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Company Secretary

Omkar Mhamunkar

Statutory Auditors

Kastury & Talati
Chartered Accountants,
Mumbai

Cost Auditor

R. S. Raghavan

Bankers

HDFC Bank Limited
Bank of India
Kotak Mahindra Bank

**Whole Time Practicing
Company Secretary**

Virendra Bhatt

Registrar & Transfer Agent

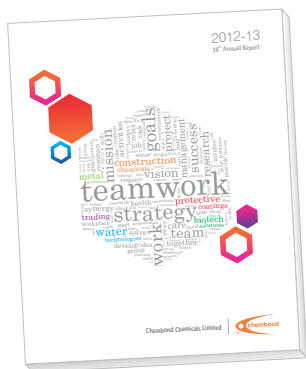
TSR Darashaw Pvt. Ltd.

Plants

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

Registered Office Address:

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



Rationale

Teamwork makes the Dreamwork. Offering intelligent solutions consistently has become a way of life at Chembond. Besides leveraging on our tried and tested expertise accumulated over 38 years, what truly drives each of our six verticals is our **team's** single minded determination to add value to the discerning needs of our Customers.



Board_{of} Directors



Dr. Vinod D. Shah
Chairman Emeritus



Ashwin R. Nagarwadia
Director



Jawahar I. Mehta
Independent Director



Jayantilal S. Vasani
Independent Director



Mahendra K. Ghelani
Independent Director



Nirmal V. Shah
Vice Chairman & MD



O. P. Malhotra
Independent Director



Perviz H. Dastur
Director



Sameer V. Shah
Chairman & MD



Sushil U. Lakhani
Independent Director

Management Discussion and Analysis

Over the last few years Indian industry has faced challenging times starting with the global financial crisis in 2008 through the current situation with high deficits, high inflation, greater public scrutiny, delayed macro decision making, etc. All of this seems to have led to a slowdown in infrastructure investment by the government, delayed capital investment by industry, and sharply lower spending (than forecasted) by the consumer on cars, appliances, and to a large extent on homes.

These factors have resulted in an exception where continuous profit growth has been interrupted for only the second time in recent memory. While sales have grown by almost 15%, this was much lower than planned. Thus, investments made in the year under review in people and brands have affected the profits of the Company. High inflation combined with a devaluation of the Rupee, added pressure to the gross margins. As a result, EBITDA and profits are lower.

There are good signs however, as everyone agrees that the Indian economy is still a better performing one than most developed and emerging countries and that it will soon revert to its higher growth phase. It could be said that the outcomes of the watchdog / public scrutiny, focus by the electorate on governance, the debate on deficits, and the waning of price controls, albeit gradual, bodes well for the future.

In Chembond as well, there are some encouraging news that come out of the analysis. The growth in sales has largely come from the newer businesses, where margins have also held their own for the most part. And, on a consolidated basis, the profit reduction is much smaller in percent terms. Over the last two years, your Company has built the infrastructure in capacities, people, technology, and brands and is well poised to handle and benefit from the growth of the country.

Business Areas

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

During the year under review, your Company has further consolidated its position in the construction chemicals field. Several new products and technologies launched during the previous year are now well-established in the market. As in the last two years, this year too has seen a focus on marketing and promotions. Your Company has participated in several exhibitions and a new campaign to extend its market reach is underway. New capacity has been added to the existing facilities of manufacturing and R & D. The addition of new qualified and trained manpower has seen a visible change in the speed of new product turnaround and the system being strengthened.





The range of **highperformance coatings** for protection and enhancement of industrial floors and for use in corrosion protection has shown a steady growth in business. Several new products and technologies were successfully launched in the market to tap unmarked segments. Initiatives taken in previous years to develop and cater to demanding applications has helped the Company gain some high valued projects. Experienced personal were appointed throughout the regions to increase presence and to offer skilled technical assistance.

Significant investments were made to further equip the R&D and product development facilities. Intensive testing for validation of new products was carried out. Some new products like the elastomeric PU coating have shown significant market potential amidst escalating demand. With continued focus on development the division is expected to exploit more opportunities to grow substantially during the coming year.

The range of products for use in the **Animal Health** industry continues its rapid growth.

This could have been much better if the industry had not faced the crises of rising feed ingredient costs, rainfall shortage, and disease outbreaks. With more than 20 products for the poultry & dairy segments, a robust product pipeline, and a



growing field force, the Animal Health business will be a major growth driver in the biotech division and the Company.

Your Company's enzymes for **textile processing** and **alcohol production** continue to show promising growth. Both of these segments have innovative products and a dedicated, focused team in sales, technical support, & development. The strong R&D capabilities have helped gain key accounts.

Performance of Joint Ventures and Subsidiaries

Chembond Ashland Water Technologies Limited is a Joint Venture between your Company and Ashland Inc., USA in which your Company holds 55% equity and rest is held by Ashland Inc. The Company is a leader nationally in the field of industrial water treatment chemicals used in cooling towers, boilers, RO plants and waste water treatment plants. During the year the sales of the Company grew by 10.29% but the pressure on input costs and higher expense levels saw a profit after tax growth of 2.25% over prior year. Your Company serves customers across very diverse manufacturing sectors. Ashland Inc. has recommitted its involvement in the water treatment segment globally and with USD 8 billion plus revenues is placed in the Fortune Global 500.

Henkel Chembond Surface Technologies Limited your Company's joint venture with Henkel. KGaA, Germany caters to the automotive, steel, and appliance industries. During the year sales of the Company grew by 6.53%, marginally higher than prior year owing to the industrial slowdown and PBT declined by 7.64%. Inflation in raw material prices and the value of the US Dollar also resulted in lower margins.

H₂O Innovation (India) Limited is a

Joint Venture between your Company and H₂O Innovation Inc., Canada in which Chembond owns 51% equity. The company, formed in 2010, is in the business of designing, fabricating, installing and operating water treatment equipment for front end water treatment, process water production as well as waste water recycle applications. During the year the company executed several projects for local customers as well as for export.

H₂O Innovation Inc. have expressed their desire to exit the India JV. The equipment business is one with a longer incubation period. Your Company is convinced about the future opportunities of this business and is working towards delivering a profitable performance.



Chembond Inver Coatings Limited is a wholly owned subsidiary of Chembond Chemicals Limited, which manufactures industrial coatings under license from Inver SpA, Italy. The business is focused in the field of agricultural machinery, construction equipment, trucks, metal furniture, engineering equipment, and architectural aluminum with a wide range of premium solvent borne, water borne, and powder paints. During the year under review, the teams at Chembond and Inver, Italy have exchanged the applications and the technology, undertaken visits to the labs and plant in Italy, as well as to key customers in India. Production of this product range has commenced at the plant in Dudhwada.

Protochem Industries Pvt. Ltd., the wholly owned subsidiary is mainly engaged in toll production for your Company's joint venture Henkel Chembond post the acquisition of Protochem and subsequent transfer of the metal treatment chemicals business to Henkel Chembond. Protochem is now embarking on new range of products for the Maintenance, Repair, and Overhaul (MRO) segment. MRO is a very large and fast growing market in the country and Protochem is a reputed name in the industry, which should help it stand out among some large international competitors and local players in MRO, heat treatment fluids & products for the defense sector.

Financial and Operational Performance

Standalone

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

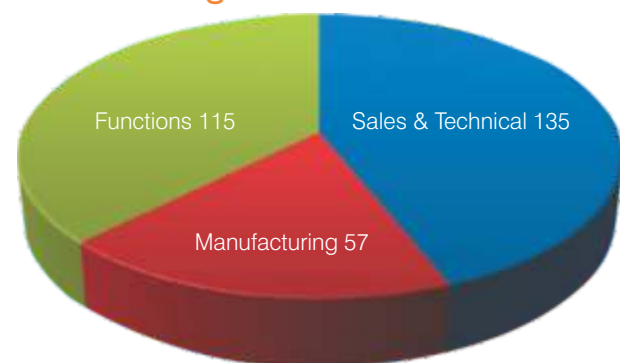
In ₹ Lakhs

Particulars	2012-13	2011-12	% Δ
Net Sales	17,447	15,197	14.80
Product Margin	2,863	2,586	10.71
Gross Margin	1,899	1,899	0.00
Selling & Administration	1,674	1,293	29.46
Employee Cost	1,278	1,011	26.41
EBITDA	893	1,177	-24.14
PBT	419	801	-47.63

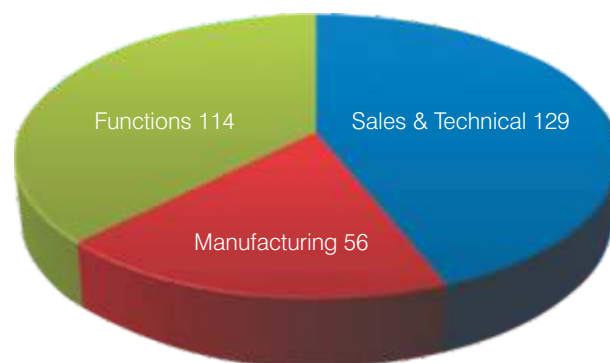
Ratio Analysis

Particulars	2012-13	2011-12
% Product Margin to Sales	16.41	17.02
% Gross Margin to Sales	10.89	12.50
% S & A to Sales	9.59	8.51
% Employee Cost to Sales	7.33	6.65
% EBITDA to Sales	5.12	7.74
Earnings per Share (Basic)	5.46	10.44
Earnings per Share (Diluted)	5.44	10.44
Debt / Equity	0.50	0.53

Team Strength



2013



2012

Consolidated

The highlights of the consolidated financial performance are as follows:

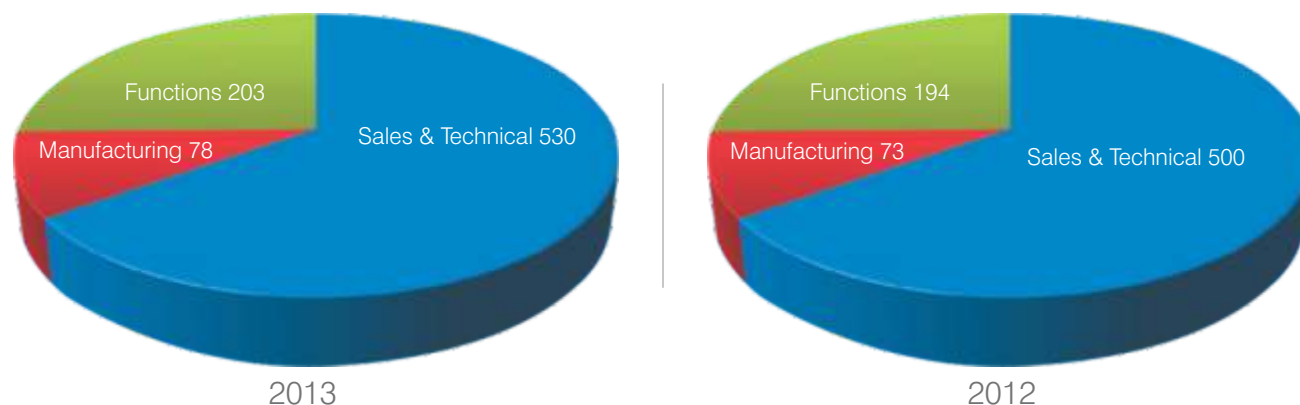
In ₹ Lakhs

Particulars	2012-13	2011-12	% Δ
Net Sales	26,232	22,845	15.69
Product Margin	9,199	8,374	9.86
Gross Margin	7,978	7,273	8.21
Selling & Administration	6,185	5,185	19.28
Employee Cost	3,085	2,542	21.34
EBITDA	2,288	2,609	-12.31
PBT	1,577	2,035	-22.52

Ratio Analysis

Particulars	2012-13	2011-12
% Product Margin to Sales	35.07	36.65
% Gross Margin to Sales	30.41	32.27
% S & A to Sales	23.58	22.70
% Employee Cost to Sales	11.76	11.13
% EBITDA to Sales	8.72	11.42
Earnings per Share (Basic)	11.13	19.70
Earnings per Share (Diluted)	11.09	19.70
Debt / Equity	0.36	0.51

Team Strength



Significant Developments During the Year

Start of Operations of Chembond Inver Coatings Limited

Your Company had identified industrial coatings as an area of diversification about 3 years ago. Discussions with an Italian company for licensing the technology have now culminated into the formation of Chembond Inver Coatings Limited. Key executives from Inver SpA, Italy have visited customers in India and our personnel from product development, production and sales have undergone training by Inver in Italy. This signals the start-up of operations in industrial coatings.



Plant for Manufacturing Coatings commissioned at Dudhwada

A new, well laid out plant for manufacturing high performance coatings was commissioned at the Dudhwada site. The facility includes a well-equipped quality control and product development laboratory and incorporates automation in manufacturing and material handling.

H₂O Innovation India

Three years ago your Company entered in a new area of design and manufacturing of water treatment equipment. The field though exciting and full of opportunities also has its own set of challenges worldwide. Your Company has had an excellent start and has marquee reference projects and the infrastructure to set-off the not so good financial results. The global economic slowdown affected the business of several international companies forcing them to review their strategy. One such change in the strategy of the JV partner – H₂O Innovation Inc, Canada – has resulted in a cordial and mutual termination of the JV – H₂O Innovation India Limited. Reflecting the change in ownership, the company has been renamed as Chembond Clean Water Technologies Limited.

Visibility and Branding

As mentioned earlier in the MDA, the Company has been investing to increase its visibility to users and influencers of its products. During the year your Company exhibited Construction Chemicals and Animal Health divisions at the industry best events to an overwhelming response. Your Company sponsored the leading annual corrosion conference in Mumbai and also the construction chemicals national seminar in Delhi. Branding efforts continued with interactive meets with influencers and users and an FM radio campaign in Gujarat for waterproofing products.



Acetech Exhibition 2012

Poultry India Expo-2012



Outdoor Hording at Gujarat

● Periodic Call Auction

As a result of a circular issued by SEBI changes have been made by the BSE for trading in illiquid stocks. The introduction of these changes has resulted in the shares of your Company now being traded in the Periodic Call Auction route. A stock is classified as 'illiquid' when in a quarter the average volume is below 10000 and average daily number of trades is below 50.

● Research & Development

For a long time your Company has wished to put increased focus on R&D activities. At a time when the economy was passing through a stage of guarded optimism, Chembond believed that R&D was crucial for maintaining a leading edge for your Company. A few steps in the direction of taking R&D activities to a higher level have been taken. Facilities at Mahape have been extended to house a new R&D centre; and novel techniques for remediation of waste water and have been initiated.



Safety Health Environment Quality

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 following locations are certified:



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

"Quality is not an act, it is a habit." Chembond also has a Safety, Health, and Environment objective of 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.

Risk and Internal Control Systems

The internal control system in place throughout the Company is aimed at ensuring the effectiveness of operations. It makes an important contribution towards ensuring compliance with the laws that apply as well as providing assurance on the propriety and reliability of internal and external financial reporting. The internal control system is therefore a significant factor in the management of process risks.

The Company engages the services of independent firms of professionals to function as internal auditor and provide reports and necessary actions where required on various activities covering observation on adequacy of internal controls and their recommendations.

Human Resources

Your Company enjoyed excellent employee relations throughout the year 2012-13 since there was a significant increase in hiring in the latter part of 2011-12, there was a marginal increase in the employee strength during the year. At the beginning of the year it was 299, which rose to 307 by the year-end.

Your Company has strong faith in the capabilities of employees. In keeping with this ideology, the Company invited participation of key personnel of all departments/ functions to build VISION 2015. Year-wise action plans are then evolved. The thrust areas to meet organizational objectives are determined and they are deployed in concerned departments. Key performance indicators (KPIs) are defined for individuals. Annual performance appraisal of the employees is done on the basis of actual results accomplished against the KPIs. Performance-linked Incentive plans are put in place to maintain the focus on accomplishment of targets.



In order to further reinforce result oriented work culture and to share the fruits of growth with the employees, an Employees' Stock Options Plan was finalized and rolled out during the year. Vesting of options under this scheme will be done on yearly basis in 2013, 2014, 2015 and 2016 and it has been linked with accomplishment of financial goals of your Company.

Need-based training and development activities were organized at Plants and offices to enhance the employees' technical/functional knowledge and behavioral competencies. Star performers are given suitable encouragement including promotions, job enlargement and job enrichment. Employee engagement activities were organized periodically to enhance the sense of belonging.

Research & Development

R&D has always been emphasized in your Company. It is at the core of its businesses, right since the founding of the Company, and is one of the main reasons for the leading positions of the metal treatment and water treatment businesses today. The R&D facilities, where the focus is on product development and application testing, are certified by the Department of Scientific and Industrial Research, Ministry of Science and Technology, New Delhi.

The construction of an additional and modern R&D Center at the headquarters in Mahape, will further intensify these activities. The Company has moved forward and implemented the promise by the founder, Dr. Vinod Shah, and added a senior scientist to head the R&D activities of the Company. Your Company will also be guided by a noted polymer scientist on the Company's advisory board. During the year under review, your Company, commissioned a study and review of a unique form of water treatment – Constructed Wetlands – with a view of adding such capabilities to the Company's offerings to its customers. Wetlands have been known for centuries to be good for treatment of wastewater but their role has been forgotten or ignored in recent years. Your Company is being advised by a leading academic from an American university and expects to soon setup an experimental facility to treat industrial effluent.

The focus areas for new R&D activities in the coming years is expected to be in,

- Development of specialty polymers
- Treatment of wastewater using a combination of your Company's strengths – water treatment chemicals, water treatment equipment, bioremediation using microbes, and constructed wetlands.
- Construction Chemicals: Design and development of new systems in the field of repair and waterproofing. Basic research on material properties leading to some insights on corrosion and mechanical properties of concrete.
- Environment friendly and high performance applications using the latest technologies in protective coatings.
- Pilot production, application, and performance evaluation of industrial coatings.

Manufacturing

During the year, the Coatings production was moved to a modern, larger facility in Dudhwada and construction of the new plant at Ranipet reached an advanced stage of commissioning. Your Company has existing manufacturing units at Tarapur, Mahape, Dudhwada, Baddi, Chennai, and Balasore. With this, your Company has the capability to efficiently serve the customers' requirements in all parts of the country. The overall manufacturing capacity is elastic, with a flexibility of wide range of product categories and capable of handling the requirements of the Company for the next several years. The plants are modern, compliant with health, safety, and environment norms, and the team is also well trained to use the best manufacturing practices.

Outlook

A few months ago, the management team of the Company prepared a blueprint outlining the vision for the next five years. Although this was when everyone was more optimistic about the economy, the long-term vision remains intact. Sales are expected to double in the next three years primarily driven by the Construction Chemicals, Coatings, Biotech, and Animal Health businesses. The necessary infrastructure for handling such a growth is in place with the investments made by the Company in facilities, brands, people, IT, systems, and technology. Emphasis on delivering the growth is now one of the prime focus areas for the management of the Company and accordingly, some processes are being changed. Your Company introduced its CRM system, SalesPro, a year ago, which with continued training is beginning to show its benefits in the minds of the sales and service teams. Compensation policies have also been tweaked in line with the expectations.

The outlook for the established businesses of water and metal treatment chemicals is to grow at a minimum of twice the GDP growth. Since these businesses need only make incremental investments, the bottom lines will grow at better than topline percentages. The Construction Chemicals and Coatings businesses will consistently grow at a minimum of 20 – 25% for at least the next three to five years. For the new businesses of biotech, animal health, bioremediation, and the subsidiaries Protochem, Chembond Clean Water, and Chembond Inver, the requirements are much higher and the management will devote considerable energies to make each of these areas achieve scale.

The management team is enthused with the opportunities the economy and the business areas present and your Company is well positioned to rise to these challenges.



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. The first major initiative in CSR was the establishment of the children's centre, the Henkel Chembond Children's Centre, in 1999 for the benefit of tribal girls in the Tarapur area. This center operates successfully with more than 250 girls who are taught various skills by qualified social science teachers and trainers. The children are provided good nourishing food at the center. Realizing that these same very girls will become mothers, a deep sense of hygiene and sanitation is impressed upon them in the formative years.



Some of the initiatives undertaken by your Company in this and other areas during the year include,

- 180 children at the Dudhwada village school were provided two sets of new uniforms each by the Company on April 23 in a visit by the senior management of the Dudhwada plant.
- The children of the Tarapur center were invited to participate in a Diwali Mela at Boisar where they put up a stall displaying items prepared by the children. Diwali cards, candles, handbags, decorative boxes, diyas, and many other decorative items made by them were offered. The objective was to exhibit the talent of these girls and give them an immense sense of achievement.

- The Rachna Kendra at Piplaj, Gujarat is now in its third year and is becoming a hub of activity for the financially weaker women of the village. The kendra is where they make products using the handicraft skills taught to them there. Rachna Kendra helps identify buyers and the women then fulfill the orders.



- The Boisar Sports Club arranged a sports event from December 24 to 28, 2012. The girls from our Tarapur center actively participated in various sporting events. Eleven of our girls won gold, silver, and bronze medals in Karate and Chess.
- In a taluka level competition on February 24, 2013 at Palghar, five of our Tarapur center girls participated and won silver medals and certificates.
- On 8th March, 2013 on the occasion of Women's Day, the Tarapur center organized a discussion program on empowerment of women, girls' education, and save the girl child. A social worker was invited with whom the girls exchanged their thoughts and asked questions.

