(1626.25)	(216.86)
C Cash Flow from Financing Activities		
Proceeds from H2O Innovation Canada	51.20	48.41
Proceeds from Convertible warrant advances	137.98	-
Proceeds from Short Term Borrowings	901.79	871.23
Dividend paid	(325.58)	(265.67)
Proceeds from Long Term Borrowings	187.94	(693.65)
Interest paid	(364.09)	(310.79)
Net Cash from Financing Activities (C)	589.24	(350.47)
Net (Decrease)/Increase in Cash & Cash Activities (A+B+C)	864.02	135.08
Cash and Bank Balances as on 31.3.2011	1,217.32	1,082.24
Cash and Bank Balances as on 31.3.2012	2,081.34	1,217.32

As per our attached report of even date

For **M/S KASTURY & TALATI**

Chartered Accountants

Dhiren P. Talati

Partner

Membership No. F/41867

Mumbai, 28th July, 2012

For and on behalf of the Board of Directors

Dr. Vinod D. Shah

Executive Chairman

Sameer V. Shah

Vice Chairman

& Managing Director

Nirmal V. Shah

Managing Director

Omkar Mhamunkar

Company Secretary

Mumbai, 28th July, 2012

Mahendra K. Ghelani

Director

Perviz H. Dastur

Director

Consolidated Notes on Financial Statements for the year ended 31st March, 2012

1 SIGNIFICANT ACCOUNTING POLICIES RELATED TO CONSOLIDATION

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

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

- 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. Recognizing this purpose, the Company has disclosed only such policies and Notes from the individual financial statements, which fairly present the needed disclosures. Lack of homogeneity and other similar considerations made it desirable to exclude some of them, which, in the opinion of Management, could be better viewed, when referred from the individual financial statements.
- 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 "5" forming part of the Consolidated Financial Statements.

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.

Consolidated Notes on Financial Statements for the year ended 31st March, 2012

C EXPENDITURE DURING CONSTRUCTION

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

D IMPAIRMENT OF ASSETS

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

E DEPRECIATION

Depreciation on fixed assets in case of parent Company is provided on the straight line method at the rates and in the manner specified in schedule XIV of the Companies Act 1956, as amended to date. During the year ended 31st March 1991, the Company had changed its method of providing depreciation on fixed assets as on 1st July 1980 from the written down value method to the straight line method

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

No depreciation is provided on land.

F REVENUE RECOGNITION ON SALES

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

G RESEARCH & DEVELOPMENT

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

H BORROWING COSTS

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

I OPERATING LEASE

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

Consolidated Notes on Financial Statements for the year ended 31st March, 2012

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

K INVESTMENTS

Investments are stated at the cost of acquisition.

L VALUATION OF INVENTORY

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

M EMPLOYEE BENEFITS

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

N TAXATION

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

O FOREIGN EXCHANGE DIFFERENCES

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

P CUSTOMS DUTY ON IMPORTS

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

Q EARNING PER SHARE

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

R PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

Contingent Assets are neither recognized, nor disclosed.

Consolidated Notes on Financial Statements for the year ended 31st March, 2012

3 SHARE CAPITAL

	As at 31/3/2012 (₹ In lakhs)	As at 31/3/2011 (₹ 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		
63,60,412 (63,60,412) Equity Shares of ₹ 10/- each fully paid up	636.04	636.04
Total	636.04	636.04

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 31/3/2012		As at 31/3/2011	
	No of Shares	% held	No of Shares	% held
Dr. Vinod D. Shah	9,04,847	14.23	9,04,847	14.23
Padma V. Shah	7,47,360	11.75	7,47,360	11.75
Visan Holding & Financial Services P. Ltd	4,75,121	7.47	4,75,121	7.47
Ajay Sheth	3,43,144	5.40	3,43,144	5.40
Quest Investment Advisors Pvt. Ltd	3,42,492	5.38	3,42,492	5.38
Ashwin R. Nagarwadia	3,40,932	5.36	3,40,932	5.36

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.

4 RESERVES AND SURPLUS

	As at 31/3/2012 (₹ In lakhs)	As at 31/3/2011 (₹ In lakhs)
Revaluation Reserve		
As per last year	59.71	61.60
Less : Transfer to Profit & Loss A/c.	1.89	1.89
	57.82	59.71
General Reserve		
As per last year	922.19	685.22
Add: Transfer from Profit & Loss A/c.	286.02	266.22
Less: Transfer to Minority Interest	31.50	29.25
	1,176.71	922.19
Profit and Loss Account		
As per last year	4,559.36	3,684.14
Add: Profit for the Year	1,253.03	1,351.69
Add: Transfer from Revaluation Reserve	1.89	1.89
	5,814.28	5,037.72

Consolidated Notes on Financial Statements for the year ended 31st March, 2012

	As at 31/3/2012 (₹ In lakhs)	As at 31/3/2011 (₹ In lakhs)
Less: Appropriations		
Transferred to General Reserve	286.02	266.22
Set off of Dividend Tax in respect of Dividend from Subsidiary Company	(22.18)	(18.27)
Proposed Dividend	149.47	136.75
Tax on Proposed Dividend	80.38	93.66
	5,320.59	4,559.36
Total	6,555.12	5,541.26

5 MINORITY INTEREST

Share Capital

As per last year	70.91	22.50
Addition during the year	51.20	48.41
	122.11	70.91

General Reserve

As per last year	155.80	126.55
Addition during the year	31.50	29.25
	187.30	155.80

Profit & Loss Account

As per last year	620.18	459.43
Less : Dividend Paid	112.50	90.00
Addition during the year	128.88	250.75
	636.56	620.18
Total	945.97	846.89

- 6 The parent company-CCL had received "In Principle" approval from the Bombay Stock Exchange (BSE) for issue of 3,00,000 Convertible Warrants on preferential basis to company's promoters & promoter group, at a price of ₹ 183.97 per warrant aggregating ₹ 551.91 Lakhs. Each warrant is convertible into one equity share of ₹ 10 each within 18 months from the date of allotment of warrants. The approval from BSE was received on 7th May, 2012 and the allotment made on 12th May, 2012. As per the SEBI ICDR Regulation, 2009 the 25% of the amount called for pending allotment and received as on 31st March, 2012 aggregating ₹ 137.98 Lakhs has been shown as "Convertible warrants money pending allotment".

7 LONG TERM BORROWINGS

	As at 31/3/2012 (₹ In lakhs)		As at 31/3/2011 (₹ In lakhs)	
	Non Current	Current	Non Current	Current
Secured				
Term Loan from Banks	463.56	410.58	424.93	324.33
	463.56	410.58	424.93	324.33
Unsecured				
Loans from Related Parties	496.26	-	408.48	-
Loans from Others	106.45	-	44.92	-
	602.71	-	453.40	-
Total	1,066.27	410.58	878.33	324.33

Consolidated Notes on Financial Statements for the year ended 31st March, 2012

- 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	Beyond 4 Years
Term Loan from Banks	223.56	80.00	80.00	80.00

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

	1-2 years	2-3 years
Loans from Related Parties	319.61	176.65
Loans from Others	57.37	49.08

8 DEFERRED TAX LIABILITY (NET)

	As at 31/3/2012 (₹ In lakhs)	As at 31/3/2011 (₹ In lakhs)
Deferred Tax Liability		
Depreciation	356.37	303.92
Deferred Tax Asset		
Gratuity	33.83	21.16
Leave Encashment	1.19	3.95
Unabsorbed Business Loss	119.89	1.24
Provision for Doubtful Debts	29.44	22.94
	184.35	49.29
Net Deferred Tax Liability	Total 172.02	254.63

9 LONG TERM PROVISION

Provision for Gratuity	105.74	93.61
Total	105.74	93.61

10 SHORT TERM BORROWINGS

Secured

Over Draft Facilities	315.18	408.00
Working Capital Loan	371.75	311.04

Unsecured

Working Capital Loan	1,421.74	487.84
Deferred Sales Tax Liability	10.76	10.76
Loan & advances from related party	13.50	13.50
Other loans & advances	9.00	9.00

Total 2,141.93 1,240.14

- a Over Draft Facilities are Secured against Fixed Deposit of Subsidiary Company Protochem Industries Pvt. Ltd.
b Deferred Sales Tax Liability is repayable in the year 2012-13.

11 TRADE PAYABLES

Micro, Small and Medium Enterprises	90.80	48.12
Others	3,769.81	3,128.24
Total	3,860.61	3,176.36

For Related party transactions refer Note No. 36

Consolidated Notes on Financial Statements for the year ended 31st March, 2012

12 OTHER CURRENT LIABILITIES

	As at 31/3/2012 (₹ In lakhs)	As at 31/3/2011 (₹ In lakhs)
Current Maturities of Long Term Debt	410.58	324.33
Other Payables	686.55	591.63
Creditors for Capital Expenditure	61.91	36.39
Advance received from Debtors	250.75	63.46
Unclaimed Dividend *	3.11	2.96
Dividend Payable	112.46	-
Total	1,525.36	1,018.77

* Not due for Deposit to Investor Education and Protection Fund

13 SHORT-TERM PROVISIONS

Provision for Employee Benefit/Expenses	125.30	117.89
Provision for Income Tax	64.16	68.45
Proposed dividend	149.47	136.75
Tax on proposed dividend	44.61	62.73
Total	383.54	385.82

14 FIXED ASSETS

(₹ In lakhs)										
Description	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at 1.04.2011	Additions	Deductions	As at 31.03.2012	As at 1.04.2011	Additions	Deductions	As at 31.03.2012	As at 31.03.2012	As at 31.03.2011
Tangible Assets										
Leasehold Land	127.26	-	-	127.26	-	-	-	-	127.26	127.26
Freehold Land	83.84	-	-	83.84	-	-	-	-	83.84	83.84
Buildings	1,425.75	654.80	-	2,080.55	198.33	49.87	-	248.20	1,832.35	1,227.42
Equipment & Machinery	1,447.69	133.82	1.88	1,579.63	354.20	77.64	0.18	431.66	1,147.97	1,093.49
Computers Hardware	219.16	46.71	-	265.87	131.13	31.97	-	163.10	102.77	88.02
Furniture & Fixtures	133.38	46.32	-	179.70	51.10	8.67	-	59.77	119.93	82.28
Motor Cars	77.70	62.13	5.65	134.18	52.87	9.10	3.36	58.61	75.57	24.84
Electric Fittings & Installations	136.75	23.77	-	160.52	28.17	7.11	-	35.28	125.24	108.58
Sub- total	3,651.53	967.55	7.53	4,611.55	815.80	184.36	3.54	996.62	3,614.93	2,835.73
Intangible Assets										
Goodwill	405.44	-	-	405.44	-	-	-	-	405.44	405.44
Computer Software	149.03	60.35	-	209.38	81.61	25.57	-	107.18	102.21	67.43
Sub-total	554.47	60.35	-	614.82	81.61	25.57	-	107.18	507.65	472.87
Total	4,206.00	1,027.90	7.53	5,226.37	897.41	209.93	3.54	1,103.80	4,122.58	3,308.60
Previous Year	3,928.28	364.26	86.54	4,206.00	772.17	185.97	60.75	897.40	3,308.60	
Capital Work in Progress									624.70	26.59

- On the basis of a Revaluation Report obtained from an Approved Chartered Engineer, the parent company CCL had revalued all the fixed assets existing as on 31st March, 1994. The fixed assets had accordingly been written-up by creating a Revaluation Reserve of ₹ 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.