Forward Looking Statements

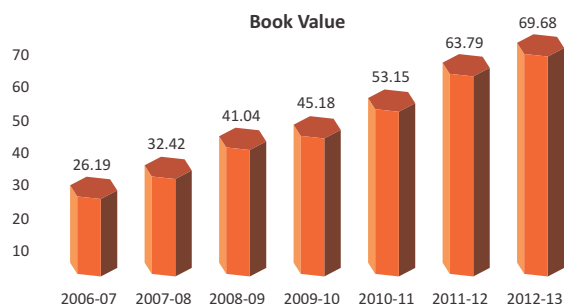
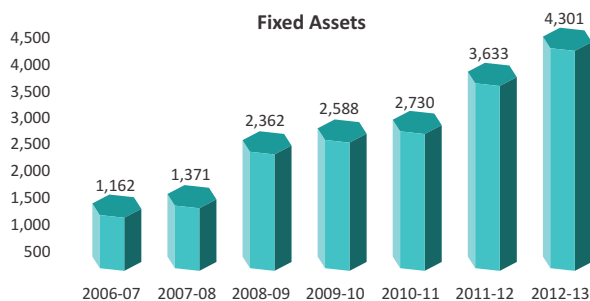
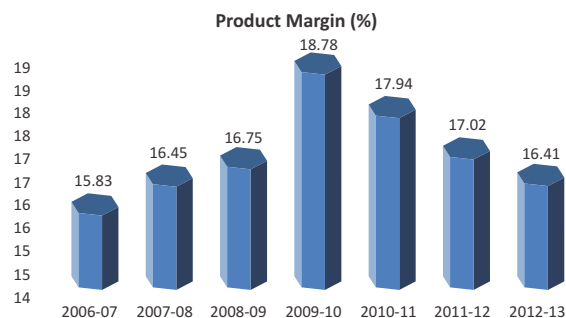
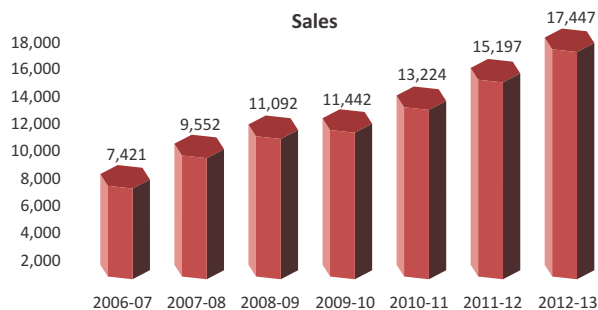
This report contains statements, which may constitute 'forward looking statements' within the meaning of the applicable securities laws and regulations. Forward-looking statements are based on certain assumptions and expectations of the future events. Actual results could differ materially from those 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.

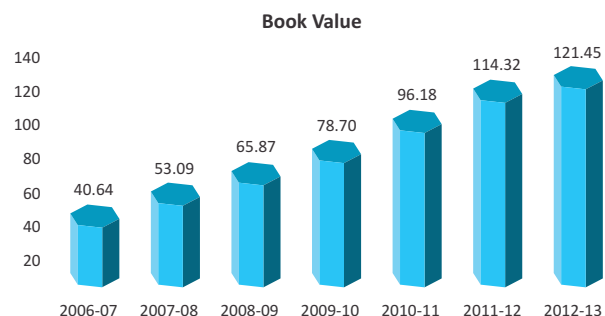
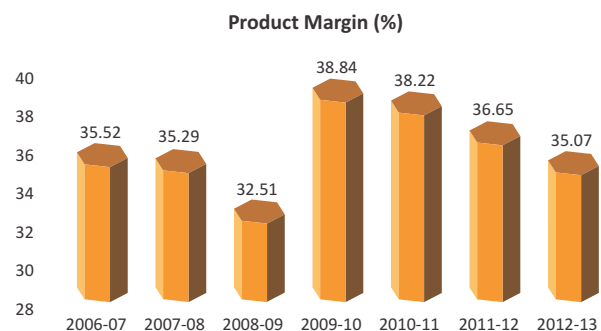
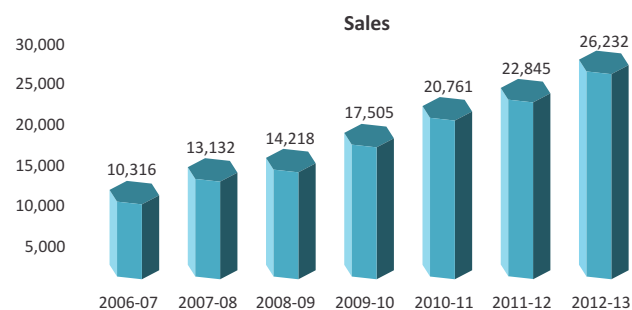


Highlights

Standalone



Consolidated



- For the year ended on March, 2013.
- All numbers in ₹ Lakhs except Book Value.
- Numbers adjusted for issue of Bonus Shares in March 2010 in the ratio of 1 : 1.

10 Year Financial Performance Standalone

(₹ in Lakhs except per share data and ratios)

Highlights	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
Operating Result										
Sales(Net)	17,446.82	15,197.21	13,224.47	11,441.58	11,091.76	9,551.98	7,421.45	5,303.15	4,201.90	3,291.30
Other Income	667.51	570.43	561.09	315.07	278.97	266.97	282.88	189.19	122.41	118.28
Interest (Net) (Finance Charges)	291.70	237.81	249.84	238.29	146.58	74.77	38.49	38.44	41.78	50.41
Depreciation	181.95	138.53	118.75	111.43	86.98	58.35	40.39	30.61	25.78	22.41
PAT	347.76	664.23	645.48	517.31	480.28	504.39	453.04	306.36	191.99	159.57
PBT	419.47	801.03	815.74	647.36	554.77	640.57	580.95	414.20	253.93	205.05
Dividend on Equity Shares	189.82	149.47	136.75	111.30	105.00	105.00	97.50	97.50	81.00	72.00
Financial Position										
Equity Share Capital	666.04	636.04	636.04	636.04	300.00	300.00	300.00	300.00	300.00	300.00
Reserves (Less Revaluation Reserve & Misc exp)	3,974.92	3,421.20	2,744.35	2,237.64	2,162.68	1,644.99	1,271.70	977.43	782.25	681.10
Borrowings	2,298.03	2,138.50	1,626.14	2,062.56	1,954.48	796.81	605.64	491.07	472.12	307.16
Net Block (Asset)	3,403.46	2,881.72	2,114.24	2,088.41	1,973.99	1,072.80	919.18	564.10	496.03	467.40
Ratios										
Return on Average Networth % (RONW) (PAT divided by Average Networth)	8.00	17.86	20.64	19.39	21.79	28.69	31.80	25.97	18.61	16.96
Return on Average Capital Employed % (ROCE) (PBIT divided by Average Fund Employed Excluding Def tax liab)	10.74	18.35	21.18	18.61	21.53	28.25	30.25	25.98	34.85	17.08
Gross Gearing % (Debt as a percentage of Debt plus Equity)	32.85	34.20	32.11	41.27	43.45	28.38	26.98	26.72	29.05	22.53
Current Ratio (Current Assets divided by Current Liabilities**)	1.46	1.53	1.72	1.69	1.70	1.59	1.56	1.92	2.08	1.95
Asset Turnover Ratio (Net Sales divided by Total Assets)	1.55	1.56	1.69	1.48	1.49	1.85	1.71	1.68	1.60	1.47
Earning Per Share (Basic)*	5.46	10.44	10.15	8.13	16.01	16.81	13.61	10.21	6.40	5.32
Dividend Per Share	2.85	2.35	2.15	1.75	3.50	3.50	3.25	3.25	2.70	2.40
Book Value	69.68	63.79	53.15	45.18	82.09	64.83	52.39	42.58	36.08	32.70
Net Worth	4,640.97	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

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

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

10 Year Financial Performance Consolidated

(₹ in Lakhs except per share data and ratios)

Highlights	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
<u>Operating Result</u>										
Sales(Net)	26,231.75	22,845.39	20,760.74	17,504.86	14,218.15	13,131.82	10,315.90	8,497.80	6,893.68	5,847.92
Other Income	495.21	421.65	409.29	337.13	231.30	149.37	144.58	121.16	105.96	177.24
Finance Cost	451.71	364.08	311.06	303.55	203.27	114.71	74.60	70.48	71.71	83.65
Depreciation	259.28	209.93	185.98	176.86	135.27	101.12	81.86	64.77	43.48	37.22
PAT	790.19	1,360.56	1,647.17	1,451.99	886.06	1,038.51	821.84	655.16	402.62	366.77
PBT	1,576.76	2,035.06	2,478.30	2,232.90	1,321.57	1,535.64	1,256.60	1,015.05	642.74	543.58
Dividend on Equity Shares	189.82	149.47	136.75	111.30	105.00	105.00	97.50	97.50	81.00	72.00
<u>Financial Position</u>										
Share Capital	666.04	636.04	636.04	636.04	300.00	300.00	300.00	300.00	300.00	300.00
Reserves (Less Revaluation Reserve & Misc exp)	7,422.93	6,635.28	5,481.55	4,369.37	3,652.02	2,885.21	2,138.35	1,613.87	1,204.75	963.97
Borrowings	2,948.21	3,668.79	2,442.80	2,265.22	2,248.11	1,234.32	833.50	877.06	812.90	597.80
Net Block (Asset)	5,192.42	4,747.28	3,335.20	3,312.54	2,672.36	1,710.38	1,382.91	912.20	750.52	648.46
<u>Ratios</u>										
Return on Average Networth % (RONW) (PAT divided by Average Networth)	10.29	20.32	29.62	32.42	24.83	36.93	37.77	38.33	29.08	31.11
Return on Average Capital Employed % (ROCE) (PBIT divided by Average Fund Employed Excluding Def tax liab)	16.90	24.46	34.97	37.26	28.33	41.88	42.95	41.36	33.05	32.45
Gross Gearing % (Debt as a percentage of Debt plus Equity)	26.58	33.36	28.34	30.89	35.89	27.52	24.96	30.67	34.03	30.90
Current Ratio (Current Assets divided by Current Liabilities**)	2.20	2.32	2.42	2.21	2.27	1.80	1.71	2.02	2.09	2.10
Asset Turnover Ratio (Net Sales divided by Total Assets)	1.43	1.30	1.48	1.45	1.43	1.47	1.45	1.55	1.54	1.61
Earning Per Share (Basic)*	11.13	19.70	21.25	19.49	26.19	31.24	24.37	20.07	12.29	12.23
Dividend Per Share	2.85	2.35	2.15	1.75	3.50	3.50	3.25	3.25	2.70	2.40
Book Value	121.45	114.32	96.18	78.70	131.73	106.17	81.28	63.80	50.16	42.13
Net Worth	8,088.97	7,271.32	6,117.59	5,005.41	3,952.02	3,185.21	2,438.35	1,913.87	1,504.75	1,263.97

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

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



Director's Report

2012-13
38th Annual Report

To

The Members,

Your Directors hereby present the 38th Annual Report on the business and operations of your Company together with Audited Financial Statements for the year ended 31st March, 2013.

FINANCIAL RESULTS:

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

(₹ In Lakhs)

	Standalone		Consolidated	
	2012-13	2011-12	2012-13	2011-12
Net Sales	17,446.82	15,197.21	26,231.01	22,845.39
Profit for the year	347.76	664.23	708.41	1,253.01
Add: Balance as per last year	2,783.15	2,314.32	5,320.59	4,559.36
Add : Transfer from Revaluation Reserve	1.89	1.89	1.89	1.89
Total	3,132.80	2,980.44	6,030.89	5,814.28
Appropriation				
General Reserves	39.95	70.00	268.27	286.02
Set off of Dividend Tax in respect of dividend from Subsidiary Company.	(32.26)	(46.43)	(32.26)	(46.43)
Proposed Dividend	189.82	149.47	189.82	149.47
Tax on Proposed Dividend	32.26	24.25	127.51	104.63
Balance carried to Balance Sheet	2,903.03	2,783.16	5,477.54	5,320.59
Total	3,132.80	2,980.44	6,030.89	5,814.28

DIVIDEND

The Board of Directors recommend a dividend of ₹ 2.85 per equity share (Previous year ₹ 2.35) for the financial year ended 31st March, 2013. The total outflow on account of dividend amounts to ₹ 189.82 Lakhs. The Company has also transferred an amount of ₹ 39.95 Lakhs (Previous year ₹ 70.00 Lakhs) from its current years profit to General Reserves.

DEPOSITS

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

DIRECTORS

In accordance with the Articles of Association of the Company, Mr. O. P. Malhotra and Mr. Jayantilal S. Vasani retire by rotation at the ensuing Annual General Meeting. Mr. Jayantilal S. Vasani has been on the Board of Directors of your company since 28th August, 1994. His role on the Board and as a member of the committees has been invaluable. Mr. Vasani has expressed his desire to retire and hence does not seek re-appointment as a Director of your Company at the ensuing Annual General Meeting. The Board respects his decision and places on record its sincere gratitude to Mr. Vasani for the contributions made by him towards guiding the Company over the years.

Mr. O. P. Malhotra, being eligible, offers himself for re-appointment as a Director of your Company at the ensuing Annual General Meeting.

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 shareholders seeking such information at

any point of time and the Annual Accounts of the Subsidiary Companies will be available for inspection at the registered office of the Company. The statement as required under 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 a 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, 2013 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.

The Company has also appointed M/s. R. S. Raghavan, Practicing Cost Accountant as Cost Auditor of the Company for the financial year ended 2012-13.

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

Your 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, 2013.

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.

EMPLOYEE STOCK OPTION PLAN

Pursuant to the approval accorded by the shareholders at the thirty sixth Annual General Meeting of the Company held on 10th September, 2011, the Compensation Committee had formulated the Chembond Chemicals Employee's Stock Option Plan 2012. During the year under review, out of the 3,18,000 options approved by the shareholders of the Company, 2,32,781 options were granted to the employees of the Company and its subsidiaries under the said scheme. As required under the Securities and Exchange Board of India (Employees Stock Option and Employees Stock Purchase Scheme) Guidelines, 1999 (SEBI Guidelines), the following details of this scheme as on 31 March, 2013 are being provided:

Sr. No.	Nature of Disclosure	Particulars
	Total No. of Options approved	Total 3,18,000 Nos. of options as per the scheme approved by the Compensation Committee of the Board as per the resolution passed by the members of the Company in their Annual General Meeting held on 10 th September, 2011 entitling the holder thereof to be issued and allotted one Equity Share in the Company for each Option held.
A	Options Granted	2,32,781 Nos.
B	The Pricing Formula	The options were granted at an exercise price by following formula: price of the equity shares not less than lower of the average of weekly high and low of closing price of six months or two weeks on the Stock Exchange i.e. Bombay Stock Exchange (BSE) prior to the date of grant of the options with a discount not more than 10% of the minimum applicable price.
C	Options Vested	Nil
D	Options Exercised	Nil

E	The total no. of shares arising as a result of exercise of option	Not Applicable
F	Options lapsed/ Surrendered	4,800
G	Variation of terms of Option	No.
H	Money realized by exercise of options	Not Applicable
I	Total no. of Options in force	90,019
J	(i) Details of Options granted to Senior Management Personnel	As per Annexure 1
	(ii) Any other employee who received a grant in any one year of Option amounting to 5% or more of Options granted during the year	Nil
	(iii) Employees who were granted Options, during any one year, equal to or exceeding 1% of the issued capital of the Company at the time of grant	Nil
K	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of Option calculated in accordance with Accounting standard AS-20	
	(i) Difference between the compensation cost using the intrinsic value of the stock Options (which is the method of accounting used by the Company) and the compensation cost that would have been recognized in the accounts if the fair value of Options had been used as the method of accounting.	The employee compensation cost for the year would have been higher by ₹ 25.90 Lakhs had the Company used the fair value of options as the method of accounting instead of intrinsic value.
	(ii) Impact of the difference mentioned in (i) above on the profits of the Company.	The stock-based compensation cost calculated as per the intrinsic value method upto 31 st March, 2013 is ₹ 9.98 Lakhs. If the stock-based compensation cost was calculated as per the fair value method prescribed by SEBI, the total cost to be recognized in the financial statements for the period ended 31 st March, 2013 would be approximately ₹ 35.89 lakhs.
	(iii) Impact of the difference mentioned in (i) above on the EPS of the Company	Had the Company accounted the Options as per fair value the diluted EPS would have been ₹ 5.34 per share instead of ₹ 5.73 per share.
L	(i) Weighted Average exercise price of Options	₹ 153/-
	(ii) Weighted average fair value of Options	₹ 68/-
M	(i) Method used to estimate the fair value of Options	Black Scholes Options Pricing Model
	(ii) Significant assumptions used (weighted average information relating)	
	(a) Risk -free interest rate	8.25%
	(b) Expected life of the Option	3.34 years
	(c) Expected volatility	42%
	(d) Expected dividend yields	1.38%
	(e) Price of the underlying share in the market at the time of Option grant	₹ 170/-

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

SHARE CAPITAL

On 25th March, 2013 the Company has allotted 300,000 Nos. fully paid Equity shares of ₹ 10/- each at a premium of ₹ 173.97 as against exercise of options attached to 300,000 Convertible Warrants issued to the Promoters & Promoters Group entitling them to subscribe to one equity shares against each warrant in accordance with provisions specified under Chapter VII of SEBI (ICDR) Regulations, 2009 and as per the In Principle Approval received from Bombay Stock Exchange (BSE) on May 07, 2012. The Auditors Certificate for compliance under the Chapter VII of SEBI (ICDR) Regulations, 2009 will be placed before the members at the ensuing Annual General Meeting.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- i) that in preparation of the Annual Accounts for the year ended 31st March, 2013, the applicable accounting standards have been followed;
- ii) that the Directors have selected and applied such accounting policies consistently and made judgments and estimates that were reasonable and prudent so as to give true and fair view of the state of affairs of the Company for the financial year ended 31st March, 2013 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; and
- iv) that the annual accounts for the year ended 31st March, 2013 have been prepared on a going concern basis.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, & FOREIGN EXCHANGE EARNINGS AND OUTGO

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

PARTICULARS OF EMPLOYEES

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

ACKNOWLEDGEMENTS

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

For and on behalf of the Board,

Sameer V. Shah

Chairman & Managing Director

Mumbai

May 30, 2013

Nirmal V. Shah

Vice Chairman & Managing Director

ANNEXURE 1 TO THE DIRECTORS' REPORT
Details of Options granted to Senior Management Personnel

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

ANNEXURE 2 TO THE DIRECTORS' REPORT

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

I. CONSERVATION OF ENERGY

A) Energy conservation measures undertaken:

The Company continuously works to reduce energy consumption by modifying its processes and improving energy efficiency at its plants and offices.

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, & cost increases the consumption of energy remained at satisfactory levels.

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

Particulars	2012-13	2011-12
I Electricity Purchased		
i) Units	9,04,781	7,18,676
ii) Total Amount (₹ In Lakhs)	68.89	49.99
iii) Rate/KWH (₹)	7.61	6.96
II Kerosene Purchased		
i) Liters	59,511	54,875
ii) Total Amount (₹ In Lakhs)	24.75	19.50
iii) Rate/ Lt. (₹)	41.59	35.54
III LPG Purchased		
i) Kilograms	16,422	12,663
ii) Total Amount (₹ In Lakhs)	13.68	8.62
iii) Rate/ Kgs (₹)	83.30	68.07

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	2012-13	2011-12
Total Foreign Exchange Earned	455.82	136.26
Total Foreign Exchange Outgo	2,693.47	2,507.66

IV. RESEARCH & DEVELOPMENT

- a) Research & Development in your Company is targetted 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

- i) Improved product performance;
- ii) Helps promotion of the products in industry; and
- iii) Reduction of material costs.

c) Future Plans of Action

The Company intends to continue to increase R&D investments in developing better products with the objective of improving the performance of existing products and delivering value to the customer. **d) Expenditure on R & D**

(₹ in Lakhs)

Particulars	2012-13	2011-12
Revenue Expenditure	76.32	45.55
Capital Expenditure	17.12	Nil
Total	93.44	45.55
Total R & D as percentage of Turnover	0.54%	0.30%

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

Sameer V. Shah

Chairman & Managing Director

Mumbai

May 30, 2013

Nirmal V. Shah

Vice Chairman & Managing Director



Corporate Governance

2012-13
38th Annual Report



PHILOSOPHY ON CODE OF GOVERNANCE

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

BOARD OF DIRECTORS

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

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

- A. The composition of the Board as on 31st March, 2013 and details of Board Meeting and Annual General Meeting held and attendance of the Directors is as follow:

Name of the Directors	Designation	No. of Board Meetings attended	Attendance at last AGM	Number of outside Directorships held (excluding alternate directorships and in private companies)	Total Number of Committee Memberships held**	Total Number of Chairman Ships held**
Dr. Vinod D. Shah #	Chairman Emeritus	2	Yes	5	1	-
Sameer V. Shah@	Chairman & Managing Director	4	Yes	9	1	-
Nirmal V. Shah***	Vice Chairman & Managing Director	4	Yes	9	1	-
Ashwin R. Nagarwadia	Non – Executive Director	3	No	5	-	-
Perviz H. Dastur	Non – Executive Director	3	No	2	1	-
Mahendra K. Ghelani	Independent Director	3	Yes	-	1	1
Jayantilal S. Vasani	Independent Director	4	No	-	2	1
O. P. Malhotra	Independent Director	2	Yes	3	1	-
Jawahar I. Mehta	Independent Director	2	Yes	-	-	-
Sushil U. Lakhani	Independent Director	1	No	1	-	-

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

Retired at the annual general meeting held on 8th September, 2012 as Chairman & Managing Director and designated as Chairman Emeritus.

@ Appointed as Chairman of the Company w.e.f. 03rd November, 2012.

*** Appointed as Vice-Chairman of the Company w.e.f. 03rd November, 2012.

During the year, Meetings of Board of Directors were held on 12th May 2012, 28th July 2012, 03rd November 2012 and 02nd February, 2013.