Consolidated Notes on Financial Statements for the year ended 31st March, 2012

15 NON-CURRENT INVESTMENTS

LONG TERM INVESTMENT IN SHARES

UNQUOTED

INVESTMENT IN ASSOCIATES

2,35,000 (2,35,000) Equity Shares of Chembond Distribution Ltd. of ₹ 1/- each fully paid up

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

INVESTMENT IN GOVERNMENT SECURITIES

Investment in National Saving Certificate

OTHER INVESTMENTS

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

As at 31/3/2012 (₹ In lakhs)	As at 31/3/2011 (₹ In lakhs)
-	-
48.36	51.77
0.70	0.70
0.13	0.13
Total	52.60

16 LONG TERM LOANS AND ADVANCES

(Unsecured & considered good & subject to confirmation)

Income Tax (Net of Provision)

Fringe Benefit Tax

VAT Credit Receivable

Other Deposits

116.80	68.25
4.93	4.93
215.99	193.57
99.04	109.63
Total	376.38

17 CURRENT INVESTMENTS

INVESTMENTS IN MUTUAL FUNDS - UNQUOTED

79,936.717 (74,880.457) Units of Reliance Mutual Fund (Liquid Fund Treasury Plan) Face value of ₹ 10/- each (Additional units have been received on account of dividend)

8.22	7.70
Total	7.70

18 INVENTORIES

(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

1,863.45	1,545.98
108.10	72.20
26.12	38.94
738.05	549.18
296.66	271.55
150.40	114.80
3,182.78	2,592.65
12.37	14.58
Total	2,578.07

Consolidated Notes on Financial Statements for the year ended 31st March, 2012

19 TRADE RECEIVABLES

	As at 31/3/2012 (₹ In lakhs)	As at 31/3/2011 (₹ In lakhs)
Unsecured		
<u>OUTSTANDING FOR MORE THAN 6 MONTHS</u>		
Considered Doubtful	90.74	41.99
Considered Good	970.40	583.51
	1,061.14	625.50
<u>OTHER DEBTS CONSIDERED GOOD)</u>	5,336.76	5,418.52
	6,397.90	6,044.02
Less : Provision for Doubtful Debts	90.74	41.99
Total	6,307.16	6,002.03

For Related party transactions refer Note No. 36

20 CASH AND CASH EQUIVALENTS

Cash on hand	2.44	3.82
Bank balances		
In Current Accounts	1,244.89	468.07
Other Bank balances *	834.02	745.43
Total	2,081.35	1,217.32

* Other Bank Balance include deposits of ₹ 15.76 lakhs (previous year 343.48) with maturity of more than 12 months.

21 SHORT TERM LOANS AND ADVANCES

(Unsecured & considered good & subject to confirmation)		
Other Loans & Advances	376.25	195.39
Deposit - Excise	271.49	244.42
Other Deposits	32.66	36.09
Prepaid Expenses	49.81	26.67
Total	730.21	502.57

22 REVENUE FROM OPERATIONS

	2011-2012 (₹ In lakhs)	2010-2011 (₹ In lakhs)
Sales	25,021.04	22,631.34
Less Excise Duty	2,175.65	1,870.60
Net Sales	22,845.39	20,760.74

23 OTHER INCOME

Dividend from Mutual Fund	0.52	0.40
Interest	88.83	51.02
Rental Income	13.95	3.95
Services Charges (From Related Parties)	59.32	62.50
Provision for Doubtful Debts no longer required	-	7.09
Bad Debts recovered	-	17.54
Miscellaneous Income	48.36	62.62
Technical Services Income	223.69	204.17
Total	434.67	409.29

Consolidated Notes on Financial Statements for the year ended 31st March, 2012

24 COST OF MATERIALS CONSUMED

	2011-2012 (₹ In lakhs)	2010-2011 (₹ In lakhs)
Raw Materials		
Acids	1,458.88	1,366.21
Oil & Solvent, Alkalies, etc	992.78	759.17
Others	10,040.00	9,156.33
	12,491.66	11,281.71
Packing Material	1,020.54	754.16
Total	13,512.20	12,035.87

25 CHANGES IN INVENTORY OF FINISHED GOODS, WORK IN PROGRESS AND TRADED GOODS

Finished products & Stock in Trade (at close)	1,060.82	862.26
Finished products & Stock in Trade (at commencement)	862.26	757.03
Total	(198.56)	(105.23)

26 EMPLOYEE BENEFIT EXPENSES

Director Remuneration	152.91	136.16
Salaries & Wages	2,124.45	1,728.56
Contribution to Provident & other funds	160.79	125.29
Staff Welfare Expenses	113.95	83.13
Total	2,552.10	2,073.14

- a 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	237.92	246.08
Service Cost	24.04	20.14
Interest Cost	19.52	20.30
Actuarial Losses/(Gains)	31.74	(11.66)
Benefits paid	(11.51)	(23.54)
Projected Benefit Obligation at the end of the year	301.71	251.32
Change in Plan Assets		.
Fair Value of plan assets at the beginning of the year	144.31	136.13
Expected Returns on Plan assets	22.68	12.35
Employer's Contribution	40.49	32.78
Benefits paid	(11.51)	(23.54)
Actuarial Gain/(Loss)	-	-
Fair Value of plan assets at the end of the year	195.97	157.72
Cost of Defined Benefit Plan for the year		
Current Service Cost	24.61	20.14
Interest on Obligation	19.44	20.30
Expected Return on Plan Assets	(10.70)	(12.35)
Net Actuarial Losses/(Gains) recognised in the year	25.04	(11.66)
Net Cost recognised in the Profit & Loss Account	58.39	16.43
Assumptions		
Discount Rate	8.75%	8.25%
Future Salary Increase	5.00%	4.00%
Withdrawal Rates	1.00%	1.00%

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.