B. Board Meeting & Procedures

Board Members are informed well in advance about the schedule of the Meetings. Appropriate documents are sent in advance to each Director. In order to enable the Board to discharge its responsibilities effectively, the Managing Directors review the overall Company performance by placing a functional report before the Board. The functions performed by the Board, inter alia, include review of:

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

C. Details of Directors being re-appointed

In accordance with the Articles of Association of the Company, Mr. O. P. Malhotra and Mr. Jayantilal S. Vasani retire by rotation at the ensuing Annual General Meeting. Mr. Jayantilal S. Vasani has been on the Board of Directors of your company since 28th August, 1994. His role on the Board and as a member of the committees has been invaluable. Mr. Vasani has expressed his desire to retire and hence does not seek re-appointment as a Director of your Company at the ensuing Annual General Meeting. The Board respects his decision and places on record its sincere gratitude to Mr. Vasani for the contributions made by him towards guiding the Company over the years.

Mr. O. P. Malhotra, being eligible, offers himself for re-appointment as a Director of your Company at the ensuing Annual General Meeting.

A brief resume of Mr. O. P. Malhotra, along with the additional information required under clause 49 (VI) (A) of the Listing Agreement is as under:

Name : Mr. O. P. Malhotra
Age : 81 years
Qualification : B. Chem. Engg.

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 the Company's website. All Board Members and senior management have complied with the code of conduct and the disclosure in that respect is also contained in the Directors' Report of the Company.

II. COMMITTEES OF THE BOARD

A. AUDIT COMMITTEE

The constitution of the Audit Committee as of 31st March, 2013 is as follows:

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

During the year, four meetings of the audit Committee were held - on 12th May 2012, 28th July 2012, 03rd November 2012 and 02nd February, 2013. The Committee has members with sound knowledge of business, accounting and law and deals with accounting matters, financial reporting and internal controls. The Audit Committee has the powers and performs its role as per the guidelines set out in the amended Listing Agreement. The Committee monitors any proposed changes in accounting policy, accounting implications of major transactions and also closely reviews the adequacy of internal audit controls and formulates and monitors the annual audit plan. The Committee also reviews relevant sections of the Management Discussion and Analysis, and areas such as the Company's financial condition, related party transactions, management letter, internal audit reports, and matters related to appointment of internal

and statutory auditors of the Company, and the financial statements of Subsidiary Companies. The Auditors, Internal Auditors, Managing Directors, concerned executives, Non-Executive Directors, and Finance Controller are invitees to the Audit Committee Meetings. The Company Secretary acts as the Secretary to the Committee. Terms of Reference: The Terms of Reference of the Audit Committee are in accordance with those specified in Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956.

B. REMUNERATION COMMITTEE

The constitution of the Remuneration Committee as of 31st March, 2013 is as follows:

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

During the year, meetings of the remuneration committee were held - on 28th July 2012, 03rd November 2012, 20th December 2012 and 02nd February, 2013.

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

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, 2013 is as follows:

Name of the Member	Designation	No. of meetings attended
Jayantilal S. Vasani	Chairman	5
Dr. Vinod D. Shah #	Member	3
Sameer V. Shah	Member	5
Nirmal V. Shah	Member	5

During the year, five meetings of the share transfer committee were held - on 13th April 2012, 24th April 2012, 13th July 2012, 19th October 2012 and 18th January 2013.

Retired w.e.f. 08th September, 2012

The Committee deals with a matter relating to transfer / transmission of Shares, issue of duplicate share certificates, review of shares dematerialized. The 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 13 shareholders' complaints of which 13 were resolved during the year.

D. EXECUTIVE COMMITTEE

The constitution of the Executive Committee as of 31st March, 2013 is as follows:

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

retired w.e.f. 8th September, 2012.

The Board of Directors has delegated to the Executive Committee the authority to supervise and monitor the day-to-day affairs of the Company. The Executive Committee of the Board of Directors of the Company conducts a monthly review meeting (MRM) and such other meeting as may be decided by the Committee for a detail business review to which all Head of Departments (HOD), Business/Divisional Heads are the invitees. During the year the Board of Directors also invited Mr. Ashwin R. Nagarwadia, Mr. Perviz H. Dastur, Mr. Sushil U. Lakhani, Mr. Mahendra K. Ghelani, Mr. Jawahar I. Mehta and Mr. O. P. Malhotra to be the member of the Executive Committee in order to achieve a greater degree of transparency and optimize their core expertise in the business.

E. COMPENSATION COMMITTEE

The constitution of the Compensation Committee as of 31st March, 2013 is as follows:

Name of the Members	Designation
Mahendra K. Ghelani	Chairman
Jayantilal S. Vasani	Member
Sameer V. Shah	Member

During the year, one meeting of the compensation committee was held on 08th September, 2012.

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

F. PREFERENTIAL ALLOTMENT COMMITTEE

The constitution of Preferential Allotment Committee as of 31st March, 2013 is as follows:

Name of the Members	Designation
Perviz H. Dastur	Chairman
Sameer V. Shah	Member
Nirmal V. Shah	Member

During the year, the Board of Directors has formed the Preferential Allotment Committee of the Board of Directors were held on 25th March, 2013.

On 25th March, 2013 the Preferential Allotment Committee has allotted 3,00,000 Nos. fully paid Equity shares of ₹ 10 each at a premium of ₹ 173.97 as against the exercise of options attached to the 3,00,000 Nos. of Convertible Warrants issued to the Promoters & Promoters Group entitling them to subscribe for one equity shares against each warrant in accordance with provisions specified under Chapter VII of SEBI (ICDR) Regulations, 2009 and as per the In Principle Approval received from Bombay Stock Exchange (BSE) on May 07, 2012.

The Preferential Allotment Committee was made responsible for superintendence, approval and allotment of equity shares in pursuant to exercise of option attached to the 3,00,000 Nos. of Convertible Warrants to subscribe for one equity share of ₹ 10 each in the Company per warrant in accordance with the Compliance of SEBI (ICDR) Regulation, 2009 including any amendment thereto and any other applicable laws in force.

III. SUBSIDIARY COMPANIES

The Company has four subsidiaries namely Chembond Ashland Water Technologies Limited, Protochem Industries Private Limited, Chembond Inver Coatings Limited and H2O Innovation India Limited. One Independent Director of Chembond is on the Board of each subsidiary except Chembond Inver Coatings Limited, which is not a material subsidiary and has not yet started its commercial production. Mr. O. P. Malhotra on the Board of Chembond Ashland Water Technologies Limited, Mr. Mahendra Ghelani on the Board of Protochem Industries Private Limited and Mr. Sushil Lakhani on the Board of 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:

(₹ in Lakhs)

Names	Designation	*Salary and Perquisite
Dr. Vinod D. Shah #	Chairman Emeritus	15.80
Sameer V. Shah	Chairman & Managing Director	30.00
Nirmal V. Shah	Vice Chairman & Managing Director	30.00

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

Retired w.e.f. 08th September, 2012 and designated as Chairman Emeritus.

ii) Sitting fees paid to Non-Executive Directors:

The details of sitting fees paid to Non-Executive Directors for the year ended 31st March, 2013 are as specified below:

Name	Rupees	No. of Shares held as of 31.03.2013	Stock Options granted# to Non-Executive Directors
Perviz H. Dastur	2,00,000	1,57,060	Nil
Ashwin R. Nagarwadia	6,00,000	3,85,932	Nil
Jayantilal S. Vasani	1,00,000	17,500	4,800
Mahendra K. Ghelani	3,00,000	4,500	4,800
Jawahar I. Mehta	1,00,000	1,200	4,800
O. P. Malhotra	1,00,000	Nil	4,800
Sushil U. Lakhani	2,00,000	Nil	4,800

- a) The Company remunerates to Non-Executive Directors as per in terms of the provisions of the Companies Act, 1956.
- b) The Compensation Committee has approved a grant of 4,800 stock options to each Independent Director at their meeting held on 8th September, 2012 in accordance with Chembond Chemicals Employees' Stock Option Plan, 2012. The options shall vest over the period of 4 years until 2016 subject to accomplishment of performance criteria set by the Compensation Committee.

V. OTHER SHAREHOLDERS COMPLIANCES

- i) The required information about appointment / re-appointment of Directors is contained in the Notice of the Annual General Meeting.
- ii) The quarterly results of the Company are generally published in the Free Press Journal and in Navashakti. The results are also sent to the stock exchange and posted on the Company's website.
- iii) 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

- i) Details of general body meetings held in last 3 years:

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.	1) Re-appointment of Dr. Vinod D. Shah as Executive Chairman of the Company. 2) Re-appointment of Mr. Sameer V. Shah as Vice – Chairman & Managing Director of the Company. 3) Re-appointment of Mr. Nirmal V. Shah as Joint Managing Director of the Company.
2011	AGM	EL-37, Chembond Centre, Mahape, MIDC, Navi Mumbai 400 710.	10.09.2011	3.00 p.m.	Approval of Employees' Stock Option Plan (ESOP)
2012	AGM	EL-37, Chembond Centre, Mahape, MIDC, Navi Mumbai 400 710.	08.09.2012	3.00 p.m.	Approval of retirement plan for Dr. Vinod D. Shah.

- ii) Special Resolutions passed through Postal Ballot as follows:

- a) A Special Resolution under Section 31 of the Companies Act, 1956 was passed by Postal Ballot on 20th March, 2012. The Resolution approved the alteration in the Articles of Association of the Company. The Resolution was passed with 99.98% voting in favour.
- a) A Special Resolution under Section 81 (1A) of the Companies Act, 1956 was passed by Postal Ballot on 20th March, 2012. The Resolution approved the issue of Convertible Warrants to Promoters/ Promoters Group on a Preferential Basis. The Resolution was passed with 99.98% voting in favour.
- iii) The person who conducted the Postal Ballot exercise: Mr. Virendra Bhatt, a Practicing Company Secretary, C.P. No. 124, appointed as the Scrutinizer, conducted the Postal Ballot voting process.

- iv) Procedure for Postal Ballot: The Postal Ballot was conducted as per the procedure set out in Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2011.
- v) Whether any Special Resolution is proposed to be conducted through Postal Ballot: There is no proposal, at present, to pass any Special Resolution by Postal Ballot.

VIII. DISCLOSURES

- i) There were no materially significant related party transactions with the promoters, Directors, etc. that may have potentially conflicting 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.
- ii) There were no non-compliances by the Company nor were any penalties or strictures imposed on the Company by Bombay Stock Exchange (BSE) or SEBI or any statutory authority, on any matter relating to the capital markets during the last three years.
- iii) The Company has a Code of Conduct for Prevention of Insider Trading in the shares of the Company for Directors and other identified persons in accordance with the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992.
- iv) The Company has complied with all the mandatory requirements and non-mandatory requirements in respect of remuneration committee as stipulated in the clauses of Corporate Governance.

IX. MEANS OF COMMUNICATION

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

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

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

X. GENERAL SHAREHOLDERS INFORMATION

1.	Date, Time & Venue of Annual General Meeting.	10 th August, 2013 at 03.00 p.m. at EL-37, MIDC, Mahape, Navi Mumbai		
2.	Financial Year	The Financial Year Covers the period from 1 st April to 31 st March		
3.	Financial Calendar for 2013-2014 (tentative & subject to change)	Financial Reporting for the quarter ending 30.06.2013 10 th August, 2013 30.09.2013 By Mid of November 2013 31.12.2013 By Mid of February 2014 31.03.2014 By end of May 2014		
4.	Date of Book Closure	27 th July, 2013 to 10 th August, 2013 (Both days inclusive)		
5.	Dividend Payment date	14 th August, 2013		
6.	Listing on Stock Exchange	Bombay Stock Exchange Limited (BSE)		
7.	Stock Code	530871		
8.	Market Price data	Month	High	Low
		April 2012	188.50	175.00
		May 2012	185.00	168.00
		June 2012	190.00	175.00
		July 2012	189.00	175.00
		August 2012	186.35	165.00
		September 2012	175.00	164.00
		October 2012	184.00	169.00
		November 2012	199.85	170.00
		December 2012	178.00	170.00
		January 2013	175.00	158.00
		February 2013	167.90	146.25
		March 2013	155.00	137.00

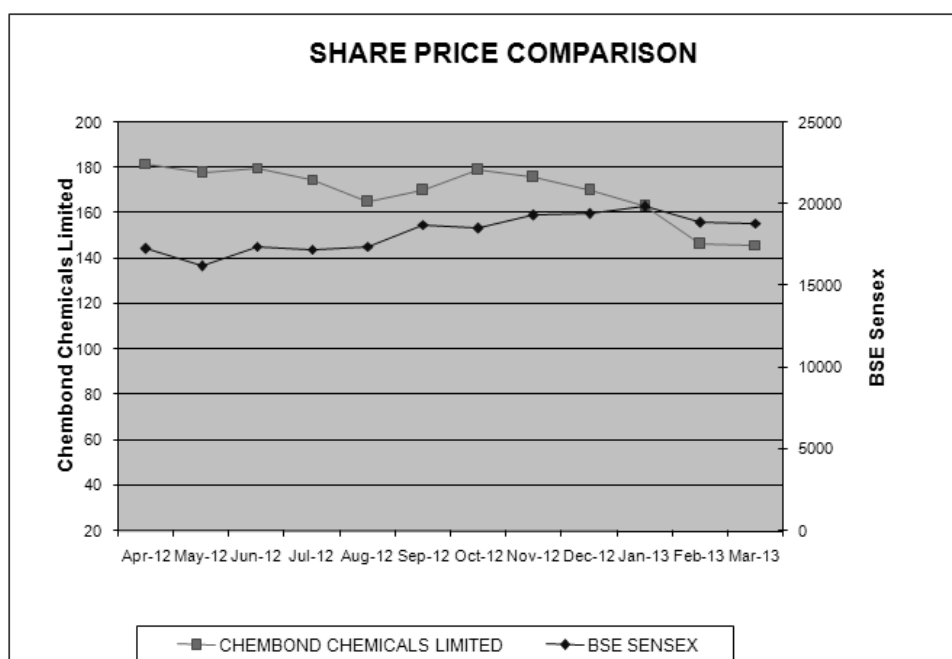
9.	Registrar and Transfer Agent	TSR Darashaw Private Limited 6-10, Haji Moosa Patrawala Indl. Estate, 20, Dr. E Moses Road, Mahalaxmi, Mumbai – 400 011. Tel: 022 – 6656 8484 Fax: 022 – 6656 8494 E-mail : csg-unit@tsrdarashaw.com Web : www.tsrdarashaw.com			
10.	Share Transfer System	Registrar and transfer Agent carry out share transfer activities and shares are transferred within stipulated time.			
11.	Distribution of shareholding				
	No. of Equity Shares Held	No. of Shareholders	% of Shareholders	Share amount	% of Shareholding
	Upto 5000	1,183	94.19	4,88,388	7.33
	5001 - 10000	18	1.43	1,36,733	2.05
	10001 - 20000	15	1.19	2,08,387	3.13
	20001 - 30000	8	0.64	1,97,522	2.97
	30001 - 40000	2	0.16	63,252	0.95
	40001 - 50000	5	0.40	1,80,074	2.70
	50001 - 100000	11	0.88	7,86,757	11.81
	100001 & above	14	1.11	45,99,299	69.06
	Total	1,256	100.00	66,60,412	100.00
12.	Dematerialization of share and liquidity	As of 31 st March, 2013, out of total shareholding, 6309480 shares are held in Demat form. The shares of the Company are not actively traded on Bombay Stock Exchange Limited.			
13.	Details about the ADR/ GDR	The Company has not issued any ADR/GDRs			
14.	Plant Locations	1) 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, 2013:

Category	No. of Shares	% of total shares
Promoters & their relatives	45,56,064	68.41
Banks/ FIs/Insurance Co. (Central/ State Govt./ Non- Govt. Institutions)	23,800	0.36
Corporate Bodies	5,27,074	7.91
NRIs/OCBs	82,082	1.23
Indian Public	14,71,392	22.09
Total	66,60,412	100

17. Share Price Performance in Comparison with BSE Sensex.

MONTH	CHEMBOND CHEMICALS LIMITED	BSE SENSEX
April 2012	182.00	17,318.81
May 2012	177.90	16,218.53
June 2012	180.00	17,429.98
July 2012	175.00	17,236.18
August 2012	165.10	17,429.56
September 2012	170.00	18,762.74
October 2012	179.00	18,505.38
November 2012	176.00	19,339.90
December 2012	170.00	19,426.71
January 2013	163.00	19,894.98
February 2013	146.35	18,861.54
March 2013	146.00	18,835.77





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, 2013 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's Registration No:104908W

Dhiren P. Talati

Partner

Membership No: F41867

Place: Mumbai

Date: 30th May, 2013



Independent Auditor's Report

To the Members of

Chembond Chemicals Limited

1. Report on the Financial Statements

We have audited the accompanying financial statements of **Chembond Chemicals Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2013, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

2. Management's Responsibility for the Financial Statements

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

3. Auditor's Responsibility

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

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

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

4. Opinion

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

- i. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- ii. in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- iii. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

5. Report on Other Legal and Regulatory Requirements

- i. As required by the Companies (Auditor's Report) Order, 2003 ("the Order"), as amended, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
- ii. As required by section 227(3) of the Act, we report that:
 - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;

- d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956; and
 - e. on the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
- iii. Reference is invited to Note No 35c of the Notes on Financial Statements. The Company has investments, loans and advances and debts due from subsidiaries/associates. The net worth of these entities has eroded. Provisions have not been made in this respect as the investments are long term and, in the opinion of the Management, the losses are temporary in nature.

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

Dhiren P. Talati
Partner
Membership No: F41867
Place: Mumbai
Date: 30th May, 2013

Annexure to the Auditors' Report

The annexure referred to in paragraph 5(i) of our report to the members of Chembond Chemicals Limited for the year ended March 31, 2013.

We report that:

- i. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) During the year the Management had carried out physical verification of these assets at regular interval and we have been informed that no material discrepancies were noticed on such verification as compared to the available records. In our opinion, the frequency of physical verification of Assets is reasonable having regard to the size of the Company and the nature of its Fixed Assets.
- (c) During the year, the Company has not disposed off any substantial part of the fixed assets.
- ii. (a) As explained to us, the inventory of the Company has been physically verified by the Management and in our opinion the frequency of verification is reasonable.
- (b) In our opinion, and according to the information & explanations given to us the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) In our opinion, the Company is maintaining proper records of inventory. As per the information and explanations provided to us and having regard to the size of the operations of the Company, no material discrepancies have been noticed on physical verification of inventory as compared to book records.
- iii. (a) The Company has granted unsecured loans to two subsidiary companies covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was ₹ 281.51 lakhs and the year end balance of the loan given is ₹ 281.51 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 12 companies/ individuals covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was ₹ 754.12 lakhs and the year-end balance of loans taken from such parties was ₹ 583.66 lakhs.
- (f) In our opinion, the rate of interest and other terms and conditions of such loans are not, prima facie, prejudicial to the interest of the Company.
- (g) As informed to us, there are no stipulations in respect of repayment of the principal amount of aforesaid loans. The Company has been regular in the payment of interest.
- iv. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control procedures.
- v. (a) In our opinion, and according to the information and explanations given to us, the particulars of the contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, and having regard to the terms of contract with the Subsidiary Companies and the Joint Venture Companies the transactions made in pursuance of such contracts or arrangements and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- vi. In our opinion and according to the information and explanations given to us, the Company has complied with the directives issued by the Reserve Bank of India and the provisions of Section 58A, 58AA and other relevant provisions of the Companies Act, 1956 and the rules framed there under to the extent applicable with regard to the deposits accepted from the public. As informed to us no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal in this respect.
- vii. In our opinion, the Company has an internal audit system (including internal audit carried out by a firm of Chartered Accountants appointed by the Management) which is commensurate with the size of the Company and the nature of its business.

viii. We have broadly reviewed the books of accounts maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, and we are of the opinion that *prima facie* the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records for determining whether they are accurate or complete.

ix. (a) According to the information and explanation given to us, in our opinion the Company is generally regular in depositing with the appropriate authorities, the undisputed statutory dues including provident fund, investors education and protection fund, employee's state insurance, income tax, sales tax, services tax, custom duty, excise duty, cess and other material statutory dues as applicable.

According to the information and explanations given to us, no undisputed amounts payable in respect of sales tax, service tax, customs duty and excise duty were in arrears as at 31st March, 2013 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there are no dues of income tax, sales tax, service tax, customs duty and excise duty which have not been deposited on account of any dispute except as follows :

Nature of Dues	Amount (₹ in thousand)	Period for which the amount relate	Forum where the dispute is pending
Income tax	135	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. During the year, the Company has issued Equity Shares on conversion of convertible warrants issued on preferential basis to parties or companies covered in the Register maintained under Section 301 of the Act. According to the information and explanations given to us, the price at which these shares have been issued is not prejudicial to the interest of 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's Registration No:104908W

Dhiren P. Talati

Partner

Membership No: F41867

Place: Mumbai

Date: 30th May, 2013



Balance Sheet

	Notes	As at 31/3/2013 (₹ In lakhs)	As at 31/3/2012 (₹ In lakhs)
EQUITY AND LIABILITIES			
Shareholder's Funds			
Share Capital	2	666.04	636.04
Reserves and Surplus	3	4,030.86	3,341.02
		4,696.90	3,977.06
Convertible Warrnats money pending allotment		-	137.98
		4,696.90	4,115.04
Non-Current Liabilities			
Long-term Borrowings	4	871.36	935.16
Deferred tax Liabilities (Net)	5	307.40	252.67
Long-term Provisions	6	81.02	78.22
		1,259.78	1,266.05
Current Liabilities			
Short-term Borrowings	7	1,257.98	799.01
Trade Payables	8	3,230.41	2,615.61
Other current Liabilities	9	607.23	786.01
Short-term Provisions	10	189.82	149.47
		5,285.44	4,350.10
Total		11,242.12	9,731.19
ASSETS			
Non-Current Assets			
Fixed Assets			
Tangible Assets	11	3,315.26	2,791.88
Intangible Assets	11	88.20	89.84
Capital Work-in-Progress	11	317.83	503.50
		3,721.29	3,385.22
Non Current Investments	12	1,496.87	1,437.74
Long Term Loans & Advances	13	375.42	106.75
		1,872.29	1,544.49
Current Assets			
Current Investment	14	0.55	0.51
Inventories	15	2,474.90	2,153.00
Trade Receivables	16	2,833.75	2,247.76
Cash and Cash Equivalents	17	113.26	304.57
Short Term Loans and Advances	18	226.08	95.64
		5,648.54	4,801.48
Total		11,242.12	9,731.19
Significant Accounting Policies and Notes on Financial Statements	1-40		

As per our attached report of even date

For **M/S KASTURY & TALATI**
Chartered Accountants**Dhiren P. Talati**
Partner
Membership No. F/41867
Mumbai, 30th May, 2013

For and on behalf of the Board of Directors

Sameer V. Shah
Chairman & Managing Director**Perviz H. Dastur**
Director

Mumbai, 30th May, 2013

Nirmal V. Shah
Vice Chairman & Managing Director**Omkar Mhamunkar**
Company Secretary



Statement of Profit and Loss

2012-13
38th Annual Report

	Notes	2012-2013 (₹ In lakhs)	2011-2012 (₹ In lakhs)
INCOME			
Revenue from Operations	19	17,446.82	15,197.21
Other Income	20	667.51	570.43
Total Revenue		18,114.33	15,767.64
EXPENDITURE			
Cost of materials consumed	21	13,858.12	11,471.59
Purchases of stock-in-trade		844.66	1,171.14
Changes in inventories of finished goods, work-in-progress and traded goods	22	(119.04)	(31.27)
Employee Benefits Expense	23	1,278.32	1,010.81
Finance Cost	24	291.70	237.81
Depreciation and Amortization Expense	25	181.95	138.53
Other Expenses	26	1,359.15	968.00
Total Expenses		17,694.86	14,966.61
Profit Before Taxes		419.47	801.03
Tax Expenses			
Current Tax		17.00	103.98
Deferred Tax		54.71	32.82
Profit for the Year		347.76	664.23
Earning Per Equity Share of Face Value of ₹ 10 each	27		
Basic (in ₹)		5.46	10.44
Diluted (in ₹)		5.44	10.44
Significant Accounting Policies and Notes on Financial Statements	1-40		

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

Dhiren P. Talati
Partner
Membership No. F/41867
Mumbai, 30th May, 2013

For and on behalf of the Board of Directors

Sameer V. Shah
Chairman & Managing Director

Perviz H. Dastur
Director

Mumbai, 30th May, 2013

Nirmal V. Shah
Vice Chairman & Managing Director

Omkar Mhamunkar
Company Secretary



Cash Flow Statement

A Cash Flow from Operating Activities

Net Profit before tax and extraordinary items

Adjustments for :

Depreciation

Loss on Sale of Fixed Asset

Employee ESOP compensation

Financial Charges

Less :

Foreign Exchange Fluctuation

Dividend Received

Operating Profit before working capital changes

Adjustments for :

Trade and Other Receivables

Inventories

Trade and Other Payables

Cash generated from operations

Direct Tax paid

Net Cash from Operating Activities (A)**B Cash Flow from Investing Activities**

Purchase of Fixed Assets

Sale of Fixed Asset

Purchase of Investment

Net Cash used in Investing Activities (B)**C Cash Flow from Financing Activities**

Proceeds from Short Term Borrowings

Proceeds from Convertible warrant

Dividend paid

Dividend received

Proceeds from Long Term Borrowings

Interest paid

Net Cash from Financing Activities (C)**Net (Decrease)/Increase in Cash & Cash Activities (A+B+C)**

Cash and Bank Balances as on 31.3.2012

Cash and Bank Balances as on 31.3.2013

2012-2013 (₹ In lakhs)	2011-2012 (₹ In lakhs)
419.47	801.03
181.95	136.64
6.18	3.73
9.99	-
291.70	236.98
489.82	377.35
(19.54)	0.83
371.78	358.03
137.58	18.49
557.05	819.52
(965.98)	(1.35)
(321.89)	(370.31)
419.30	790.87
(868.57)	419.21
(311.52)	1,238.73
(36.13)	(113.58)
(347.65)	1,125.14
(525.12)	(1,386.90)
0.92	0.26
(59.17)	(53.32)
(583.37)	(1,439.96)
458.97	341.67
413.93	137.98
(149.47)	(136.75)
371.78	358.03
(63.80)	90.70
(291.70)	(236.98)
739.71	554.65
(191.31)	239.84
304.57	64.73
113.26	304.57

As per our attached report of even date

For **M/S KASTURY & TALATI**

Chartered Accountants

Dhiren P. Talati

Partner

Membership No. F/41867

Mumbai, 30th May, 2013

For and on behalf of the Board of Directors

Sameer V. Shah

Chairman & Managing Director

Perviz H. Dastur

Director

Mumbai, 30th May, 2013

Nirmal V. Shah

Vice Chairman & Managing Director

Omkar Mhamunkar

Company Secretary



Notes to Financial Statements

2012-13
38th Annual Report



1 SIGNIFICANT ACCOUNTING POLICIES

a SYSTEM OF ACCOUNTING

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

b FIXED ASSETS

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

c EXPENDITURE DURING CONSTRUCTION PERIOD

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

d IMPAIRMENT OF ASSETS

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

e DEPRECIATION

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

f REVENUE RECOGNITION ON SALES

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

g RESEARCH & DEVELOPMENT

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

h BORROWING COSTS

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

i OPERATING LEASE

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

j DEFERRED TAXES

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

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

k INVESTMENTS

Investments are stated at the cost of acquisition.

Notes on Financial Statements for the year ended 31st March, 2013

I DIVIDEND RECEIVED

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

m VALUATION OF INVENTORY

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

n EMPLOYEE BENEFITS

- (a) Provident Fund: Contributions towards Employees Provident Fund are made to the Employees Provident Scheme in accordance with the statutory provisions.
- (b) Gratuity: The Company makes annual contribution to a Gratuity Fund administered by LIC. The Company accounts for liability for future gratuity benefits based on actuarial valuation as at the balance sheet date, determined every year using the Projected Unit Credit Method by an Actuary appointed by the Company
- (c) Leave Encashment: The Company does not allow any accumulation of leave balance or encashment thereof.
- (d) Deferred Compensation Cost: In respect of Stock options granted pursuant to company's employee stock option schemes, the company determines the compensated cost based on the intrinsic value method and the compensation cost is amortised on a straight line basis over the vesting period.

o TAXATION

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

p FOREIGN EXCHANGE DIFFERENCES

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

q CUSTOM DUTY ON IMPORTS

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

r EARNING PER SHARE

Basic earning per share is calculated by dividing the net profit or loss for the period attributable to equity 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.

Notes on Financial Statements for the year ended 31st March, 2013

2 SHARE CAPITAL

	As at 31/3/2013 (₹ In lakhs)	As at 31/3/2012 (₹ In lakhs)
Authorised		
1,00,00,000 (1,00,00,000) Equity Shares of ₹ 10 each	1,000.00	1,000.00
Issued, Subscribed and Paid up		
66,60,412 (63,60,412) Equity Shares of ₹ 10 each fully paid up	666.04	636.04
Total	666.04	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 31/3/2013		As at 31/3/2012	
	No of Shares	% held	No of Shares	% held
Dr. Vinod D. Shah	9,22,397	13.85%	9,04,847	14.23%
Padma V. Shah	7,47,360	11.22%	7,47,360	11.75%
Visan Holdings & Financial Services Pvt Ltd	6,12,121	9.19%	4,75,121	7.47%
Ashwin R. Nagarwadia	3,85,932	5.79%	3,40,932	5.36%
Ajay Sheth	3,79,847	5.70%	3,43,144	5.39%
Quest Investment Advisors Pvt Ltd	3,60,233	5.41%	3,42,492	5.38%

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.

- d On 25th March, 2013 the Company has allotted 300,000 Equity Shares of ₹ 10 each fully paid at a premium of ₹ 173.97 Per Share against exercise of options attached to the 300,000 Convertible Warrants issued to the Promoters & Promoters Group entitling them to subscribe for one equity share against each warrant in accordance with provisions specified under Chapter VII of SEBI (ICDR) Regulations, 2009 and as per the In Principle Approval received from Bombay Stock Exchange (BSE) on May 07, 2012.

3 RESERVES AND SURPLUS

Revaluation Reserve

As per last year	57.82	59.71
Less : Transfer to Profit & Loss A/c.	1.89	1.89
	55.93	57.82

General Reserve

As per last year	500.05	430.05
Add: Transfer from Profit & Loss A/c.	39.95	70.00
	540.00	500.05

Notes on Financial Statements for the year ended 31st March, 2013

	As at 31/3/2013 (₹ In lakhs)	As at 31/3/2012 (₹ In lakhs)
Share Premium		
As per last year	-	-
Add: Received on Conversion of Share Warrants (See note 2 (d))	521.91	-
	521.91	-
Employees Shares Options Outstanding		
Employees Shares Option Outstanding	39.57	-
Less: Deferred Compensation	29.58	-
	9.99	-
Profit and Loss Account		
As per last year	2,783.15	2,314.32
Add: Profit for the Year	347.76	664.23
Add: Transfer from Revaluation Reserve	1.89	1.89
	3,132.80	2,980.44
Less: Appropriations		
Transferred to General Reserve	39.95	70.00
Set off of Dividend Tax in respect of Dividend from Subsidiary Company	(32.26)	(46.43)
Proposed Dividend	189.82	149.47
Tax on Proposed Dividend	32.26	24.25
	2,903.03	2,783.15
Total	4,030.86	3,341.02

4 LONG TERM BORROWINGS

	As at 31/3/2013 (₹ In lakhs)		As at 31/3/2012 (₹ In lakhs)	
	Non Current	Current	Non Current	Current
Secured				
Term Loan from Banks	240.00	168.69	419.82	404.33
	240.00	168.69	419.82	404.33
Unsecured				
Loans from Related Parties	583.66	-	466.26	-
Loans from Others	47.70	-	49.08	-
	631.36	-	515.34	-
Total	871.36	168.69	935.16	404.33

- 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	80.00	80.00	80.00	NIL

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

	1-2 years	2-3 years	3-4 years
Loans from Related Parties	143.62	440.04	NIL
Loans from Others	47.70	NIL	NIL

Notes on Financial Statements for the year ended 31st March, 2013

5 DEFERRED TAX LIABILITY (NET)

	As at 31/3/2013 (₹ In lakhs)	As at 31/3/2012 (₹ In lakhs)
Deferred tax Liability		
Depreciation	333.77	286.50
MAT Credit	16.04	-
	349.81	286.50
Deferred tax Asset		
Gratuity	25.03	25.38
Provision for Doubtful Debts	17.38	8.45
	42.41	33.83
Net Deferred Tax Liability	Total 307.40	252.67

6 LONG TERM PROVISION

Provision for Gratuity	81.02	78.22
Total	81.02	78.22

7 SHORT TERM BORROWINGS

Secured

Over Draft Facilities	322.66	315.18
Working Capital Loan	239.47	-

Unsecured

Working Capital Loan	200.00	200.00
Buyers Credit Loan	495.85	273.07
Deferred Sales Tax Liability	-	10.76

Total 1,257.98 799.01

- a Over Draft Facility are secured against Fixed Deposit of Subsidiary Company Protochem Industries Pvt. Ltd.
b Working Capital loan is secured by charge on current asset, Mortgage of Tangible Immovable Properties and charge on other fixed assets.

8 TRADE PAYABLES

Micro, Small and Medium Enterprises	32.83	42.69
Others	3,197.58	2,572.92
Total	3,230.41	2,615.61

- a For Related party transaction Refer Note No.35
b The Company has amounts due to suppliers under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) as at the year end. The disclosure pursuant to the said Act is as under:

Principal amount due to suppliers under MSMED Act, 2006	32.83	42.69
Interest accrued and due to suppliers under MSMED Act, 2006 on the above amount	2.40	2.78
Payment made to suppliers (other than interest) beyond the appointed day, during the year	151.13	176.01
Interest paid/adjusted to suppliers under MSMED Act, 2006 (other than section 16)	2.78	2.90
Interest paid/adjusted to suppliers under MSMED Act, 2006 (Section 16)	NIL	NIL
Interest due and payable to suppliers under MSMED Act, 2006 for payments already made	2.40	2.78
Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act, 2006	2.40	2.78

Notes on Financial Statements for the year ended 31st March, 2013

The information regarding Micro, Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the Auditors.

9 OTHER CURRENT LIABILITIES

	As at 31/3/2013 (₹ In lakhs)	As at 31/3/2012 (₹ In lakhs)
Current Maturities of Long Term Debt	168.69	404.33
Other Payables	431.75	343.87
Creditors for Capital Expenditure	3.28	34.70
Unclaimed Dividend *	3.51	3.11
Total	607.23	786.01

* Not due for Deposit to Investor Education and Protection Fund

10 SHORT-TERM PROVISIONS

Proposed dividend	189.82	149.47
Tax on proposed dividend	-	-
Total	189.82	149.47

11 FIXED ASSETS

(₹ In lakhs)										
Description	GROSS BLOCK (AT COST)			DEPRECIATION				NET BLOCK		
	As at 1.04.2012	Additions	Deductions	As at 31.03.2013	As at 1.04.2012	Additions	Deductions	As at 31.03.2013	As at 31.03.2013	As at 31.03.2012
Tangible Assets										
Leasehold Land	61.71	-	-	61.71	-	-	-	-	61.71	61.71
Freehold Land	83.84	-	-	83.84	-	-	-	-	83.84	83.84
Buildings	1,781.00	323.93	-	2104.93	201.79	50.32	-	252.11	1852.82	1579.21
Equipment & Machinery	1,020.49	268.19	8.31	1280.37	261.38	56.60	4.64	313.34	967.03	759.11
Computers	171.46	16.26	30.49	157.23	106.21	20.26	28.93	97.54	59.69	65.25
Furniture & Fixtures	137.57	17.97	0.38	155.16	42.53	10.99	0.36	53.16	102.00	95.04
Motor Cars	66.59	1.68	3.50	64.77	21.33	4.80	1.70	24.43	40.34	45.25
Electric Fittings & Installations	134.14	53.61	-	187.75	31.67	8.25	-	39.92	147.83	102.47
Sub- total	3456.80	681.64	42.68	4095.76	664.91	151.22	35.63	780.50	3315.26	2791.88
Intangible Assets										
Computer Software	176.05	29.10	-	205.15	86.21	30.74	-	116.95	88.20	89.84
Sub-total	176.05	29.10	-	205.15	86.21	30.74	-	116.95	88.20	89.84
Total	3632.85	710.74	42.68	4300.91	751.12	181.95	35.63	897.46	3403.46	2881.72
Previous Year	2730.36	910.02	7.53	3632.85	616.13	138.53	3.54	751.12	2881.72	2114.24
Capital Work in Progress									317.83	503.50

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, 2013

12 NON-CURRENT INVESTMENTS

	As at 31/3/2013 (₹ In lakhs)	As at 31/3/2012 (₹ In lakhs)
(LONG TERM INVESTMENT IN SHARES)		
<u>UNQUOTED</u>		
<u>INVESTMENT IN SUBSIDIARY</u>		
2,75,000 (2,74,995) Equity Shares of Chembond Ashland Water Technologies Ltd of ₹ 10 each fully paid up. (Constituting 55% 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
15,77,915 (10,36,695) Equity Shares of H ₂ O Innovation India Ltd. of ₹ 10 each fully paid up (Constituting 51% of the said Company's paid up capital)	157.79	103.67
50,000 (-) Equity Shares of Chembond Inver Coatings Limited of ₹ 10 each fully paid up (Constituting 100% of the said Company's paid up capital)	5.00	-
<u>INVESTMENT IN JOINT VENTURE</u>		
4,90,000 (4,89,930) Equity Shares of Henkel Chembond Surface Technologies Ltd of ₹ 10/- each fully paid up. (Constituting 49.00% of the said Company's paid up capital)	49.00	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	1,496.87	1,437.74

In respect of Investments in the Company's subsidiaries – H₂O Innovation India Ltd and Chembond Inver Coatings Limited and Associate – Chembond Distribution Limited, Please refer Note No. 35c.

13 LONG TERM LOANS AND ADVANCES

(Unsecured & considered good & subject to confirmation)		
Loan & Advance to Related Parties	281.51	32.29
Income Tax (Net of Provision)	54.52	35.40
Fringe Benefit Tax (Net of Provision)	3.14	3.14
Other Deposits	36.25	35.92
Total	375.42	106.75

In respect of loans to subsidiaries H₂O Innovation India Ltd and Chembond Inver Coatings Limited, Please refer Note No. 35c.

Notes on Financial Statements for the year ended 31st March, 2013

14 CURRENT INVESTMENTSINVESTMENTS IN MUTUAL FUNDS - QUOTED

36.008 (33.690) Units of Reliance Mutual Fund (Liquid Fund Treasury Plan - Daily Dividend Reinvestment Plan (Additional units have been received on account of dividend)

As at 31/3/2013 (₹ In lakhs)	As at 31/3/2012 (₹ In lakhs)
0.55	0.51
Total	0.51

15 INVENTORIES

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

Raw Material (at cost)	1,557.17	1,357.90
Packing Material (at cost)	104.58	100.69
Finished Goods (at cost)	565.75	461.90
Stock-in-Trade (at cost)	229.69	214.50
Stock in Transit	17.71	18.01
Total	2,474.90	2,153.00

16 TRADE RECEIVABLES

(Unsecured)

OUTSTANDING FOR MORE THAN 6 MONTHS

Considered Doubtful	56.26	26.04
Considered Good	628.30	383.34
	684.56	409.38

OTHER DEBTS (CONSIDERED GOOD)

	2,205.45	1,864.42
	2,890.01	2,273.80
	56.26	26.04

Less : Provision for Doubtful Debts

Total	2,833.75	2,247.76
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a For Related party transactions Refer Note No.35

b In respect of dues from subsidiaries - H₂O Innovation India Ltd and Chembond Inver Coatings Limited and Associate - Chembond Distribution Limited, Please refer Note No. 35c.

17 CASH AND CASH EQUIVALENTS

Cash on hand	1.89	1.66
Bank balance		
In Current Accounts	61.53	258.93
Other Bank balances	49.84	43.98
Total	113.26	304.57

* Other Bank Balance include deposits of ₹ 6.77 lakhs (previous year ₹ 8.00 lakhs) with maturity of more than 12 months.

18 SHORT TERM LOANS AND ADVANCES

(Unsecured & considered good & subject to confirmation)

Other Loans & Advances	55.49	5.67
Deposit - Excise	104.98	37.17
Other Deposits	32.94	32.66
Prepaid expenses	32.67	20.14
Total	226.08	95.64

Notes on Financial Statements for the year ended 31st March, 2013

19 REVENUE FROM OPERATIONS

	2012-2013 (₹ In lakhs)	2011-2012 (₹ In lakhs)
Sales	19,675.44	16,881.16
Less Excise Duty	2,228.62	1,683.95
Net Sales	17,446.82	15,197.21

20 OTHER INCOME

Dividend from Subsidiary Company - Chembond Ashland Water Technologies Ltd.	151.25	137.50
Dividend from Joint Venture Company - Henkel Chembond Surface Technologies Ltd.	220.50	220.50
Dividend from Mutual Funds	0.04	0.03
	371.79	358.03
Gross Interest {TDS ₹ 2.54lakhs (₹ 0.33 lakhs)}	26.54	8.33
Gross Rental Income {TDS ₹ 1.21 lakhs (₹ 2.29 lakhs)}	16.00	22.00
Services Charges from Related Parties	189.00	133.01
Miscellaneous Income	2.85	10.48
Unpaid Bonus of Earlier years Written back	7.17	-
Technical Services Income	54.16	38.58
Total	667.51	570.43

21 COST OF MATERIALS CONSUMED

Raw Materials		
Acids	1,628.98	1,349.47
Oil & Solvent, Alkalies	1,196.89	992.78
Others	9,946.38	8,208.63
	12,772.25	10,550.88
Packing Material	1,085.87	920.71
Total	13,858.12	11,471.59

Break-up of Raw Material Consumed

	2012-2013 (₹ In lakhs)	% of consumption	2011-2012 (₹ In lakhs)	% of consumption
Imported	1,800.14	14.09%	1,340.21	12.70%
Indigenous	10,972.11	85.91%	9,210.67	87.30%
Total	12,772.25	100.00%	10,550.88	100.00%

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

	2012-2013 (₹ In lakhs)	2011-2012 (₹ In lakhs)
Finished products/ Stock in Trade (At Close)	795.44	676.40
Finished products/ Stock in Trade (At Commencement)	676.40	645.13
Total	(119.04)	(31.27)

Notes on Financial Statements for the year ended 31st March, 2013

23 EMPLOYEE BENEFIT EXPENSES

	2012-2013 (₹ In lakhs)	2011-2012 (₹ In lakhs)
Director Remuneration	81.94	103.50
Salaries & Wages	1,041.29	785.91
Employee ESOP compensation	9.99	-
Contribution to Provident & other funds	81.29	73.33
Staff Welfare Expenses	63.81	48.07
Total	1,278.32	1,010.81

a For Related party transaction Refer Note No.35

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

Projected Benefit Obligation at the beginning of the year	138.69	112.61
Service Cost	12.03	10.09
Interest Cost	12.14	9.29
Actuarial Losses/(Gains)	6.27	9.04
Benefits paid	(7.61)	(2.34)
Projected Benefit Obligation at the end of the year	161.52	138.69
Change in Plan Assets		
Fair Value of plan assets at the beginning of the year	60.47	51.19
Expected Returns on Plan assets	5.34	4.77
Employer's Contribution	22.29	6.85
Benefits paid	(7.61)	(2.34)
Actuarial Gain/(Loss)	0	0
Fair Value of plan assets at the end of the year	80.49	60.47
Cost of Defined Benefit Plan for the year		
Current Service Cost	12.03	10.09
Interest on Obligation	12.14	9.29
Expected Return on Plan Assets	(5.34)	(4.77)
Net Actuarial Losses/(Gains) recognised in the year	6.27	9.04
Net Cost recognised in the Profit & Loss Account	25.10	23.65
Assumptions		
Discount Rate	8.75%	8.75%
Future Salary Increase	5%	5%
Withdrawal Rates	1%	1%

The Management has relied on the overall actuarial valuation conducted by the actuary. However experience adjustments on plan liabilities and assets are not readily available and hence not disclosed. The expected return on plan assets is as furnished by the Actuary appointed by the Company.