Consolidated Notes on Financial Statements for the year ended 31st March, 2012

27 FINANCIAL CHARGES

	2011-2012 (₹ In lakhs)	2010-2011 (₹ In lakhs)
Interest Expense	336.05	283.38
Bank Guarantee fees & charges	27.20	27.42
Interest on Income Tax	0.83	0.26
Total	364.08	311.06

28 DEPRECIATION & AMORTISATION EXPENSES

Depreciation & Amortisation Expenses	209.93	185.98
Total	209.93	185.98

29 OTHER EXPENSES

MANUFACTURING EXPENSES

Consumable stores	26.36	20.62
Octroi	3.60	4.79
Carriage Inward	55.72	43.98
Power, Fuel & Water Charges	71.79	75.86
Research and Development	59.52	30.48
Repairs and Renewals to Plant & Machinery	15.61	5.27
Godown Rent	20.71	18.29
Labour Charges	248.18	186.99
Security Expenses	37.10	30.37
Factory Maintenance	36.52	27.94
Technical Service Charges	129.38	95.97
Excise Duty on Navy Sales	4.46	3.27
PTC Compensation Expenses	26.40	65.61
Enzymes Compensation Expenses	17.05	3.43
A	752.40	612.87

ADMINISTRATIVE EXPENSES

Director's Sitting Fees	9.13	8.88
Rates & Taxes	44.90	40.08
Electricity charges	35.55	30.38
Printing and stationary	39.63	28.86
Telephone & Postage Expenses	90.64	74.33
Insurance	33.13	26.90
Motor car expenses	23.14	21.45
Auditors Remuneration	7.78	6.25
Legal, Professional & consultancy fees	196.00	215.40
Repairs & Maintenance Buildings	7.77	19.82
Repairs & Maintenance Others	146.95	111.43
Miscellaneous expenses	70.42	90.96
Donation	19.76	27.06
Sales Tax & Other Taxes	38.83	24.65
Loss on Sale of Fixed Asset	3.73	7.26
Provision for Doubtful Debts	48.75	37.64
Business Support service/RMC	101.19	87.67
Input Service Tax Disallowed	27.90	22.90
Foreign exchange Loss	19.77	13.61
Rent	22.06	9.75
Bad Debts Written Off	69.95	76.82
B	1,056.98	982.11

SELLING AND DISTRIBUTION EXPENSES

Carriage outwards	381.55	313.53
Rent	8.44	7.92
Commission on sales	468.69	434.55
Travelling Expenses	406.63	357.10
Conveyance expenses	33.72	32.46
Royalty Expenses	337.11	340.70
Advertising & Publicity Exps	14.29	12.57
Warehousing Charges	-	0.51
Packing Expenses	9.91	7.78
Sales Promotion expenses	164.40	192.64
C	1,824.74	1,699.76

Total (A+B+C)	3,634.12	3,294.75
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Consolidated Notes on Financial Statements for the year ended 31st March, 2012

30 Auditor's Remuneration consists of:

	2011-2012 (₹ In lakhs)	2010-2011 (₹ In lakhs)
Statutory Audit Fees	4.89	3.62
Tax Audit Fees	1.78	1.62
Taxation and Other Matters	1.11	1.01
Total	7.78	6.25

31 EARNINGS PER SHARE

Net Profit available to Equity Shareholders (₹ In Lakhs)	1,253.02	1,351.68
Total number of Equity Shares (Face value of ₹ 10/- each fully paid up)	6,360,412	6,360,412
Basic and Diluted Earnings per Share (in ₹)	19.70	21.25

32 SEGMENT REPORTING

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

a. Primary Segment Information (Business Segments)

	Particulars	Speciality Chemicals		Water Treatment Plant		Total	
		2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
1	Segment Revenue						
	Sales	24,646.19	21,793.59	374.84	837.75	25,021.04	22,631.34
	Less: Excise duty	2,154.30	1,806.67	21.34	63.93	2,175.65	1,870.60
	Revenue from Operation	22,491.89	19,986.92	353.50	773.82	22,845.39	20,760.74
	Other Income	424.92	406.70	9.74	2.59	434.67	409.29
	Total Revenue	22,916.81	20,393.62	363.24	776.41	23,280.06	21,170.03
2	Segment Result before Interest and Taxes	2,738.96	2,675.73	(319.23)	70.05	2,419.72	2,745.78
	Less: Interest Expenses	334.07	294.99	30.01	16.06	364.08	311.06
	Profit Before Tax	2,404.88	2,380.73	(349.24)	53.99	2,055.65	2,434.72
	Current Tax	757.13	778.54	-	9.75	757.13	788.29
	Deferred Tax	32.62	43.48	(115.25)	(0.64)	(82.63)	42.84
	Profit after Tax (before adjustment for Minority Interest)	1,615.89	1,557.56	(234.00)	44.87	1,381.90	1,602.43
	Add: Share of (Profit)/Loss transferred to Minority	(256.30)	(242.01)	127.42	(8.74)	(128.88)	(250.75)
	Profit after Tax (after adjustment for Minority Interest)	1,359.59	1,315.55	(106.58)	36.13	1,253.01	1,351.68
3	Other Information	As at		As at		As at	
		31.3.2012	31.3.2011	31.3.2012	31.3.2011	31.3.2012	31.3.2011
	Segment Assets	16,834.70	13,350.33	695.85	721.53	17,530.56	14,071.85
	Segment Liabilities	8,581.47	6,477.16	673.99	570.50	9,255.45	7,047.66
	Capital Expenditure	1,585.75	223.62	40.28	10.81	1,626.03	234.43
	Depreciation and Amortisation	203.62	183.61	6.31	2.37	209.93	185.98
	Non Cash Expenses other than depreciation and Amortisation	-	-	-	-	-	-

Consolidated Notes on Financial Statements for the year ended 31st March, 2012

b. Secondary Segment Information (Geographical Segments)

	2011-2012 (₹ In lakhs)	2010-2011 (₹ In lakhs)
1 Segment Revenue		
Within India	23,143.79	20,869.21
Outside India	136.27	300.82
Total	23,280.06	21,170.03
2 Segment Assests		
Within India	17,530.56	14,071.85
Outside India	-	-
Total	17,530.56	14,071.85
3 Capital Expenditure		
Within India	1,626.03	234.43
Outside India	-	-
Total	1,626.03	234.43