24 FINANCE COST

Interest Expense	261.80	218.81
Bank Guarantee fees & charges	29.90	18.17
Interest on Income Tax	-	0.83
Total	291.70	237.81

25 DEPRECIATION & AMORTISATION EXPENSES

Depreciation & Amortisation Expenses	181.95	138.53
Total	181.95	138.53

Notes on Financial Statements for the year ended 31st March, 2013

26 OTHER EXPENSES

MANUFACTURING EXPENSES

	2012-2013 (₹ In lakhs)	2011-2012 (₹ In lakhs)
Consumable stores	29.11	25.37
Octroi	3.71	1.94
Power, Fuel & Water Charges	82.10	60.26
Research and Development	76.32	45.55
Repairs and Renewals to Plant & Machinery	11.76	13.86
Godown Rent	28.27	20.71
Labour Charges	176.49	148.07
Security expenses	35.30	27.54
Factory Maintenance	41.10	29.80
Technical Service Charges	0.45	1.50
Profit Transferred to JV on PTC Business (see note 'a' below)	87.89	27.53
Profit Transferred to Subsidiary on WTC Business (see note 'b' below)	58.64	18.56
Profit Transferred to Associate on Enzymes Business (see note 'c' below)	8.55	17.05
Profit Transferred to Subsidiary on Industrial Coatings Business (see note 'd' below)	7.02	-

A

ADMINISTRATIVE EXPENSES

Director's Sitting Fees	16.00	8.25
Rates & Taxes	12.40	9.70
Electricity charges	42.55	34.97
Printing and stationary	20.26	20.43
Telephone & Postage expenses	47.38	39.22
Insurance	15.07	17.61
Motor car expenses	28.81	9.03
Auditors Remuneration	5.08	2.70
Legal, Professional & Consultancy fees	61.44	63.41
Repairs & Maintenance Buildings	2.56	3.42
Repairs & Maintenance Others	108.70	81.51
Miscellaneous expenses	55.52	49.44
Donation	0.18	-
Sales Tax & Other Taxes	3.44	2.59
Loss on Sale of Fixed Asset	6.18	3.73
Provision for Doubtful Debts	30.22	15.04
Input Service Tax Disallowed	17.86	12.66
Foreign Exchange Fluctuation Loss	(19.54)	(4.26)
Bad Debts Written Off	10.00	8.76

B

SELLING AND DISTRIBUTION EXPENSES

Carriage outwards	140.66	96.49
Rent	27.24	18.74
Commission on sales	37.69	33.26
Travelling expenses	125.71	115.78
Conveyance expenses	42.54	28.85
Royalty expenses	35.94	33.70
Advertising & Publicity expenses	24.94	9.31
Packing expenses	4.37	9.91
Sales Promotion expenses	63.79	37.71

C

(A+B+C)

Less : Reimbursement of expenses

Total

502.88	383.75
1,613.70	1,199.70
254.55	231.70
1,359.15	968.00

Notes on Financial Statements for the year ended 31st March, 2013

- a As per the terms of the Joint Venture agreement with Henkel KGaA Germany, the Pre Treatment Chemicals (PTC) business of Chembond Chemicals Ltd. has been merged with the joint venture Henkel Chembond Surface Technologies Ltd "Profit transferred to JV on PTC Business" aggregating ₹ 87.89 lakhs (Previous year ₹ 27.53 lakhs) included in Manufacturing Expenses represents transfer by overriding title to Henkel Chembond Surface Technologies Ltd., the income arising on account of the said Pre Treatment Chemicals business that arose in Chembond Chemicals Ltd.
- b As per the terms of the Joint Venture agreement with Ashland International Holding Inc U.S.A. the Water Treatment Chemicals (WTC) business of Chembond Chemicals Ltd. has been merged with the joint venture Chembond Ashland Water Technologies Ltd. "Profit Transferred to Subsidiary on WTC Business" aggregating ₹ 58.64 lakhs (Previous year ₹ 18.56 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 transferred to the new company Chembond Bioengineering Co Ltd., (100% Subsidiary of Chembond Enzyme Company Ltd.) "Profit Transferred to Associate on Enzymes Business" aggregating ₹ 8.55 lakhs (Previous year ₹ 17.05 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 As per the terms of agreement the Industrial Coating business of Chembond Chemicals Ltd has been transferred to the new company Chembond Inver Coatings Ltd. "Profit Transferred to Subsidiary on Industrial Coatings Business" aggregating ₹ 7.02 lakhs (Previous year Nil) included in manufacturing expenses represents transfer by overriding title to Chembond Inver Coatings Ltd. the income arising on account of the said Industrial Coating business that arose in Chembond Chemicals Ltd.

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

	2012-2013 (₹ In lakhs)	2011-2012 (₹ In lakhs)
Statutory Audit Fees	1.85	1.85
Tax Audit Fees	0.70	0.70
Taxation and Other Matters	2.53	0.15
Total	5.08	2.70

f **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 31/03/2013 (₹ In lakhs)	Total Minimum Lease Payment Outstanding as on 31/03/2012 (₹ In lakhs)
Due within one year	47.38	45.78
Due later than one year and not later than five years	3.51	7.48
Due later than five years	-	-
Lease payments recognised in the Statement of Profit & Loss	55.51	39.45

27 EARNINGS PER SHARE

	2012-2013	2011-2012
Net Profit available to Equity Shareholders (₹ In Lakhs)	347.76	664.23
Total number of Equity Shares (Face value of ₹ 10 each fully paid up)	6,660,412	6,360,412
Weighted No. of Equity Shares	6,366,165	6,360,412
Basic Earnings per Share (in ₹)	5.46	10.44
Diluted No. of Equity Shares	6,389,444	6,360,412
Diluted Earnings per Share (in ₹)	5.44	10.44

28 During the year Company has commenced the manufacturing of Anti Corrosive Coatings Chemicals at its Dhudhwada Plant.

29 VALUE OF IMPORTS CALCULATED ON CIF BASIS

	(₹ In lakhs)	(₹ In lakhs)
Raw Materials and Finished Goods	2,666.32	2,475.08

30 EXPENDITURE IN FOREIGN CURRENCY

	(₹ In lakhs)	(₹ In lakhs)
Professional Fees	23.30	31.57
Travelling	3.85	1.01
Total	27.15	32.58

Notes on Financial Statements for the year ended 31st March, 2013

31 EARNINGS IN FOREIGN EXCHANGE

Export of Goods on FOB Basis

	2012-2013 (₹ In lakhs)	2011-2012 (₹ In lakhs)
	455.82	136.26
Total	455.82	136.26

32 REMITTANCE IN FOREIGN CURRENCY

FINAL DIVIDEND

No. of Shareholder

No. of Shares held

Dividend Remitted - ₹ in Lakhs

Year to which it relates

1	1
72,800	72,800
1.71	1.56
2011-2012	2010-2011

33 SEGMENT REPORTING

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

34 EMPLOYEE STOCK OPTION PLAN

a) Employee Stock Option Plan

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

Date of Grant	Exercise Price	Options Granted	Vesting Commences On	Options to be vested	Option Exercised	Basis of Vesting
08-Sep-2012	153	2,32,781	08-Sep-2013	40,525	NA	Time Based
			01-Oct-2014	50,187	NA	Performance Based
			01-Oct-2015	59,850	NA	Performance Based
			01-Oct-2016	82,219	NA	Performance Based
		2,32,781		2,32,781		

Out of the above option granted 4800 options has been lapsed due to resignation of the Employees.

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

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

Date of Grant	08-Sep-12
Risk Free Interest Rate	8.25%
Expected Life	3.34 years
Expected Volatility	42%
Dividend Yield	1.38%
Price of the underlying Share in the Market at the time of the Option Grant	170
Fair Value of the Option	68

35 RELATED PARTY DISCLOSURES

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

Notes on Financial Statements for the year ended 31st March, 2013

a) Relationship:

i. Subsidiary Companies:

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

ii. Joint Venture:

Henkel Chembond Surface Technologies Ltd.

iii. Associates:

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

iv. Key Management Personnel (KMP) and their relatives

Key Management Personnel:

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

Relatives :

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

Entities over which Key Management personnel are able to exercise influence:

CCL Optoelectronics Pvt Ltd., Finor Piplaj Chemicals Ltd., S and N Ventures Ltd., GTK Intermediates Pvt. Ltd., Bentec Organo Clays Pvt. Ltd. & Visan Holdings and Financial Services Pvt Ltd.

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

(₹ in lakhs)

For the year ended / as on Description of the nature of transactions	31.03.2013					31.03.2012				
	Subsidiary	Joint Venture	Associates	KMP	Total	Subsidiary	Joint Venture	Associates	KMP	Total
Sales of Goods	2876.82	9083.84	249.09	15.37	12225.12	2556.71	7988.72	263.10	33.05	10841.58
Chembond Ashland Water Technologies Ltd	2783.57				2783.57	2479.44				2479.44
Protochem Industries Pvt Ltd	85.77				85.77	66.01				66.01
H ₂ O Innovation India Ltd	7.48				7.48	11.26				11.26
Henkel Chembond Surface Technologies Ltd		9083.84			9083.84		7988.72			7988.72
Chembond Enzyme Co.Ltd								0.03		0.03
Chembond Distribution Ltd			249.09		249.09			263.07		263.07
Finor Piplaj Chemicals Ltd.				15.12	15.12				32.81	32.81
GTK Intermediates Pvt. Ltd.				0.25	0.25				0.24	0.24
Purchase of Goods	130.22	711.24		615.65	1457.11	115.00	577.12	0.74	403.93	1096.79
Chembond Ashland Water Technologies Ltd	4.15				4.15					
Protochem Industries Pvt Ltd	126.07				126.07	115.00				115.00
Henkel Chembond Surface Technologies Ltd		711.24			711.24		577.12			577.12
Chembond Distribution Ltd								0.74		0.74
Finor Piplaj Chemicals Ltd.				554.50	554.50				347.32	347.32
GTK Intermediates Pvt. Ltd.				56.48	56.48				53.92	53.92
Bentec Organo Clays Pvt. Ltd.				4.67	4.67				2.69	2.69
Purchase of Fixed Assets	0.36	4.70			5.06					
Henkel Chembond Surface Technologies Ltd		4.70			4.70					
H ₂ O Innovation India Ltd.	0.36				0.36					
Reimbursement of Expenses	254.55				254.55	231.70				231.70
Chembond Ashland Water Technologies Ltd	254.55				254.55	231.70				231.70

Notes on Financial Statements for the year ended 31st March, 2013

(₹ in lakhs)

For the year ended / as on Description of the nature of transactions	31.03.2013					31.03.2012				
	Subsidiary	Joint Venture	Associates	KMP	Total	Subsidiary	Joint Venture	Associates	KMP	Total
Rent Income	5.40	5.40	0.48	0.72	12.00	5.40	5.40	0.48	0.72	12.00
Chembond Ashland Water Technologies Ltd	2.10				2.10	2.10				2.10
H ₂ O Innovation India Ltd	3.30				3.30	3.30				3.30
Henkel Chembond Surface Technologies Ltd		5.40			5.40		5.40			5.40
Chembond Enzyme Co.Ltd			0.24		0.24			0.24		0.24
Chembond Distribution Ltd			0.24		0.24			0.24		0.24
Finor Piplaj Chemicals Ltd				0.72	0.72				0.72	0.72
Service Charges	59.46	129.54			189.00	16.69	116.32			133.01
H ₂ O Innovation India Ltd	59.46				59.46	16.69				16.69
Henkel Chembond Surface Technologies Ltd		129.54			129.54		116.32			116.32
Interest Income	20.74				20.74	0.29				0.29
H ₂ O Innovation India Ltd	15.64				15.64	0.29				0.29
Chembond Inver Coatings Ltd	5.10				5.10					
Dividend Income	151.25	220.50			371.75	137.50	220.50			358.00
Chembond Ashland Water Technologies Ltd	151.25				151.25	137.50				137.50
Henkel Chembond Surface Technologies Ltd		220.50			220.50		220.50			220.50
Interest Expenses			6.31	61.66	67.97			4.76	43.12	47.88
Chembond Enzyme Co.Ltd			6.31		6.31			4.76		4.76
Dr. Vinod D. Shah				13.97	13.97				14.09	14.09
Padma V. Shah				5.31	5.31				5.32	5.32
O.P. Malhotra				0.81	0.81					
Zarna B. Shah				0.13	0.13				0.13	0.13
Nirmal V. Shah				2.17	2.17				1.25	1.25
Jyoti N. Mehta				0.01	0.01				0.02	0.02
Alpana Shah				0.01	0.01				0.01	0.01
Jayantilal S. Vasani				1.00	1.00				1.00	1.00
Ashwin Nagarwadia				15.30	15.30				8.32	8.32
Perviz H. Dastur				9.26	9.26				6.26	6.26
Gulu Dastur				13.59	13.59				6.72	6.72
Dr. Shilpa S. Shah				0.10	0.10					
Rental Expenses		8.88		169.16	178.04		8.88		204.00	212.88
Henkel Chembond Surface Technologies Ltd		8.88			8.88		8.88			8.88
Director Remeunration				84.58	84.58				102.00	102.00
Dr. Vinod D. Shah				24.58	24.58				42.00	42.00
Sameer V. Shah				30.00	30.00				30.00	30.00
Nirmal V. Shah				30.00	30.00				30.00	30.00
Retirement Benefits				16.83	16.83					
Dr. Vinod D. Shah				16.83	16.83					
Salaries				16.44	16.44				15.42	15.42
Bhadresh D. Shah				16.44	16.44				15.42	15.42
Profit Transferred	65.66	87.89	8.55		162.10	18.56	27.53	17.05		63.14
Chembond Ashland Water Technologies Ltd	58.64				58.64	18.56				18.56
Henkel Chembond Surface Technologies Ltd		87.89			87.89		27.53			27.53
Chembond Enzyme Co.Ltd			8.55		8.55			17.05		17.05
Chembond Inver Coatings Ltd	7.02				7.02					

Notes on Financial Statements for the year ended 31st March, 2013

(₹ in lakhs)

For the year ended / as on Description of the nature of transactions	31.03.2013					31.03.2012				
	Subsidiary	Joint Venture	Associates	KMP	Total	Subsidiary	Joint Venture	Associates	KMP	Total
Royalty				35.94	35.94				33.73	33.73
S and N Ventures Ltd				35.94	35.94				33.73	33.73
Balance at the end of the year										
A. Loans taken			50.50	533.17	583.67			51.91	414.62	466.53
Chembond Enzyme Co.Ltd			50.50		50.50			51.91		51.91
Dr. Vinod D. Shah				35.50	35.50				115.65	115.65
Padma V. Shah				42.50	42.50				43.69	43.69
Zarna K. Shah				1.00	1.00				1.30	1.30
Nirmal V. Shah				13.13	13.13				10.28	10.28
Jyoti N. Mehta				0.03	0.03				0.03	0.03
Alpana Shah				0.10	0.10				0.10	0.10
Jayantilal S. Vasani				8.00	8.00				8.22	8.22
Ashwin Nagarwadia				137.91	137.91				82.14	82.14
Perviz H. Dastur				100.00	100.00				51.40	51.40
Gulu Perviz Dastur				180.00	180.00				101.81	101.81
O.P. Malhotra				15.00	15.00					
B. Loans Given	281.51				281.51	33.23				33.23
H ₂ O Innovation India Ltd	202.76				202.76	33.23				33.23
Chembond Inver Coatings Ltd	78.75				78.75					
C. Sundry Debtors	175.36	242.56	310.52		728.44	286.38		231.92		518.30
Chembond Ashland Water Technologies	12.67				12.67	267.40				267.40
Protochem Industries Pvt. Ltd	27.41				27.41					
H ₂ O Innovation India Ltd	83.44				83.44	18.98				18.98
Chembond Inver Coatings Ltd	51.84				51.84					
Henkel Chembond Surface Technologies Ltd		242.56			242.56					
Chembond Distribution Ltd			310.52		310.52			231.92		231.92
D. Sundry Creditors			225.93		225.93	52.34	13.18	5.65	75.77	146.94
Protochem Industries Pvt. Ltd						52.34				52.34
Henkel Chembond Surface Technologies Ltd							13.18			13.18
Chembond Enzyme Company Ltd			7.86		7.86			5.65		5.65
Chembond Bioengineering Co.Ltd			10.71		10.71					
S and N Ventures Ltd			45.10		45.10				25.32	25.32
Finor Piplaj Chemicals Ltd			162.26		162.26				50.45	50.45
E. Investments	1375.34	49.00	72.50		1496.84	1316.22	48.99	72.50		1437.71
Chembond Ashland Water Technologies Ltd	160.30				160.30	160.30				160.30
Protochem Industries Pvt Ltd	1052.25				1052.25	1052.25				1052.25
H ₂ O Innovation India Ltd	157.79				157.79	103.67				103.67
Chembond Inver Coatings Ltd	5.00				5.00					
Henkel Chembond Surface Technologies Ltd		49.00			49.00		48.99			48.99
Chembond Distribution Ltd			23.50		23.50			23.50		23.50
Chembond Enzyme Company Ltd			49.00		49.00			49.00		49.00

Notes on Financial Statements for the year ended 31st March, 2013

- c) In respect of the Company's subsidiaries – H₂O Innovation India Ltd (H₂O) and Chembond Inver Coatings Limited (CICL) and Associate – Chembond Distribution Limited (CDL), the Company has investments in loans & advances to and trade receivables as follows:

(₹ In lakhs)			
Particulars	H ₂ O	CDL	CICL
Investments in	157.79	23.50	5.00
Loans & Advances to	202.76	-	78.75
Trade Receivables from	83.44	310.52	58.87

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

36 INFORMATION ON JOINT VENTURES

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

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

	As at 31/3/2013 (₹ In lakhs) Audited	As at 31/3/2012 (₹ In lakhs) Audited
A. Assets:		
Fixed Assets		
Tangible Assets	548.73	559.38
Intangible Assets	15.30	27.06
Capital Work-in-Progress	154.69	110.59
Non Current Investments	0.25	0.25
Long Term Loans & Advances	5.50	49.77
Current assets		
Current Investment	8.32	7.71
Inventories	539.35	636.52
Trade Receivables	2,165.45	1,926.52
Cash and Bank Balances	160.55	813.15
Short Term Loans and Advances	372.70	279.55
B. Liabilities:		
Deferred tax liabilities (Net)	31.82	26.40
Long-term provisions	8.47	7.41
Current Liabilities		
Borrowings	146.11	948.68
Trade payables	964.25	751.41
Other current liabilities	261.75	416.49
C. Income	8397.05	7883.90
D. Expenses	7544.50	6954.64
E. Tax	281.02	309.91

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

38 Contingent Liabilities not provided for are in respect of :

	As at 31/3/2013 (₹ In lakhs)	As at 31/3/2012 (₹ In lakhs)
a. Outstanding LCs & Bank Guarantees issued by Bankers.	67.48	153.66
b. Corporate Guarantee given to Bank of India by the company on behalf of Subsidiaries Chembond Ashland Water Technologies Ltd. & H ₂ O Innovation India Ltd.	900.00	900.00
c. Income Tax matter under appeal	1.35	1.35
d. Balance Payment for Capital Commitments	52.40	8.57
e. Claim against the Company not acknowledged as debts	9.60	9.60

39 Derivative Instruments

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

Currency	Exposure to buy/sell	As at 31/3/2013 (₹ In lakhs)		As at 31/3/2012 (₹ In lakhs)	
		Foreign Currency	Indian Currency	Foreign Currency	Indian Currency
USD	Buy	1.24	67.36	0.55	28.35

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

	Exposure to buy/sell	As at 31/3/2013 (₹ In lakhs)		As at 31/3/2012 (₹ In lakhs)	
US Dollars	Buy	1.27	186.12	14.03	713.46
Euro	Buy	0.74	51.47	0.11	7.41
US Dollars	Sell	1.69	91.27	0.46	23.67

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

As per our attached report of even date

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

Dhiren P. Talati
Partner
Membership No. F/41867
Mumbai, 30th May, 2013

For and on behalf of the Board of Directors

Sameer V. Shah
Chairman & Managing Director

Perviz H. Dastur
Director

Mumbai, 30th May, 2013

Nirmal V. Shah
Vice Chairman & Managing Director

Omkar Mhamunkar
Company Secretary

Statement Pursuant to Section 212 of the Companies Act, 1956, relating to Company's interest in subsidiary companies for the Financial Year 2012-13

Name of Subsidiary Company		Chembond Ashland Water Technologies Limited	Protochem Industries Private Limited	H2O Innovation India Limited	Chembond Inver Coatings Limited
1.	The Financial Year of the Subsidiary Company ended on.	31st March, 2013	31st March, 2013	31st March, 2013	31 st March, 2013
2.	Date from which it became Subsidiary Company.	6th April, 2001	30th April, 2009	17th April, 2010	1 st July, 2011
3.	a. Number of shares held by Chembond Chemicals Limited with its nominees in the subsidiary at the end of the financial year of the Subsidiary Company.	2,75,000	10,00,000	10,36,695	50,000
	b. Extent of Interest of holding Company at the end of the financial year of the Subsidiary Company.	55%	100%	51%	100%
4.	The net aggregate amount of the Subsidiary Company Profit/ (Loss) so far as it concerns the members of the Holding Company.				
	a. Not dealt with in the Holding Company's accounts:				
	i) For the financial year ended 31st March, 2013 (₹ in Lacs)	384.76	(15.55)	(202.98)	(60.40)
	ii) For the previous Financial years of the Subsidiary Company since it became the Holding Company's subsidiary. (₹ in Lacs)	1256.84	371.69	(256.14)	(60.40)
	b. Dealt with in Holding Company's accounts:				
	i) For the financial year ended 31st March, 2013	NIL	NIL	NIL	NIL
	ii) For the previous Financial years of the Subsidiary Company since it became the Holding Company's Subsidiary.	NIL	NIL	NIL	NIL

Sameer V. Shah
Chairman & Managing Director

Nirmal V. Shah
Vice Chairman & Managing Director

Perviz H. Dastur
Director

Omkar Mhamunkar
Company Secretary

Mumbai, 30th May, 2013

Details of Chembond Ashland Water Technologies Limited (CAWTL), Protochem Industries Private Limited (PIPL), H₂O Innovation India Limited & Chembond Inver Coatings Limited are 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	Chembond Inver Coatings Limited
Capital	50.00	100.00	309.40	5.00
Reserves	2168.10	694.66	(640.23)	(60.40)
Total Assets	3350.45	1359.66	412.96	76.57
Total Liabilities	3350.45	1359.66	412.96	76.57
Investments	-	-	-	-
Turnover/Total Income	6383.75	1101.68	1559.08	7.02
Profit/(Loss) Before Taxation	1025.24	(26.38)	(277.34)	(60.40)
Provision for Taxation	325.68	(10.83)	120.67	-
Profit/(Loss) After Taxation	699.55	(15.55)	(398.01)	(60.40)
Proposed Dividend	350	-	-	-



Independent Auditor's Report

To the Board of Directors
Chembond Chemicals Limited

1. Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Chembond Chemicals Limited ("the Company"), its subsidiaries, its joint venture and its associates (including their subsidiary) collectively referred to as "Chembond Group" which comprise the consolidated Balance Sheet as at March 31, 2013, the consolidated Statement of Profit and Loss and consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

2. Management's Responsibility for the Financial Statements

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

3. Auditor's Responsibility

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

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

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

4. Opinion

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

- i. in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2013;
- ii. in the case of the consolidated Statement of Profit and Loss, of the profit of the Group for the year ended on that date; and
- iii. in the case of the consolidated Cash Flow Statement, of the Cash flows of the Group for the year ended on that date.