33 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 31/3/2012 (₹ In lakhs) Audited	As at 31/3/2011 (₹ In lakhs) Audited
A. Assets:		
Fixed Assets		
Tangible Assets	559.38	555.38
Intangible Assets	27.06	39.04
Capital Work-in-Progress	110.59	-
Non Current Investments	0.25	0.25
Long Term Loans & Advances	49.77	48.20
Current assets		
Current Investment	7.71	7.22
Inventories	636.52	571.46
Trade Receivables	1,926.52	1,785.13
Cash and Bank Balances	813.15	331.94
Short Term Loans and Advances	279.55	239.39
B. Liabilities		
Deferred tax liabilities (Net)	26.40	27.64
Long-term provisions	7.41	7.00
Current Liabilities		
Borrowings	948.68	487.84
Trade payables	751.41	972.75
Other current liabilities	416.49	177.35
C. Income	7,883.90	7,347.70
D. Expenses	6,954.64	6,428.90
E. Tax	309.91	308.55

Consolidated Notes on Financial Statements for the year ended 31st March, 2012

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

35 **Contingent Liabilities not provided for are in respect of :
Particulars**

- | | |
|---|--|
| a | Sales Tax matter under appeal |
| b | Outstanding LC,Bank Guarantees,bill discounting by Bankers. |
| c | Income Tax Matter (Departmental Appeal) |
| d | Corporate Guarantees given by CCL on behalf of CAWTL & H2O to Bank of India. |
| e | Balance payment for Capital Commitment |
| f | Claims against the company not acknowledged as debt. |

As at 31/3/2012 (₹ In lakhs)	As at 31/3/2011 (₹ In lakhs)
7.17	7.17
617.15	550.36
326.87	11.55
900.00	900.00
49.43	4.13
72.21	9.60

36 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,H2O Innovation Inc.

ii. **Associates:**

Chembond Distribution Ltd., Chembond Enzyme Company Ltd.& Chembond Habio Bioengineering Company Ltd.

iii. **Key Management Personnel and their relatives**

Key Management Personnel: (KMP)

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

Relatives

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

Entities over which Key Management personnel are able to exercise influence

CCL Opto Electronics 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

(₹ In lakhs)

Description of the nature of transactions	31.03.2012				31.03.2011			
	Joint Venture	Associates	KMP	Total	Joint Venture	Associates	KMP	Total
Sales of Goods		284.54	1120.70	1405.24		7.91	1344.54	1352.46
Chembond Chemicals Ltd		284.54	33.47	318.01		7.91	46.76	54.67
Henkel Chembond Surface Technologies Ltd			23.76	23.76			5.29	5.29
Chembond Ashland Water Technologies Ltd			37.38	37.38			19.24	19.24
Protochem Industries P Ltd			1026.09	1026.09			1273.25	1273.25
Purchase of Goods	17.55	0.74	1431.18	1449.47	116.73		1516.72	1633.45
Chembond Chemicals Ltd		0.74	403.93	404.47			369.48	369.48
Henkel Chembond Surface Technologies Ltd	17.55		1025.61	1043.16	26.36		1138.19	1164.55
H2o Innovation India Ltd					90.37			90.37
Chembond Ashland Water Technologies Ltd			0.83	0.83			0.34	0.34
Protochem Industries P Ltd			0.81	0.81			8.71	8.71

Consolidated Notes on Financial Statements for the year ended 31st March, 2012

(₹ In lakhs)

Description of the nature of transactions	31.03.2012				31.03.2011			
	Joint Venture	Associates	KMP	Total	Joint Venture	Associates	KMP	Total
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	144.24	2.32		146.56	128.20			128.20
Henkel Chembond Surface Technologies Ltd	144.24	2.32		146.56	128.20			128.20
Service Charges-Income	116.32		8.60	124.92	62.50			62.50
Chembond Chemicals Ltd	116.32		8.60	124.92	62.50			62.50
Technical Service Charges					0.43			0.43
H2o Innovation India Pvt Ltd					0.43			0.43
Compensation Received	13.49		12.36	25.85				
Henkel Chembond Surface Technologies Ltd	13.49		12.36	25.85				
Interest Expenses		4.76	44.34	49.10		6.00	37.97	43.97
Chembond Chemicals Ltd		4.76	43.12	47.88		6.00	34.51	40.51
Chembond Ashland Water Technologies Ltd			1.22	1.22			3.16	3.16
H2o Innovation India Ltd							0.30	0.30
Rental Expenses	4.53		3.50	8.03	4.53			4.53
Henkel Chembond Surface Technologies Ltd	4.53		3.50	8.03	4.53			4.53
Director Remuneration			161.30	161.30			137.15	137.15
Chembond Chemicals Ltd			102.00	102.00			94.59	94.59
Chembond Ashland Water Technologies Ltd			27.51	27.51			25.27	25.27
Henkel Chembond Surface Technologies Ltd			31.79	31.79			17.29	17.29
Director Sitting Fees			0.25	0.25			2.25	2.25
H2o Innovation India Ltd							2.00	2.00
Protochem Industries Pvt Ltd			0.25	0.25			0.25	0.25
Reimbursement of Exp			46.58	46.58			60.02	60.02
Protochem Industries Pvt Ltd			46.58	46.58			59.86	59.86
Chembond Ashland Water Technologies Ltd							0.16	0.16
Salaries			15.42	15.42			13.30	13.30
Chembond Chemicals Ltd			15.42	15.42			13.30	13.30
Professional Fees			10.00	10.00				
Protochem Industries Pvt Ltd			10.00	10.00				
WTC/PTC/ENZYME Compensation	14.04	17.05	24.24	55.33	46.08	3.43	57.05	106.57
Chembond Chemicals Ltd		17.05		17.05		3.43		3.43
Protochem Industries Pvt Ltd			24.24	24.24			38.29	38.29
Henkel Chembond Surface Technologies Ltd	14.04			14.04	46.08		18.76	64.84
Royalty	302.74		33.70	336.44	317.98		26.75	344.73
Chembond Ashland Water Technologies Ltd	201.25			201.25	177.68			177.68
Henkel Chembond Surface Technologies Ltd	84.98			84.98	97.14			97.14
H2o Innovation India Ltd	16.51			16.51	43.16			43.16
Chembond Chemicals Ltd			33.70	33.70			26.75	26.75
Loan Taken		51.91	424.35	476.26		50.50	369.42	419.92
Chembond Chemicals Ltd		51.91	414.35	466.26		50.50	346.92	397.42
Chembond Ashland Water Technologies Ltd							12.50	12.50
H2o Innovation India Ltd			30.00	30.00			10.00	10.00
Loan Given			13.50	13.50				



Consolidated Notes on Financial Statements for the year ended 31st March, 2012

(₹ In lakhs)

Description of the nature of transactions	31.03.2012				31.03.2011			
	Joint Venture	Associates	KMP	Total	Joint Venture	Associates	KMP	Total
Chembond Ashland Water Technologies Ltd			13.50	13.50			0.00	
Sundry Debtors	70.13	231.92	173.08	475.13	32.33	320.44		352.78
H2o Innovation India Ltd.	29.38		2.28	31.66				
Chembond Chemicals Ltd.		231.92		231.92		32.33		32.33
Chembond Ashland Water Technologies			34.34	34.34			5.48	5.48
Protochem Industries Pvt. Ltd.			136.46	136.46			314.96	314.96
Sundry Creditors	457.42	5.65	425.53	888.59	359.18	9.09	440.77	809.04
Chembond Chemicals Ltd.	13.18	5.65	75.77	94.60		9.09	102.23	111.32
Chembond Ashland Water Technologies Ltd	92.47		0.83	93.30	129.70		0.81	130.52
H2O Innovation India Ltd	111.74		19.70	131.44	121.81			121.81
Henkel Chembond Surface Technologies Ltd	230.61		329.13	5597.74	107.67		255.59	363.26
Protochem Industries P Ltd			0.10	0.10			82.13	82.13
Advance Received	22.15			22.15	22.15			22.15
H2o Innovation India Ltd	22.15			22.15	22.15			22.15

37 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 31/3/2012		As at 31/3/2011	
		Foreign Currency	Indian Currency	Foreign Currency	Indian Currency
USD	Buy	0.55	28.35	-	-

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

Particulars	As at 31/3/2012		As at 31/3/2011	
	Foreign Currency	Indian Currency	Foreign Currency	Indian Currency
Payable against imports of goods or services				
US Dollars	18.06	918.61	9.79	696.01
Euro	6.44	438.38	3.02	208.53
Japanese Yen	0.37	0.23	-	-
Australian Dollars	0.02	0.99	0.03	1.42
British Pounds	0.04	2.75	-	-

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

39 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

For and on behalf of the Board of Directors

Dhiren P. Talati
Partner
Membership No. F/41867
Mumbai, 28th July, 2012

Dr. Vinod D. Shah
Executive Chairman

Sameer V. Shah
Vice Chairman
& Managing Director

Nirmal V. Shah
Managing Director

Omkar Mhamunkar
Company Secretary
Mumbai, 28th July, 2012

Mahendra K. Ghelani
Director

Perviz H. Dastur
Director

CORPORATE SOCIAL RESPONSIBILITY

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

Henkel Chembond Children Centre celebrates successful 10 years...

The day started by lighting the lamp by Mrs. Smita Bhandari (Principal of Henkel Chembond Children Centre) and Ms. Varsha Rane from Tarapur Office of Chembond Chemicals Ltd. Later, children sang Christmas songs and teachers also joined them in singing and dancing. There was dance, music and games. All of them enjoyed a lot. A hearty Thanks to all teachers for making the day rocking of all children.



Water Unlimited???

On January 28, 2012, the Rotary Club of Bombay West held a seminar called "Water Unlimited???" at the Rotary Center, Juhu. Mr. Suresh Prabhu, former Union Minister was the Keynote Speaker. The seminar started on a wonderful note with the poem, Jal Bindu, written and narrated by Mr. Shashi Walavalkar. This was followed by Dr. Vinod Shah's opening remarks where he highlighted the importance of the subject by indicating how much wastage takes place in Indian industry and agriculture. A short film, based on Dr. Shah's book and made by Mr. Gaurang Mehta, nicely setup the program. Dr. Mohanbhai Patel, ex-Sheriff of Mumbai, with liberal quotes from the scriptures and folk songs, underlined the importance given to water in past generations before introducing the keynote speaker. Mr. Suresh Prabhu shared his knowledge and experiences as a Union Minister, how the government was aware of the looming crisis, and how the current inter-state conflicts over water sharing can impact the national agenda. Prof. Walavalkar from VPM Polytechnic, Thane, gave examples of simple technologies and practices that could be implemented by communities to save water and the environment. Dr. Mehta from Baroda presented a case study on reviving the Vishwamitri river and finally Dr. Rajan Sharma gave an overview on how a corporate, Asian Paints, implemented water conservation (Reduce, Reuse, Recycle) and rain water harvesting practices in their plants and colonies and then offered them to housing societies. Dr. Shah's book and efforts were the inspiration for the seminar and he continues to dedicate these initiatives to the work of our Visan Trust.