5. Other Matters

- i. We did not audit the financial statements of three Subsidiaries. These financial statements and other financial information have been audited by another auditor whose reports have been furnished to us, and our opinion on the consolidated financial statements to the extent they have been derived from such financial statements, is based solely on the reports of that other auditor. The financial statements of these three Subsidiaries reflect total assets of ₹ 4,863.89 lakhs as at 31st March 2013, total revenues of ₹ 9,044.51 lakhs and net cash flows of ₹ 46.69 lakhs for the year ended on that date.
- ii. The Financial Statements of one subsidiary which reflect total assets of ₹ 76.57 lakhs as at 31st March 2013, total revenues of ₹ 7.02 lakhs and net cash flows of ₹ 5.00 lakhs for the year ended on that date, is compiled and certified by the Management and is unaudited.
- iii. The Financial Statements of the Joint Venture Company which reflect total assets of ₹ 8,115.27 lakhs as at 31st March 2013, total revenues of ₹ 17,136.84 lakhs and net cash flows of ₹ (1,331.81) lakhs for the year ended on that date, have been audited by us.
- iv. The Financial Statement of the Associates (including its Subsidiary) for the year ended 31st March, 2013 has been audited by another auditor whose report has been furnished to us.
- v. Reference is invited to Note No 17b of the Notes on Consolidated Financial Statements. The parent Company has debts due from its Associate. The net worth of this Associate has eroded. Provision has not been made in this respect as the investment is long term and, in the opinion of the Management, the losses are temporary in nature.

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

Dhiren P. Talati
Partner
Membership No: F41867

Place : Mumbai.
Date : 30th May, 2013



Consolidated Balance Sheet

EQUITY AND LIABILITIES**Shareholder's Funds**

Share Capital

Reserves and Surplus

Minority Interest

Convertible Warrants money pending allotment

Non-Current Liabilities

Long-term Borrowings

Deferred Tax Liabilities (Net)

Long-term Provisions

Current Liabilities

Short-term Borrowings

Trade Payables

Other Current Liabilities

Short-term Provisions

ASSETS**Non-Current Assets**

Fixed Assets

Tangible Assets

Intangible Assets

Capital Work-in-Progress

Non Current Investments

Long Term Loans and Advances

Current assets

Current Investment

Inventories

Trade Receivables

Cash and Bank Balances

Short Term Loans and Advances

Significant Accounting Policies and Notes on Financial Statements

As per our attached report of even date

For **M/S KASTURY & TALATI**

Chartered Accountants

Dhiren P. Talati

Partner

Membership No. F/41867

Mumbai, 30th May, 2013

For and on behalf of the Board of Directors**Sameer V. Shah**

Chairman & Managing Director

Perviz H. Dastur

Director

Mumbai, 30th May, 2013

Notes	As at 31/3/2013 (₹ In lakhs)	As at 31/3/2012 (₹ In lakhs)
2	666.04	636.04
3	7,478.86	6,555.12
4	967.21	945.97
	9,112.11	8,137.13
	-	137.98
	9,112.11	8,275.11
5	894.29	1,071.27
6	346.01	172.02
7	126.89	105.74
	1,367.19	1,349.03
8	1,873.80	2,186.94
9	4,427.41	3,810.74
10	1,068.14	1,527.91
11	465.33	383.54
	7,834.68	7,909.13
Total	18,313.98	17,533.27
12	4,140.96	3,614.92
12	578.94	507.87
12	472.52	624.65
	5,192.42	4,747.44
13	50.29	49.19
14	378.62	436.75
	428.91	485.94
15	8.87	8.22
16	3,275.81	3,170.41
17	7,169.87	6,307.16
18	1,304.87	2,081.34
19	933.23	732.76
	12,692.65	12,299.89
Total	18,313.98	17,533.27
1-36		



Consolidated Statement of Profit And Loss

	Notes	2012-2013 (₹ In lakhs)	2011-2012 (₹ In lakhs)
INCOME			
Revenue from operations	20	26,231.75	22,845.39
Other income	21	495.21	421.65
Total Revenue		26,726.96	23,267.04
EXPENDITURE			
Cost of materials consumed	22	16,215.60	13,497.84
Purchases of stock-in-trade		844.66	1,171.14
Changes in inventories of finished goods, work-in-progress and traded goods	23	(27.47)	(197.21)
Employee benefits expense	24	3,084.73	2,542.24
Finance Cost	25	451.71	364.08
Depreciation and Amortization Expense	26	259.38	209.93
Other Expenses	27	4,321.59	3,643.96
Total Expenses		25,150.20	21,231.98
Profit Befor Taxes		1,576.76	2,035.06
Tax Expenses			
Current Tax		612.56	757.13
Deferred Tax		174.01	(82.63)
Profit After Tax		790.19	1,360.56
Less: Short/(Excess)provision of Tax for earlier Years		1.68	(1.93)
Add: Income/(Expense) of Earlier Year		(19.11)	20.60
Less: Stock Reserve		0.59	(2.22)
Add : Share of Profit/(Loss) from Associate		1.10	(3.40)
Less: Profit transfer to Minority Interest		61.50	128.88
Profit for the Year		708.41	1,253.03
Earning Per Equity Share of Face Value of ₹ 10 each	28		
Basic (in ₹)		11.13	19.70
Diluted (in ₹)		11.09	19.70
Significant Accounting Policies and Notes on Financial Statements	1-36		

As per our attached report of even date

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

Dhiren P. Talati
Partner
Membership No. F/41867
Mumbai, 30th May, 2013

For and on behalf of the Board of Directors

Sameer V. Shah
Chairman & Managing Director

Perviz H. Dastur
Director

Mumbai, 30th May, 2013

Nirmal V. Shah
Vice Chairman & Managing Director

Omkar Mhamunkar
Company Secretary



Consolidated Cash Flow Statement

Particulars	2012 - 13 ₹ In Lakhs	2011 - 12 ₹ In Lakhs
A Cash Flow from Operating Activities		
Net Profit before tax and extraordinary items	1576.76	2057.56
<u>Adjustments for :</u>		
Depreciation	208.04	208.04
Employee ESOP compensation	9.99	
Loss on Sale of assets	3.73	3.73
Foreign Exchange Fluctuation	19.77	19.77
Financial Charges	364.08	364.08
	605.61	595.62
Operating Profit before working capital changes	2182.37	2653.18
<u>Adjustments (incl on amalgamation) for :</u>		
Trade and Other Receivables	(1012.31)	(544.60)
Inventories	(105.99)	(590.13)
Trade and Other Payables	231.82	1190.60
	(886.47)	55.87
Cash generated from operations	1295.90	2709.05
Direct Taxes Paid	(641.19)	(808.02)
Net Cash from Operating Activities (A)	654.70	1901.03
B Cash Flow from Investing Activities		
Purchase of Fixed Assets	(671.79)	(1625.99)
Sale of Fixed Assets	13.15	0.26
Purchase of Investment	(0.64)	(0.52)
Net Cash used in Investing Activities (B)	(659.28)	(1626.25)
C Cash Flow from Financing Activities		
Proceeds from H2O Innovation Canada	51.99	51.20
Proceeds from Convertible warrant advances	383.93	137.98
Proceeds from Short Term Borrowings	(313.13)	901.79
Dividend paid	(353.60)	(325.58)
Proceeds from Long Term Borrowings	(176.99)	187.94
Interest paid	(364.09)	(364.09)
Net Cash from Financing Activities (C)	(771.89)	589.24
Net (Decrease)/Increase in Cash & Cash Activities (A+B+C)	(776.46)	864.02
Cash and Bank Balances as on 31.3.2012	2,081.34	1,217.32
Cash and Bank Balances as on 31.3.2013	1,304.87	2,081.34

As per our attached report of even date

For **M/S KASTURY & TALATI**
Chartered Accountants**Dhiren P. Talati**
Partner
Membership No. F/41867
Mumbai, 30th May, 2013

For and on behalf of the Board of Directors

Sameer V. Shah
Chairman & Managing Director**Perviz H. Dastur**
Director

Mumbai, 30th May, 2013

Nirmal V. Shah
Vice Chairman & Managing Director**Omkar Mhamunkar**
Company Secretary

Notes to Consolidated Financial Statements

1 SIGNIFICANT ACCOUNTING POLICIES RELATED TO CONSOLIDATION

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

SR. No.	NAME OF THE COMPANY	STATUS	% OF HOLDING	COUNTRY OF INCORPORATION
A	Chembond Ashland Water Technologies Limited (CAWTL)	Subsidiary	55.00%	INDIA
B	Protochem Industries Pvt.Ltd (PIPL)	Subsidiary	100.00%	INDIA
C	H ₂ O Innovation India Limited (H ₂ O)	Subsidiary	51.00%	INDIA
D	Chembond Inver Coatings Limited (CICL)	Subsidiary	100.00%	INDIA
E	Henkel Chembond Surface Technologies Limited (HCSTL)	Joint Venture	49.00%	INDIA
F	Chembond Distribution Limited (CDL)	Associate	47.00%	INDIA
G	Chembond Enzyme Company Ltd.(CECL)	Associate	49.00%	INDIA
H	Chembond Bioengineering Company Ltd. (CBCL)	Associate	100.00% Subsidiary of CECL	INDIA

- ii) The Consolidation of Accounts is done in accordance with the requirement of Accounting Standard- 21 "Consolidated Financial Statements", Accounting Standard-23 "Accounting for Investments in Associates, in Consolidated Financial Statement" and Accounting Standard –27 "Financial Reporting of Interests in Joint Ventures" in accordance with the Companies (Accounting Standards) Rules, 2006 issued under Section 211(3C) of the Companies Act, 1956.
- iii) Significant Accounting Policies and Notes to these Consolidated Financial Statements are intended to serve as a means of information, disclosure and a guide to better understanding the consolidated position of the Companies. 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 No. "4" forming part of Notes on Consolidated Financial Statements.

OTHER 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 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, 2013

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 RECONGNITION ON SALES

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

G. RESEARCH & DEVELOPMENT.

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

H. BORROWING COSTS

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

I. OPERATING LEASE.

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

J. DEFERRED TAXES

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

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

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

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

K. INVESTMENTS

Investments are stated at the cost of acquisition.

Consolidated Notes on Financial Statements for the year ended 31st March, 2013

L. VALUATION OF INVENTORY

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

M. EMPLOYEE BENEFITS

- (a) Provident Fund: Contributions towards Employees Provident Fund are made to the Employees Provident Scheme in accordance with the statutory provisions.
- (b) Gratuity: The Company makes annual contribution to a Gratuity Fund administered by LIC. The Company accounts for liability for future gratuity benefits based on actuarial valuation as at the balance sheet date, determined every year using the Projected Unit Credit Method by an Actuary appointed by the Company
- (c) Leave Encashment: The Company does not allow any accumulation of leave balance or encashment thereof.
- (d) Deferred Compensation Cost: In respect of Stock options granted pursuant to company's employee stock option schemes, the company determines the compensated cost based on the intrinsic value method and the compensation cost is amortised on a straight line basis over the vesting period.

N. TAXATION

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

O. FOREIGN EXCHANGE DIFFERENCES

Transactions denominated in foreign currency are recorded at the exchange rate prevailing on the transaction date. Monetary items such as receivables, payables and loans denominated in foreign currency are translated at the exchange rate prevailing at the 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.

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.

S. HEDGE TRANSACTIONS

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

Consolidated Notes on Financial Statements for the year ended 31st March, 2013

2 SHARE CAPITAL

Authorised

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

Issued, Subscribed and Paid up

66,60,412 (63,60,412) Equity Shares of ₹10 each fully paid up

	As at 31/3/2013 (₹ In lakhs)	As at 31/3/2012 (₹ In lakhs)
	1,000.00	1,000.00
	666.04	636.04
Total	666.04	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 31/3/2013		As at 31/3/2012	
	No of Shares	% held	No of Shares	% held
Dr. Vinod D. Shah	9,22,397	13.85%	9,04,847	14.23%
Padma V. Shah	7,47,360	11.22%	7,47,360	11.75%
Visan Holdings & Financial Services Pvt. Ltd.	6,12,121	9.19%	4,75,121	7.47%
Ashwin R. Nagarwadia	3,85,932	5.79%	3,40,932	5.36%
Ajay Sheth	3,79,847	5.70%	3,43,144	5.39%
Quest Investment Advisors Pvt. Ltd.	3,60,233	5.41%	3,42,492	5.38%

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.

- On 25th March, 2013 the Company has allotted 300,000 Equity Shares of ₹ 10 each fully paid at a premium of ₹ 173.97 Per Share against exercise of options attached to the 3,00,000 Convertible Warrants issued to the Promoters & Promoters Group entitling them to subscribe for one equity share against each warrant in accordance with provisions specified under Chapter VII of SEBI (ICDR) Regulations, 2009 and as per the In Principle Approval received from Bombay Stock Exchange (BSE) on May 07, 2012.

3 RESERVES AND SURPLUS

Revaluation Reserve

As per last year

Less : Transfer to Profit & Loss A/c.

57.82	59.71
1.89	1.89
55.93	57.82

General Reserve

As per last year

Add: Transfer from Profit & Loss A/c.

Less: transfer to minority interest

1,176.71	922.19
268.27	286.02
31.50	31.50
1,413.48	1,176.71

Consolidated Notes on Financial Statements for the year ended 31st March, 2013

	As at 31/3/2013 (₹ In lakhs)	As at 31/3/2012 (₹ In lakhs)		
Share Premium				
As per last year	-	-		
Add:Received on Conversion of Share Warrants (See note 2 (d))	521.91	-		
	521.91	-		
Employees Shares Options Outstanding				
Employees Shares Option Outstanding	39.57	-		
Less: Deferred Compensation	29.58	-		
	9.99	-		
Profit and Loss Account				
As per last year	5,320.59	4,559.36		
Add: Profit for the Year	708.41	1,253.03		
Add: Transfer from Revaluation Reserve	1.89	1.89		
	6,030.89	5,814.28		
Less: Appropriations				
Transferred to General Reserve	268.27	286.02		
Set off of Dividend Tax in respect of Dividend from Subsidiary Company	(32.26)	(46.43)		
Proposed Dividend	189.82	149.47		
Tax on Proposed Dividend	127.51	104.63		
	5,477.55	5,320.59		
Total	7,478.86	6,555.12		
4 MINORITY INTEREST				
Share Capital				
As per last year	122.10	70.91		
Addition during the year	52.00	51.20		
	174.10	122.11		
General Reserve				
As per last year	187.30	155.80		
Addition during the year	31.50	31.50		
	218.80	187.30		
Profit & Loss Account				
As per last year	636.56	620.18		
Less : Dividend Paid	123.75	112.50		
Addition during the year	61.50	128.88		
	574.31	636.56		
Total	967.21	945.97		
5 LONG TERM BORROWINGS				
	As at 31/3/2013 (₹ In lakhs)	As at 31/3/2012 (₹ In lakhs)		
	Non Current	Current	Non Current	Current
Secured				
Term Loan from Banks	240.00	180.12	463.56	410.58
	240.00	180.12	463.56	410.58
Unsecured				
Loans from Related Parties	597.16	-	496.26	-
Loans from Others	57.13	-	111.45	-
	654.29	-	607.71	-
Total	894.29	180.12	1,071.27	410.58

Consolidated Notes on Financial Statements for the year ended 31st March, 2013

- 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	80.00	80.00	80.00	NIL
b Maturity Profile of Unsecured Loans from related parties and others is as follows:				
	1-2 years	2-3 years	3-4 years	
Loans from Related Parties	143.62	453.54	NIL	
Loans from Others	57.13	NIL	NIL	

6 DEFERRED TAX LIABILITY (NET)

	As at 31/3/2013 (₹ In lakhs)	As at 31/3/2012 (₹ In lakhs)
Deferred tax Liability		
Depreciation	402.70	356.37
MAT Credit	16.04	-
	418.74	356.37
Deferred tax Asset		
Gratuity	32.89	33.83
Leave Encashment	-	1.19
Due to disallowance of provision/ losses incurred	8.35	119.89
Provision for Doubtful Debts	31.49	29.44
	72.73	184.35
Net Deferred Tax Liability	Total 346.01	172.02

7 LONG TERM PROVISION

Provision for Gratuity	126.89	105.74
Total	126.89	105.74

8 SHORT TERM BORROWINGS**Secured**

Over Draft Facilities	322.66	315.18
Working Capital Loan	654.18	371.75

Unsecured

Working Capital Loan	346.11	1,148.68
Buyers Credit Loan	495.85	273.07
Deferred Sales Tax Liability	-	10.76
Loan & advances from Related Party	-	13.50
Other Loans and Advances	55.00	54.00
Total	1,873.80	2,186.94

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

9 TRADE PAYABLES

Micro, Small and Medium Enterprises	109.77	169.22
Others	4,317.64	3,641.52
Total	4,427.41	3,810.74

For Related party transaction refer Note No.33

Consolidated Notes on Financial Statements for the year ended 31st March, 2013

10 OTHER CURRENT LIABILITIES

	As at 31/3/2013 (₹ In lakhs)	As at 31/3/2012 (₹ In lakhs)
Current Maturities of Long Term Debt	180.12	410.58
Other Payables	805.50	689.10
Creditors for Capital Expenditure	3.92	61.91
Advance received from Debtors	75.09	250.75
Unclaimed Dividend *	3.51	3.11
Dividend Payable	-	112.46
Total	1,068.14	1,527.91

* Not due for Deposit to Investor Education and Protection Fund

11 SHORT-TERM PROVISIONS

Provision for Employee Benefit/Expenses	186.09	125.30
Provision for Income Tax	29.94	64.16
Proposed dividend	189.82	149.47
Tax on proposed dividend	59.48	44.61
Total	465.33	383.54

12. FIXED ASSETS

(₹ In lakhs)											
	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK		
Description	As at 1.04.2012	Additions	Deductions	As at 31.03.2013	As at 1.04.2012	Additions	Deductions	As at 31.03.2013	As at 31.03.2013	As at 31.03.2012	
Tangible Assets											
Leasehold Land	127.26	8.51	-	135.77	-	-	-	-	135.77	127.26	
Freehold Land	83.84	-	-	83.84	-	-	-	-	83.84	83.84	
Buildings	2,080.55	323.93	-	2,404.48	248.20	60.32	-	308.52	2,095.96	1,832.35	
Equipment & Machinery	1,579.63	342.91	56.20	1,866.34	431.66	95.28	25.23	501.81	1,364.53	1,147.97	
Computers Hardware	265.87	25.33	30.49	260.71	163.10	34.22	28.86	168.54	92.17	102.77	
Furniture & Fixtures	179.70	34.65	0.47	213.88	59.77	14.34	0.39	73.72	140.16	119.93	
Motor Cars	134.18	1.68	27.55	108.31	58.61	11.65	21.20	49.06	59.25	75.57	
Electric Fittings & Installations	160.57	53.61	0.23	213.95	35.28	9.50	0.12	44.66	169.29	125.25	
Sub- total	4,611.60	790.62	114.94	5,287.28	996.62	225.31	75.80	1,146.32	4,140.96	3,614.92	
Intangible Assets											
Goodwill	405.44	-	-	405.44	-	-	-	-	405.44	405.44	
Technical Know How	-	71.14	-	71.14	-	-	-	-	71.14	-	
Computer Software	209.63	33.98	-	243.61	107.18	34.07	-	141.25	102.36	102.43	
Sub-total	615.07	105.12	-	720.19	107.18	34.07	-	141.25	578.94	507.87	
Total	5,226.67	895.74	114.94	6,012.57	1,103.80	259.38	75.79	1,287.57	4,725.00	4,122.79	
Previous Year	4,206.00	1,027.90	7.53	5,226.37	897.41	209.93	3.54	1,103.80	4,122.79		
Capital Work in Progress									472.52	624.65	

- On the basis of a Revaluation Report obtained from an Approved Chartered Engineer, the company had revalued all the fixed assets existing as on 31st March 1994. The fixed assets had accordingly been written-up by creating a Revaluation Reserve of ₹ 91.53 lakhs and the value of fixed assets is stated in the Balance Sheet at revalued figure.
- Depreciation on fixed assets is consistently being provided on the straight line method on the revalued figure for all the assets acquired upto 31st March 1994 and additional depreciation due to revaluation aggregating ₹1.89 lakhs has been transferred from revaluation reserve to the Profit & Loss Account during the year under consideration.