Activities at Henkel Chembond Children Centre

- A Theatre Workshop was organized for children on 11th and 12th February, 2012 at the Centre by Mr. Manjul Bhardwaj, a founder of Experimental Theatre Foundation, a NGO that uses theatre as a medium to bring about a change in individuals, groups, organizations and society as a whole. This workshop helped children to be creative.
- High School Science Fair Projects was held at Saphale School on 12th and 13th December, 2011. Three students from 8th grade participated along with two staff teachers. Our project was on water recycle.
- A workshop was organised on 28th February, 2012 for teachers in Gandharva Mahavidyalaya at Vashi by The activities included lectures on subjects such as Solar Energy, proper utilization of Natural Resources, developing interest among students for the Science Subject, etc.
- Career Plan Session was organised for Henkel Chembond Childrens' Centre kids on 22nd January, 2012 by Mr. Sunil Wagh, a counsellor from Nasik. 35 girls from 8th Grade to 12th Grade attended the session.
- Under the guidance of teacher, girls at tailoring classes provide jeans pattern to the Chembond Lab. The girls receive payment as per the piece.
- Three girls from tribal family background took admission for English Medium at Kedia High School. Mrs. Smita Bhandari helped the girls in admission procedures.
- The pickles and papad making activities are conducted at the Centre and also becomes a source of income for girls.

- Karate Competition was held in Don Bosco School, Boisar on 25th January, 2012. These girls learn Karate under guidance of Mr. Jitendra Patil and Mr. Anil Dhodi at the Centre.
- Three day educational training program was conducted by "Dr. Balasaheb Sawant Konkan Krishi Vidyapeeth," located at Ratnagiri, Maharashtra from 30th March to 1st April, 2012. The aim behind this educational visit was to make students aware about career in farming and technical aspects. Mrs. Smita Bhandari and few students from the Centre attended the training program.



Centre is my second home...

We have a profile of Ms. Rupali Gadag. Let's know what she feels for the Centre.

I am Ms. Rupali Gadag, studying in 12th Grade, Arts stream in Mijabai Anandrao Chandavarkar College, Boisar. I stay in remote area in Parnali in Mumbai Suburbs. Since 2009, I started coming in Henkel Chembond Children Centre. I like to study and want to become a teacher. Teachers at the Centre motivate and co-operate me with my studies. Various programs and competitions are organized that helps us to interact with people. I am happy to be a part of this Centre and want to thank all my teachers for their encouragement and support.



GREEN INITIATIVE IN CORPORATE GOVERNANCE

The Ministry of Corporate Affairs has come up with a Green Initiative of permitting the service of documents including Annual Report to the Shareholders through e-mail or other permissible electronic modes instead of physical mode vide its Circular No.17/2011 dated 21 April 2011. This is certainly a welcome move for the society at large, as this will reduce paper consumption to a great extent and allow all stakeholders to contribute towards a Greener Environment. To support this green initiative, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to register their email by letter addressed our Registrar & Transfer Agent (RTA), TSR Darashaw Limited, 6-10, Haji Moosa Patrawala Indl. Estate, 20, Dr. E Moses Road, Mahalaxmi, Mumbai – 400 011., Tel: 022 - 6656 8484, Fax: 022 - 6656 8494 or email to csg-unit@tsrdarashaw.com mentioning their Name, Folio No, DP ID, Client ID. The members may address the said correspondence to the Registered Office of the Company or email to investor.grievance@chembondindia.com

10 Years' Financial Performance											
											(₹ In Lakhs) Except Ratios and Percentages
Highlights	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	
<u>Operating Result</u>											
Sales(Net)	15,197.21	13,224.47	11,441.58	11,091.76	9,551.98	7,421.45	5,303.15	4,201.90	3,291.30	2,929.45	
Other Income	570.43	561.09	315.07	278.97	266.97	282.88	189.19	122.41	118.28	98.48	
Finance Charges	237.81	249.84	238.29	146.58	74.77	38.49	38.44	41.78	50.41	79.23	
Depreciation	138.53	118.75	111.43	86.98	58.35	40.39	30.61	25.78	22.41	20.75	
PAT	664.24	645.48	517.31	480.28	504.39	453.04	306.36	191.99	159.57	82.62	
PBT	801.04	815.74	647.36	554.77	640.57	580.95	414.20	253.93	205.05	127.97	
Dividend on Equity Shares	149.47	136.75	111.30	105.00	105.00	97.50	97.50	81.00	72.00	63.00	
Financial Position											
Equity Share Capital	636.04	636.04	636.04	300.00	300.00	300.00	300.00	300.00	300.00	300.00	
Reserves (Less Revaluation Reserve & Misc exp)	3,421.20	2,744.35	2,237.64	2,162.68	1,644.99	1,271.70	977.43	782.25	681.10	601.15	
Borrowings	2,138.50	1,626.14	2,062.56	1,954.48	796.81	605.64	491.07	472.12	307.16	553.90	
Net Block (Asset)	2,881.72	2,114.24	2,088.41	1,973.99	1,072.80	919.18	564.10	496.03	467.40	468.45	
Ratios											
Return on Average Networth %(RONW) (PAT divided by Average Networth)	17.86%	20.64%	19.39%	21.79%	28.69%	31.80%	25.97%	18.61%	16.96%	9.24%	
Return on Average Capital Employed % (ROCE) (PBIT divided by Average Fund Employed Excluding Def tax liab)	18.35%	21.18%	18.61%	21.53%	28.25%	30.25%	25.98%	34.85%	17.08%	13.36%	
Gross Gearing % (Debt as a percentage of Debt plus Equity)	34.20%	32.11%	41.27%	43.45%	28.38%	26.98%	26.72%	29.05%	22.54%	36.13%	
Current Ratio (Current Assets divided by Current Liabilities)	1.53	1.72	1.69	1.70	1.59	1.56	1.92	2.08	1.95	2.38	
Asset Turnover Ratio (Net Sales divided by Total Assets)	1.56	1.69	1.48	1.49	1.85	1.71	1.68	1.60	1.47	1.29	
Earning Per Share*	10.44	10.15	8.13	16.01	16.81	13.61	10.21	6.40	5.32	2.75	
Dividend Per Share	2.35	2.15	1.75	3.50	3.50	3.25	3.25	2.70	2.40	2.10	
Book Value	63.79	53.15	45.18	82.09	64.83	52.39	42.58	36.08	32.70	30.04	
Net Worth	4,057.24	3,380.39	2,873.68	2,462.68	1,944.99	1,571.70	1,277.43	1,082.25	981.10	901.15	
* Adjusted for issue of Bonus Shares in March 2010 in the ratio of 1 : 1											