Consolidated Notes on Financial Statements for the year ended 31st March, 2013

13 NON-CURRENT INVESTMENTS

	As at 31/3/2013 (₹ In lakhs)	As at 31/3/2012 (₹ In lakhs)
LONG TERM INVESTMENT IN SHARES		
<u>UNQUOTED</u>		
<u>INVESTMENT IN ASSOCIATES</u>		
2,35,000 (2,35,000) Equity Shares of Chembond Distribution Ltd of ₹ 1 each fully paid up. (Constituting 47% of the said Company's paid up capital)	-	-
4,90,000 (4,90,000) Equity Shares of Chembond Enzyme Company Ltd of ₹ 1 each fully paid up. (Constituting 49 % of the said Company's paid up capital)	49.46	48.36
<u>INVESTMENT IN GOVERNMENT SECURITIES</u>		
Investment in National Saving Certificate	0.70	0.70
<u>OTHER INVESTMENTS</u>		
23 (23) Equity Shares of Tarapur Environment Protection Organisation Ltd.	0.13	0.13
Total	50.29	49.19
14 LONG TERM LOANS AND ADVANCES		
(Unsecured & considered good & subject to confirmation)		
Income Tax (Net of Provision)	111.20	116.80
Fringe Benefit Tax (Net of Provision)	3.25	4.93
Vat Credit Receivable	163.32	215.99
Other Deposits	100.85	99.03
Total	378.62	436.75
15 CURRENT INVESTMENTS		
<u>INVESTMENTS IN MUTUAL FUNDS - QUOTED</u>		
863.770 (799.367) Units of Reliance Mutual Fund (Liquid Fund Treasury Plan- Daily Dividend Reinvestment Plan) (Additional units have been received on account of dividend)	8.87	8.22
Total	8.87	8.22
16 INVENTORIES		
Stock-in-trade: (As per inventory taken, valued and certified by the Management)		
Raw Material (At cost)	2,002.37	1,864.79
Packing Material (At cost)	111.91	108.10
Work- in -Progress (At cost)	42.88	26.12
Finished Goods (At cost)	724.71	736.71
Stock-in-Trade (At cost)	319.37	296.66
Stock in Transit	87.53	150.40
	3,288.77	3,182.78
Less : Stock Reserve	12.96	12.37
Total	3,275.81	3,170.41

Consolidated Notes on Financial Statements for the year ended 31st March, 2013

17 TRADE RECEIVABLES

	As at 31/3/2013 (₹ In lakhs)	As at 31/3/2012 (₹ In lakhs)
<u>OUTSTANDING FOR MORE THAN 6 MONTHS</u>		
Considered Doubtful	99.73	90.74
Considered Good	1,027.54	970.40
	1,127.27	1,061.14
<u>OTHER DEBTS (CONSIDERED GOOD)</u>	6,142.33	5,336.76
	7,269.60	6,397.90
Less : Provision for Doubtful Debts	99.73	90.74
Total	7,169.87	6,307.16

- a. For Related party transaction refer Note No.33
- b. Debtors include debts due from Associate - Chembond Distribution Limited ₹ 310.52 lakhs. The net worth of this associate has been eroded. The parent Company has not made provision since its investment is long term and in the opinion of the management the losses are temporary in nature.

18 CASH AND BANK BALANCES

Cash on hand	4.54	2.43
Bank balance with Scheduled Banks		
In Current Accounts	610.78	1,244.89
Other Bank balances*	689.55	834.02
Total	1,304.87	2,081.34

* Other Bank Balance include deposits of ₹ 90.59 lakhs (previous year ₹15.76 lakhs) with maturity of more than 12 months.

19 SHORT TERM LOANS AND ADVANCES

(Unsecured & considered good & subject to confirmation)

Other Loans & Advances	371.31	378.80
Deposit - Excise	476.74	271.49
Other Deposits	34.10	32.66
Prepaid expenses	51.08	49.81
Total	933.23	732.76

20 REVENUE FROM OPERATIONS

Sales	30,265.43	25,881.95
Less: Excise Duty	4,033.68	3,036.56
Net Sales	26,231.75	22,845.39

21 OTHER INCOME

Dividend from Mutual Funds	0.64	0.52
Interest	71.44	88.83
Rental Income	7.95	13.95
Services Charges (From Related Parties)	66.07	59.32
Provision for Doubtful Debt (no longer required)	21.23	-
Miscellaneous Income	12.09	35.34
Unpaid Bonus of Earlier years Written back	7.17	-
Technical Services Income	308.62	223.69
Total	495.21	421.65

Consolidated Notes on Financial Statements for the year ended 31st March, 2013

22 COST OF MATERIALS CONSUMED

	2012-2013 (₹ In lakhs)	2011-2012 (₹ In lakhs)
Raw Materials		
Acids	1,787.60	1,458.88
Oil & Solvent, Alkalies, etc	1,196.89	992.78
Others	12,035.25	10,025.64
	15,019.74	12,477.30
Packing Material	1,195.86	1,020.54
Total	16,215.60	13,497.84

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

Finished products/ Stock in Trade (At close)	1,086.96	1,059.47
Finished products/ Stock in Trade (At Commencement)	1,059.49	862.26
Total	(27.47)	(197.21)

24 EMPLOYEE BENEFIT EXPENSES

Director Remuneration	137.04	145.33
Salaries & Wages	2,640.00	2,120.60
Employee ESOP compensation	9.99	-
Contribution to Provident & other funds	181.98	162.36
Staff Welfare Expenses	115.72	113.95
Total	3,084.73	2,542.24

a For Related party transaction Refer Note No.33

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

Projected Benefit Obligation at the beginning of the year

Service Cost	29.62	24.04
Interest Cost	26.14	19.52
Actuarial Losses/(Gains)	23.41	31.74
Benefits paid	(36.02)	(11.51)
Projected Benefit Obligation at the end of the year	344.86	301.71

Change in Plan Assets

Fair Value of plan assets at the beginning of the year	195.97	144.31
Expected Returns on Plan assets	17.04	22.68
Employer's Contribution	40.87	40.49
Benefits paid	(36.02)	(11.51)
Actuarial Gain/(Loss)	-	-
Fair Value of plan assets at the end of the year	217.86	195.97

Cost of Defined Benefit Plan for the year

Current Service Cost	29.62	24.61
Interest on Obligation	26.14	19.44
Expected Return on Plan Assets	(17.00)	(10.70)
Net Actuarial Losses/(Gains) recognised in the year	23.38	25.04
Net Cost recognised in the Profit & Loss Account	62.14	58.39

Assumptions

Discount Rate	8.75%	8.75%
Future Salary Increase	5%	5%
Withdrawal Rates	1%	1%

The Management has relied on the overall actuarial valuation conducted by the actuary. However experience adjustments on plan liabilities and assets are not readily available and hence not disclosed. The expected return on plan assets is as furnished by the Actuary appointed by the Company.

Consolidated Notes on Financial Statements for the year ended 31st March, 2013

25 FINANCE COST

	2012-2013 (₹ In lakhs)	2011-2012 (₹ In lakhs)
Interest Expense	396.86	336.05
Bank Guarantee fees & charges	54.85	27.20
Interest on Income Tax	-	0.83
Total	451.71	364.08

26 DEPRECIATION & AMORTISATION EXPENSES

Depreciation & Amortisation Expenses	259.38	209.93
Total	259.38	209.93

27 OTHER EXPENSES

MANUFACTURING EXPENSES

Consumable stores	30.69	26.36
Octroi	4.78	3.60
Carriage Inward	64.61	55.72
Power, Fuel & Water Charges	96.04	71.79
Research and Development	95.26	59.52
Repairs and Renewals to Plant & Machinery	13.15	15.61
Godown Rent	28.27	20.71
Labour Charges	247.02	248.18
Security Expenses	45.13	37.10
Factory Maintenance	57.53	36.52
Technical Service Charges	155.01	129.38
Erection & Commissioning Charges	10.20	
Excise Duty on Navy Sales	3.24	4.46
Profit Transferred to JV on PTC Business	44.41	26.40
Profit Transferred to Associate on Enzymes Business	8.55	17.05
A	903.89	752.40

ADMINISTRATIVE EXPENSES

Director's Sitting Fees	18.50	9.13
Rates & Taxes	50.12	44.90
Electricity Charges	43.70	35.55
Printing and stationery	40.97	39.63
Telephone & Postage Expenses	101.16	90.64
Insurance	46.77	42.98
Motor Car Expenses	44.24	23.14
Auditors Remuneration	10.95	7.78
Legal, Professional & Consultancy fees	241.84	196.00
Repairs & Maintenance Buildings	7.60	7.77
Repairs & Maintenance Others	162.91	146.90
Miscellaneous Expenses	107.36	73.44
Donation	18.93	19.76
Sales Tax & Other Taxes	48.19	38.83
Loss on Sale of Fixed Asset	27.84	3.73
Provision for Doubtful Debts	30.22	48.75
Business Support service/RMC	112.47	101.19
Input Service Tax Disallowed	23.84	24.92
Foreign Exchange Loss	17.69	19.77
Rent	24.33	22.06
Liquidity Damages	69.57	-
Bad Debts Written Off	108.31	69.95
B	1,357.51	1,066.82

SELLING AND DISTRIBUTION EXPENSES

Carriage outwards	476.67	381.55
Rent	16.94	8.44
Commission on sales	505.10	468.69
Travelling Expenses	438.36	406.63
Conveyance Expenses	53.99	33.72
Royalty Expenses	361.65	337.11
Advertising & Publicity Expenses	27.63	13.08
Packing Expenses	4.37	9.91
Sales Promotion Expenses	175.48	165.61
C	2,060.19	1,824.74
Total (A+B+C)	4,321.59	3,643.96

Consolidated Notes on Financial Statements for the year ended 31st March, 2013

Auditor's Remuneration consists of:

Statutory Audit Fees
Tax Audit Fees
Taxation and Other Matters

	2012-2013 (₹ In lakhs)	2011-2012 (₹ In lakhs)
	5.31	4.89
	1.80	1.78
	3.84	1.11
Total	10.95	7.78

28 EARNINGS PER SHARE

Net Profit as per Statement of Profit and Loss available to Equity Shareholders (₹ In Lakhs)	707.65	1,253.03
Total number of Equity Shares (Face value of ₹ 10 each fully paid up)	66,60,412	63,60,412
Weighted No. of Equity Shares	63,66,165	63,60,412
Basic Earnings per Share (in ₹)	11.12	19.70
Diluted No. of Equity Shares	63,89,444	63,60,412
Diluted Earnings per Share (in ₹)	11.08	19.70

29 SEGMENT REPORTING

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

(₹ In lakhs)

a Primary Segment Information (Business Segments)

	Particulars	Speciality Chemicals		Water Treatment Plant		Total	
		2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
1 Segment Revenue							
	Sales	28,684.30	25,507.11	1,581.14	374.84	30,265.43	25,881.95
	Less: Excise duty	3,988.71	3,015.22	44.97	21.34	4,033.68	3,036.56
	Revenue from Operation	24,695.59	22,491.89	1,536.17	353.50	26,231.75	22,845.39
	Other Income	486.20	411.91	9.01	9.74	495.21	421.65
	Total Revenue	25,181.79	22,903.80	1,545.18	363.24	26,726.96	23,267.04
2 Segment Result before Interest and Taxes		2,178.42	2,718.37	(149.95)	(319.23)	2,028.47	2,399.14
	Less: Interest Expenses	405.67	334.07	46.04	30.01	451.71	364.08
	Profit Before Tax	1,772.75	2,384.30	(195.99)	(349.24)	1,576.77	2,035.06
	Current Tax	612.56	757.13	-	-	612.56	757.13
	Deferred Tax	53.34	32.62	120.67	(115.25)	174.01	(82.63)
	Profit after Tax (before adjustment for Minority Interest)	1,106.86	1,594.55	(316.66)	(233.99)	790.19	1,360.56
	Add: Share of (Profit)/Loss transferred to Minority Interest	(256.53)	(256.30)	195.03	127.42	(61.50)	(128.88)
	Profit after Tax	829.94	1,359.60	(121.63)	(106.57)	708.30	1,253.03
3 Other Information							
	Segment Assets	17,901.02	16,837.42	412.96	695.85	18,313.98	17,533.27
	Segment Liabilities	8,756.25	8,584.17	445.62	673.99	9,201.87	9,258.15
	Capital Expenditure	625.15	1,585.75	8.57	40.28	633.72	1,626.03
	Depreciation and Amortisation	249.56	203.62	9.82	6.31	259.38	209.93
	Non Cash Expenses other than depreciation and Amortisation	-	-	-	-	-	-

Consolidated Notes on Financial Statements for the year ended 31st March, 2013

b Secondary Segment Information (Geographical Segments)

1 Segment Revenue

Within India

Outside India

Total

2 Segment Assets

Within India

Outside India

Total

3 Capital Expenditure

Within India

Outside India

Total

2012-2013 (₹ In lakhs)	2011-2012 (₹ In lakhs)
26,172.74	23,130.77
554.22	136.27
26,726.96	23,267.04
18,313.98	17,533.27
-	-
18,313.98	17,533.27
633.72	1,626.03
-	-
633.72	1,626.03

30 INFORMATION ON JOINT VENTURES

Henkel Chembond Surface Technologies Ltd.

(on the basis of Audited Financial Statements)

a Jointly Controlled Entity - Henkel Chembond Surface Technologies Ltd

Country of Incorporation - India

Percentage of ownership interest - 49%

b Interest in the Assets, Liabilities, Income and Expenses with respect to jointly controlled enterprises

	As at 31/3/2013 (₹ In lakhs) Audited	As at 31/3/2012 (₹ In lakhs) Audited
A. Assets:		
Fixed Assets		
Tangible Assets	548.73	559.38
Intangible Assets	15.30	27.06
Capital Work-in-Progress	154.69	110.59
Non Current Investments	0.25	0.25
Long Term Loans & Advances	5.50	49.77
Current assets		
Current Investment	8.32	7.71
Inventories	539.35	636.52
Trade Receivables	2,165.45	1926.52
Cash and Bank Balances	160.55	813.15
Short Term Loans and Advances	372.70	279.55
B. Liabilities		
Deferred tax liabilities (Net)	31.82	26.40
Long-term provisions	8.47	7.41
Current Liabilities		
Borrowings	146.11	948.68
Trade payables	964.25	751.41
Other current liabilities	261.75	416.49
C. Income	8397.05	7883.90
D. Expenses	7544.50	6954.64
E. Tax	281.02	309.91

Consolidated Notes on Financial Statements for the year ended 31st March, 2013

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

32 Contingent Liabilities not provided for are in respect of :

	As at 31/3/2013 (₹ In lakhs)	As at 31/3/2012 (₹ In lakhs)
a Sales Tax matter under appeal	29.92	7.17
b Outstanding LCs, Bank Guarantees, bill discounting by Bankers.	637.54	617.15
c Income Tax Matter (Departmental Appeal)	67.01	326.87
d Corporate Guarantees given by CCL on behalf of CAWTL & H ₂ O to Bank of India.	900.00	900.00
e Balance payment for Capital Commitment	78.51	49.43
f Claims against the company not acknowledged as debt.	156.48	72.21

33 RELATED PARTY DISCLOSURES

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

a Relationship:

i. **Joint Venture:**

Henkel Chembond Surface Technologies Ltd., Ashland International Holdings Inc., Henkel KGaA, H₂O Innovation Inc.

ii. **Associates:**

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

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

Key Management Personnel:

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

Relatives

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

Entities over which Key Management personnel are able to exercise influence:

CCL Optoelectronics Pvt Ltd., Finor Piplaj Chemicals Ltd., S and N Ventures Ltd.,

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

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

(₹ In lakhs)

Description of the nature of transactions	31.03.2013				31.03.2012			
	Joint Venture	Associates	KMP	Total	Joint Venture	Associates	KMP	Total
Sales of Goods	445.46	249.09	459.87	1154.42	263.10	1120.28	1383.38	
Chembond Chemicals Ltd		249.09	15.37	264.46	263.10	33.05	296.15	
Henkel Chembond Surface Technologies Ltd			1.07	1.07		23.76	23.76	
Chembond Ashland Water Technologies Ltd			46.70	46.70		37.38	37.38	
Protochem Industries Pvt. Ltd			368.36	368.36		1026.09	1026.09	
H ₂ O Innovation India Ltd	445.46		28.37	473.83				
Purchase of Goods	11.37	1191.89	1203.26	17.55	0.74	1431.18	1449.47	
Chembond Chemicals Ltd		615.66	615.66		0.74	403.93	404.67	
Henkel Chembond Surface Technologies Ltd	11.37		565.35	576.72	17.55	1025.61	1043.16	
H ₂ O Innovation India Ltd		9.37	9.37					
Chembond Ashland Water Technologies Ltd						0.83	0.83	

Consolidated Notes on Financial Statements for the year ended 31st March, 2013

(₹ In lakhs)

Description of the nature of transactions	31.03.2013				31.03.2012			
	Joint Venture	Associates	KMP	Total	Joint Venture	Associates	KMP	Total
Protochem Industries Pvt. Ltd			1.51	1.51			0.81	0.81
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	119.38			119.38	144.24	2.32		146.56
Henkel Chembond Surface Technologies Ltd	119.38			119.38	144.24	2.32		146.56
I T Service Charges Expenses	20.05		10.17	30.22				
Henkel Chembond Surface Technologies Ltd	20.05		10.17	30.22				
Other Expenses	6.35		3.31	9.66				
Henkel Chembond Surface Technologies Ltd	6.35		3.31	9.66				
Service Charges-Income					116.32		8.60	124.92
Chembond Chemicals Ltd					116.32		8.60	124.92
Other Income			3.33	3.33				
Henkel Chembond Surface Technologies Ltd			3.33	3.33				
Compensation Received					13.49		12.36	25.85
Henkel Chembond Surface Technologies Ltd					13.49		12.36	25.85
Interest Expenses		6.31	62.75	69.06		4.76	44.34	49.10
Chembond Chemicals Ltd		6.31	58.53	64.84		4.76	43.12	47.88
Chembond Ashland Water Technologies Ltd			1.22	1.22			1.22	1.22
H ₂ O Innovation India Ltd			3.00	3.00				
Rental Expenses			8.24	8.24	4.53		3.50	8.03
Henkel Chembond Surface Technologies Ltd			8.24	8.24	4.53		3.50	8.03
Director Remunration			117.66	117.66			161.30	161.30
Chembond Chemicals Ltd			84.58	84.58			102.00	102.00
Chembond Ashland Water Technologies Ltd			2.00	2.00			27.51	27.51
Henkel Chembond Surface Technologies Ltd			31.08	31.08			31.79	31.79
Director Sitting Fees			2.00	2.00			0.25	0.25
H ₂ O Innovation India Ltd			1.00	1.00				
Protochem Industries Pvt Ltd			1.00	1.00			0.25	0.25
Reimbursement of Exp							46.58	46.58
Protochem Industries Pvt Ltd							46.58	46.58
Salaries			16.44	16.44			15.42	15.42
Chembond Chemicals Ltd			16.44	16.44			15.42	15.42
Professional Fees							10.00	10.00
Protochem Industries Pvt Ltd							10.00	10.00
WTC/PTC/ENZYME Compensation		8.55		8.55	14.04	17.05	24.24	55.33
Chembond Chemicals Ltd		8.55		8.55		17.05		17.05
Protochem Industries Pvt Ltd							24.24	24.24
Henkel Chembond Surface Technologies Ltd					14.04		-	14.04
Royalty	325.70		35.94	361.64	302.74		33.70	336.44
Chembond Ashland Water Technologies Ltd	205.87			205.87	201.25			201.25
Henkel Chembond Surface Technologies Ltd	94.83			94.83	84.98			84.98
H ₂ O Innovation India Ltd	25.00			25.00	16.51			16.51
Chembond Chemicals Ltd			35.94	35.94			33.70	33.70
Sale of Fixed Assets			3.11	3.11				
Chembond Ashland Water Technologies Ltd			3.11	3.11				
Loan Taken		50.50	576.66	627.16		51.91	444.35	496.26
Chemebond Chemicals Ltd		50.50	533.16	583.66		51.91	414.35	466.26
Chembond Ashland Water Technologies Ltd			13.50	13.50				
H ₂ O Innovation India Ltd			30.00	30.00			30.00	30.00
Loan Given							13.50	13.50
Chembond Ashland Water Technologies Ltd							13.50	13.50
Sundry Debtors	1.71	310.52	86.35	398.58	29.38	231.92	173.08	434.38
H ₂ O Innovation India Ltd	1.71			1.71	29.38		2.28	31.66

Consolidated Notes on Financial Statements for the year ended 31st March, 2013

(₹ In lakhs)

Description of the nature of transactions	31.03.2013				31.03.2012			
	Joint Venture	Associates	KMP	Total	Joint Venture	Associates	KMP	Total
Chembond Chemicals Ltd		310.52		310.52		231.92		231.92
Chembond Ashland Water Technologies			12.05	12.05			34.34	34.34
Protochem Industries Pvt. Ltd			74.30	74.30			136.46	136.46
Sundry Creditors	175.65	226.51	269.08	671.24	448.00	5.65	425.53	879.18
Chembond Chemicals Ltd		226.51		226.51	13.18	5.65	75.77	94.60
Chembond Ashland Water Technologies Ltd					92.47		0.83	93.30
H ₂ O Innovation India Ltd			5.24	5.24	111.74		19.70	131.44
Henkel Chembond Surface Technologies Ltd	175.65		263.17	438.82	230.61		329.13	559.74
Protochem Industries P Ltd			0.67	0.67			0.10	0.10
Advance Received	1.12			1.12	22.15			22.15
H ₂ O Innovation India Ltd	1.12			1.12	22.15			22.15

34 Derivative Instruments

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

Currency	Exposure to buy/sell	As at 31/3/2013		As at 31/3/2012	
		Foreign Currency	Indian Currency	Foreign Currency	Indian Currency
USD	Buy	1.24	67.36	0.55	28.35

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

US Dollars	Buy	6.18	333.61	18.06	918.61
US Dollars	Sell	1.69	91.27	0.46	23.67
Euro	Buy	2.17	149.47	6.44	438.38
Euro	Sell	0.38	26.22	0.00	0.00
Japaness Yen	Buy	-	-	0.37	0.23
Australian Dollars	Buy	-	0.48	0.02	0.99
British Pounds	Buy	-	0.42	0.04	2.75

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

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

As per our attached report of even date

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

Dhiren P. Talati
Partner
Membership No. F/41867

Mumbai, 30th May, 2013

For and on behalf of the Board of Directors

Sameer V. Shah
Chairman & Managing Director

Perviz H. Dastur
Director

Mumbai, 30th May, 2013

Nirmal V. Shah
Vice Chairman & Managing Director

Omkar Mhamunkar
Company Secretary

Notice

NOTICE IS HEREBY GIVEN THAT THE **THIRTY EIGHTH 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 10TH OF AUGUST, 2013 AT 03:00 PM** TO TRANSACT THE FOLLOWING BUSINESS:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March 2013 and the Balance Sheet as of that date and the Reports of the Directors' and Auditors' thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Mr. O. P. Malhotra who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s. Kastury & Talati auditors to hold office from the 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:

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

"RESOLVED THAT pursuant to Sections 198, 269 read with Schedule XIII, 309, 310 and 314 or any other applicable provision of the Companies Act, 1956, Mr. Sameer V. Shah be and is hereby reappointed as Chairman and Managing Director of the Company with effect from 01st August, 2013 for a period of 3 years on such terms and conditions as set out in the Agreement entered into between the Company and Mr. Sameer V. Shah.