Proxy Form

CHEMBOND CHEMICALS LIMITED

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

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

D.P. ID _____ Client. ID _____

I / We _____ of _____
in the District of _____ being a Member/Members of CHEMBOND
CHEMICALS LIMITED hereby appoint _____ of
_____ or failing him _____ of
_____ in the District of _____ as my/our Proxy to
attend and vote for me/us on my/our behalf at the 37th ANNUAL GENERAL MEETING of the Company to be held on Saturday,
08th September, 2012 at 3.00 p.m. at EL-37, MAHAPE, MIDC, NAVI MUMBAI 400 710 and any adjournment thereof.

Signed this _____ day of _____, 2012.

Please affix
Re.1/-
Revenue
Stamp

Signature

NOTES:

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

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

Attendance Slip

CHEMBOND CHEMICALS LIMITED

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

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

I hereby record my presence at the 37th ANNUAL GENERAL MEETING of the Company at EL-37, MAHAPE, MIDC, NAVI
MUMBAI 400 710 on Saturday, the 08th September, 2012 at 3.00 p.m.

Full name of Member (In block letters) _____

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

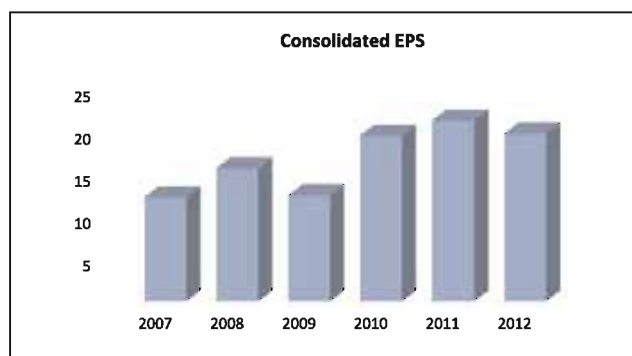
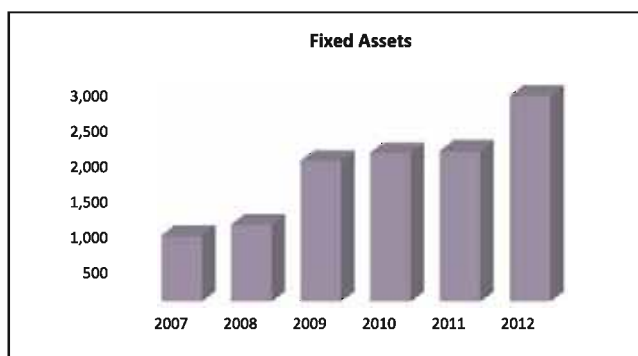
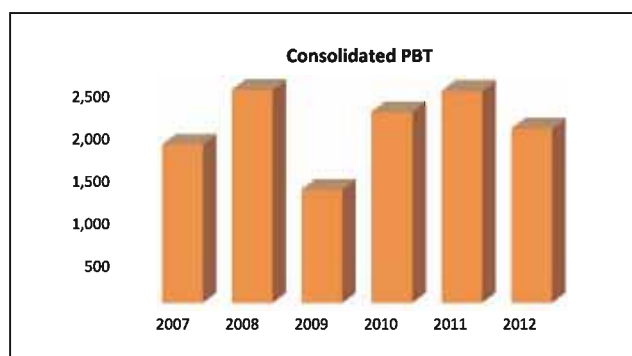
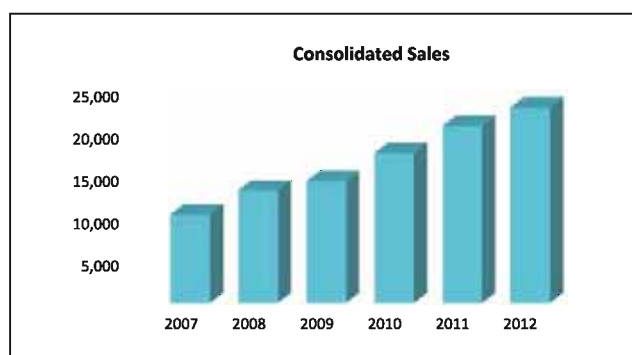
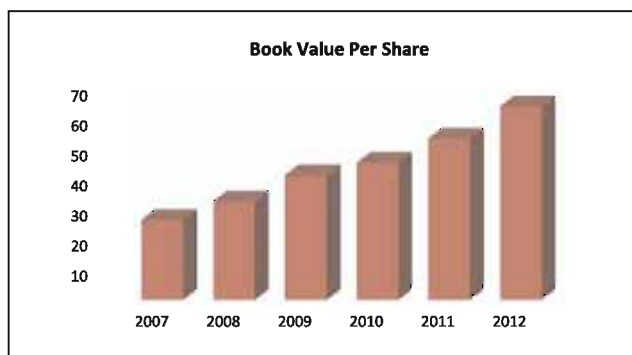
D.P. ID _____ Client. ID _____

Full name of Proxy (In block letters) _____

Member's/Proxy Signature _____

Notes:

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



For the year ended on March 31st 2012
all numbers in ₹ Lakhs except book value and EPS
restated, where necessary to reflect the 1:1 bonus issue in 2010

About the Cover:

“A tree, now firmly rooted and growing was only a seed to start with. The excitement of reaching new heights and contributing to the ecosystem would have seen the seed overcome adversities to become the fruit bearing tree it is today. The same sprit has been duplicated by the “Chembond” seed, planted and nurtured over the past 37 years by our visionary founders.”

www.chembondindia.com