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

"RESOLVED THAT pursuant to Sections 198, 269 read with Schedule XIII, 309, 310 and 314 or any other applicable provision of the Companies Act, 1956, Mr. Nirmal V. Shah be and is hereby reappointed as Vice-Chairman and Managing Director of the Company with effect from 01st August, 2013 for a period of 3 years on such terms and conditions as set out in the Agreement entered into between the Company and Mr. Nirmal V. Shah.

7. 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 Sections 198, 309 and all other applicable provisions, if any, of the Companies Act, 1956 (including any amendment and/or re-enactment thereof), and subject to such necessary approval(s), consent(s) or permission(s), as may be required, the consent of the Company be and is hereby accorded to pay to its Directors (other than Managing / Whole-time Directors) for a period of five financial years commencing from April 1, 2013, such commission in addition to or in lieu of sitting fees as may be determined by the Board/Committee of Directors from time to time (to be divided amongst them in such proportion/ manner as may be determined by the Board/ Committee of Directors from time to time). Such commission not exceeding the ceiling as prescribed under Section 309 (4) of the Companies Act, 1956.

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorized to do all such acts, deeds, matters and things as may be considered necessary, proper or expedient in order to give effect to the above resolution."

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

Sameer V. Shah
Chairman & Managing Director

Mumbai, 30th May, 2013

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

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote on a poll only instead of himself and the proxy need not be a member.
2. A proxy form duly completed and stamped, must reach the registered office of the Company not less than 48 hours before the time for holding the aforesaid meeting.
3. The register of members and the share transfer books of the Company will remain closed from 27th July, 2013 to 10th August, 2013 (both days inclusive) in connection with the Annual General Meeting.
4. The Directors have recommended a dividend of ₹ 2.85 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 27th July,

2013 and in respect of Shares held in Dematerialized form in the depository system, to the beneficial owners of shares as on 27th July, 2013 as per details furnished by National Securities Depository Limited and Central Depository Services (India) Limited for the purpose.

5. Consequent upon the amendment to Section 205A of the Companies Act, 1956 and introduction of Section 205C of the Companies (Amendment) Act, 1999 which came into force w.e.f. 31st October, 1998, the Company would be obliged to transfer any money lying in the Unpaid Dividend Account which remain unpaid or unclaimed for a period of 7 years from the date of such transfers, to the Investor Education and Protection Fund, and hence all unclaimed dividends for the financial year 2004-05 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, 2013 are as under:

Date of Declaration	Amount (₹)	Due Date
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	33,943.00	21/09/2016
18/09/10	43,846.25	17/09/2017
10/09/11	56,306.55	09/09/2018
08/09/12	82,659.70	07/09/2019

6. 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.
7. Members are requested to inform the Company about any change in their addresses, if any, immediately to enable the Company to dispatch dividend warrants and any further communication at their correct address. This information may be provided to – TSR DARASHAW PRIVATE LIMITED (Formerly Tata Share Registry Limited) 6-10, Haji Moosa Patrawala Indl. Estate, 20, Dr. E Moses Road, Mahalaxmi, Mumbai – 400 011.

8. As per the Listing Agreement, particulars of Director who is proposed to be re-appointed is furnished below:

Name : Mr. O. P. Malhotra
Age : 81 years
Qualification : B. Chem. Engg.

Mr. O. P. Malhotra is also on the Board of the following Companies:

- 1) Chembond Ashland Water Technologies Ltd.
- 2) Philips Carbon Black Limited.
- 3) Alpha Carbon Limited.

9. Members holding shares in electronic form may please note that their bank details as furnished by the respective Depositories to the Company will be printed on their dividend warrants as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such members for change/deletion in such bank details. Further instructions if any already given by them in respect of shares held in physical form will not be automatically applied to the dividend paid on shares held in electronic form. Members may therefore give instructions regarding bank accounts in which they wish to receive a dividend to their Depository Participants.

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

ITEM No. 5

Mr. Sameer V. Shah was appointed as Vice Chairman & Managing Director of the Company for a period of 3 years w.e.f. 1st August, 2010 as per the resolution passed at the Annual General Meeting of the Company held on 18th September, 2010 as per the terms and conditions as set out in the Agreement entered into between the Company and Mr. Sameer V. Shah. Subsequently, on 3rd November, 2012, he was re-designated as Chairman & Managing Director on same terms.

The Remuneration Committee has recommended re-appointment of Mr. Sameer V. Shah as Chairman & Managing Director for the period of 3 years w.e.f. 1st August, 2013.

An abstract of the terms of appointment giving details of the remuneration payable and perquisites to be provided to Mr. Sameer V. Shah is set out below:

1. PERIOD OF APPOINTMENT

The re-appointment of Mr. Sameer V. Shah as Chairman & Managing Director for a period of three (3) years w.e.f. 1st August, 2013.

2. REMUNERATION

Mr. Sameer V. Shah will receive a remuneration of ₹ 36.00 Lakhs (Rupees Thirty Six Lakhs Only) p.a. (Including perquisite) effective from 1st August 2013

and the Board of Directors has powers to increase the remuneration in consultation with the remuneration committee from time to time.

He is also eligible to the following perquisites, which shall not be included in the computation of the ceiling limit of remuneration.

- Contribution to the Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961;
- Gratuity payable at a rate not exceeding half a month's salary for each completed year of service and;
- Encashment of leave at the end of the tenure.

3. MINIMUM REMUNERATION

In the event of loss or inadequacy of profits in any financial year during the tenure of the appointment, Mr. Sameer V. Shah shall, subject to the approval of the Central Government, if required, be paid remuneration by way of salary and perquisites as set out above, as minimum remuneration, subject to restriction, if any, set out in schedule XIII to the Companies Act, 1956, from time to time.

I. GENERAL INFORMATION

1. Nature of Industry:

The Company is in the Speciality Chemical Industry and main objects of the Company are:

- To carry on all or any business of manufactures, dealers, or processors in the field pre-treatment of ferrous and non-ferrous metals for anti corrosive and paint adhesion purposes.
- To carry on all or any of the business of Chemical Engineers, Manufactures, dealers in chemicals and as investors, exploiters, of all types of processes in the field of chemicals and the pre-treatment or anticorrosive and paint and adhesion purposes of metals and metallic substances.

2. Date of Commencement of commercial production:

The Company commenced commercial production from 22nd March, 1975.

3. Financial Performance:

(In ₹ Lakhs)

Particulars	Standalone 2012 – 2013	Consolidated 2012 – 2013
Net Sales	17,446.82	26,231.01
Profit before Tax	419.46	1,576.77
Less : Current Tax	17.00	612.56

Less: Deferred Tax	54.71	174.01
Profit after Tax	347.75	790.20

4. Foreign Exchange Earnings and Outgo:

(In ₹ Lakhs)

Particulars	Standalone
	2012- 2013
Total Foreign Exchange Earned	455.82
Total Foreign Exchange Outgo	2,693.47

5. Foreign collaborations or investments, if any:

The Company has subsidiary companies Chembond Ashland Water Technologies Limited in collaboration with Ashland International Holding Inc. U.S.A, and Chembond Inver Coatings Limited in collaboration with Inver S.P.A., Italy.

The Company has joint venture Company Henkel Chembond Surface Technologies Limited in collaboration with Henkel KGaA, Germany.

II. INFORMATION ABOUT THE APPOINTEE:

1. Background details:

Mr. Sameer V. Shah is the Chairman and Managing Director of the Company, a position he has held since 3rd November, 2012. Mr. Sameer V. Shah joined Chembond in 1992 after receiving his education in chemical engineering and finance from the University of Texas and Texas State University and working for over six years in America.

Mr. Sameer V. Shah hails from the promoter family of Chembond Chemicals Limited (the Company) and has held various managerial positions in the Company and its Joint Ventures. He was the Managing Director of Henkel Chembond Surface Technologies Limited (HCSTL) and is currently the Executive Chairman of HCSTL.

2. Past Remuneration:

Particulars	2011-2012
Salary and Perquisites	30,00,000*

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

3. Recognition and awards: Nil

4. Job Profile & his suitability:

Mr. Sameer V. Shah has held various managerial positions in the Company and having rich business experience and exposure to managing diverse businesses.

5. Proposed Remuneration:

Mr. Sameer V. Shah will receive a remuneration of ₹ 36.00 Lakhs (Rupees Thirty Six Lakhs Only) p.a. (Including perquisite) effective from 1st August, 2013 and the Board of Directors has powers to increase the

remuneration in consultation with the remuneration committee from time to time.

He is also eligible to the following perquisites, which shall not be included in the computation of the ceiling limit of remuneration.

- a) Contribution to the Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- b) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service and;
- c) Encashment of leave at the end of the tenure.

6. Comparative remuneration profile with respect to industry, size of the Company, profile of the position and the person. :

Considering the experience and knowledge of Mr. Sameer V. Shah, and considering similar industries, he is entitled to higher remuneration than recommended by the Board at present.

7. Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any:

Mr. Sameer V. Shah directly holds 3,08,380 Equity Shares of the Company and being one of the promoters of the Company, holds 68.41% of the paid up capital indirectly. He is also related to Mr. Nirmal V. Shah, Vice Chairman & Managing Director. Except for the proposed remuneration as stated above, Mr. Sameer V. Shah does not have any other pecuniary relationship with the Company.

Your Directors recommend the resolution set out in Item No. 5 of the Notice Convening the meeting.

The draft agreement to be entered into between Mr. Sameer V. Shah and the Company are available for inspection by the members of the Company at its Registered Office from 10.00 a.m. to 12.00 noon on any working day.

III. OTHER INFORMATION

1. Reason for loss or inadequate profits:

This is an exceptional year for the Company in terms of profit margins. Due to expansion of business, the Company has aggressively invested in a quality workforce, which will bring a positive trend over the coming years. The slower growth of Indian as well as the global economy, increase in raw material costs are other factors impacting profits.

2. Steps taken or proposed to be taken for improvement:

The Company has strengthened its sales & marketing departments and more focus is given on Research & Development. Price increases are also being negotiated in a sustainable manner.

3. Expected increase in productivity and profits in measurable terms:

At this stage it is difficult to quantify the effect of the measures being taken by the Company to improve its financial performance, but as mentioned above, the Company's margins are impacted by the increase in commodity prices and overall inflationary trends in the market and the Company will put continuous efforts to recover from such adversities.

IV. DISCLOSURES:

Information about the remuneration package of the managerial personnel:

The shareholders are notified of the remuneration package through the abstract of terms as well as an explanatory statement annexed to the notice.

The Corporate Governance Report forms a part of the Annual Report for the year and remuneration package applies to the Directors has been disclosed therein.

None of the Directors of the Company except Mr. Sameer V. Shah & Mr. Nirmal V. Shah are concerned or interested in the resolution.

This may be treated as an abstract of the terms of appointment of Mr. Sameer V. Shah in terms of Section 302 of the Act.

ITEM No. 6

Mr. Nirmal V. Shah was re-appointed as Joint Managing Director of the Company for a period of 3 years w.e.f. 1st August, 2010 as per the resolution passed at the Annual General Meeting of the Company held on 18th September, 2010 as per the terms and conditions as set out in the Agreement entered into between the Company and Mr. Nirmal V. Shah. Subsequently, on 3rd November, 2012, he was re-designated as Vice-Chairman & Managing Director on same terms.

The Remuneration Committee has recommended re-appointment of Mr. Nirmal V. Shah as Vice Chairman & Managing Director for the period of 3 years w.e.f. 1st August, 2013.

An abstract of the terms of appointment giving details of the remuneration payable and perquisites to be provided to Mr. Nirmal V. Shah is set out below:

1. PERIOD OF APPOINTMENT

The re-appointment of Mr. Nirmal V. Shah as Vice Chairman & Managing Director for a period of three (3) years w.e.f. 1st August, 2013.

2. REMUNERATION

Mr. Nirmal V. Shah will receive a remuneration of ₹ 36.00 Lakhs (Rupees Thirty Six Lakhs Only) p.a. (Including perquisite) effective from 1st August 2013 and the Board of Directors has powers to increase the remuneration in consultation with the remuneration committee from time to time.

He is also eligible to the following perquisites, which shall not be included in the computation of the ceiling limit of remuneration.

- Contribution to the Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961;
- Gratuity payable at a rate not exceeding half a month's salary for each completed year of service and;
- Encashment of leave at the end of the tenure.

3. MINIMUM REMUNERATION

In the event of loss or inadequacy of profits in any financial year during the tenure of the appointment, Mr. Nirmal V. Shah shall, subject to the approval of the Central Government, if required, be paid remuneration by way of salary and perquisites as set out above, as minimum remuneration, subject to restriction, if any, set out in schedule XIII to the Companies Act, 1956, from time to time.

I. GENERAL INFORMATION

1. Nature of Industry:

The Company is in the Speciality Chemical Industry and main objects of the Company are:

- To carry on all or any business of manufactures, dealers, or processors in the field pre-treatment of ferrous and non-ferrous metals for anti corrosive and paint adhesion purposes.
- To carry on all or any of the business of Chemical Engineers, Manufactures, dealers in chemicals and as investors, exploiters, of all types of processes in the field of chemicals and the pre-treatment or anticorrosive and paint and adhesion purposes of metals and metallic substances.

2. Date of Commencement of commercial production:

The Company commenced commercial production from 22nd March, 1975.

3. Financial Performance :

(₹ In Lakhs)

Particulars	Standalone 2012 – 2013	Consolidated 2012 – 2013
Net Sales	17,446.82	26,231.75
Profit before Tax	419.46	1,576.77
Less : Current Tax	17.00	612.56
Less: Deferred Tax	54.71	174.01
Profit after Tax	347.75	790.190

4. Foreign Exchange Earning and Outgo:

(₹ In Lakhs)

Particulars	Standalone 2012- 2013
Total Foreign Exchange Earned	455.82
Total Foreign Exchange Outgo	2693.47

5. Foreign collaborations or investments, if any:

The Company has subsidiary companies Chembond Ashland Water Technologies Limited in collaboration with Ashland International Holding Inc U.S.A, and Chembond Inver Coatings Limited in collaboration with Inver S.P.A., Italy.

The Company has joint venture Company Henkel Chembond Surface Technologies Limited in collaboration with Henkel KGaA, Germany.

II. INFORMATION ABOUT APPOINTEE:

1. Background details:

Mr. Nirmal V. Shah is the Vice Chairman and Managing Director of the Company, a position he has held since 3rd November, 2012. Mr. Nirmal V. Shah is the Vice Chairman and Managing Director of the Company, hails from the promoter family of Chembond Chemicals Limited.

2. Past Remuneration:

Particulars	2011-2012
Salary and Perquisites	30,00,000*

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

3. Recognition and awards: Nil

4. Job Profile & his suitability:

Mr. Nirmal V. Shah has over 19 years of experience and exposure to managing diverse businesses. He has been in-charge of the water treatment chemicals division for the past 12 years. His expertise is in organizational management.

5. Proposed Remuneration:

Mr. Nirmal V. Shah will receive a remuneration of ₹ 36.00 Lakhs (Rupees Thirty Six Lakhs Only) p.a. (Including perquisite) effective from 1st August, 2013 and the Board of Directors has powers to increase the remuneration in consultation with the remuneration committee from time to time.

He is also eligible to the following perquisites, which shall not be included in the computation of the ceiling limit of remuneration.

- Contribution to the Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961;
- Gratuity payable at a rate not exceeding half a month's salary for each completed year of service and;
- Encashment of leave at the end of the tenure.

6. Comparative remuneration profile with respect to industry, size of the Company, profile of the position and the person. :

Considering the experience and knowledge of Mr. Nirmal V. Shah and considering similar industries, he is entitled to higher remuneration than recommended by the Board at present.

7. Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any:

Mr. Nirmal V. Shah directly holds 3,10,674 Equity Shares of the Company and being one of the promoters of the Company, holds 68.41% of the paid up capital indirectly. He is also related to Mr. Sameer V. Shah, Chairman & Managing Director. Except for the proposed remuneration as stated above, Mr. Nirmal V. Shah does not have any other pecuniary relationship with the Company.

Your Directors recommend the resolution set out in the Item No. 6 of the Notice Convening the meeting.

The draft agreement to be entered into between Mr. Nirmal V. Shah and the Company is available for inspection by the members of the Company at its Registered Office from 10.00 a.m. to 12.00 noon on any working day.

III. OTHER INFORMATION

1. Reason for loss or inadequate profits:

This is an exceptional year for the Company in terms of profit margins. Due to expansion of business, the Company has aggressively invested in a quality work force, which will bring a positive trend over the coming years. The slower growth of Indian as well as the global economy, increase in raw material costs are other factors impacting profits.

2. Steps taken or proposed to be taken for improvement:

The Company has strengthened its sales & marketing departments and more focus is given on Research & Development. Price increases are also being negotiated in a sustainable manner.

3. Expected increase in productivity and profits in measurable terms:

At this stage it is difficult to quantify the effect of the measures being taken by the Company to improve its financial performance, but as mentioned above, the Company's margins are impacted by the increase in commodity prices and overall inflationary trends in the market and the Company will put continuous efforts to recover from such adversities.

IV. DISCLOSURES:

Information about the remuneration package of the managerial personnel:

The shareholders are notified of the remuneration package through the abstract of terms as well as an explanatory statement annexed to the notice.

The Corporate Governance Report forms a part of the Annual Report for the year and remuneration package applies to the Directors has been disclosed therein.

None of the Directors of the Company except, Mr. Nirmal V. Shah & Mr. Sameer V. Shah are concerned or interested in the resolution.

This may be treated as an abstract of the terms of appointment of Mr. Nirmal V. Shah in terms of Section 302 of the Act.

ITEM No. 7

The non-executive Directors of the Company play a crucial role in the independent functioning of the Board. They bring in an external and wider perspective to the decision-making by the Board. They provide leadership and strategic guidance, while maintaining objective judgment. They also help the Company in ensuring that all legal requirements and corporate governance issues are well addressed.

The responsibilities and obligations imposed on the non-executive Directors have increased manifold in recent years on account of a number of factors, including the growth in the activities of the Company and the rapid evolution arising out of legal and regulatory provisions and requirements.

Taking into consideration the current competitive business environment, stringent accounting standards and corporate governance norms which require considerably enhanced levels of decision making and vigilant corporate governance, thereby making the responsibilities of the Directors more onerous, it is proposed to pay a commission to the Non-Executive Directors of the Company. The Board of Directors will determine each year, the specific amount to be paid as commission to the Non-Executive Directors, which shall not exceed the limits specified in Section 309 of the Companies Act, 1956 for that year, as computed in the manner referred to in Section 198(1) of the Companies Act, 1956.

The Members are requested to approve the payment of commission to the Non-Executive Directors of the Company for a period of five years with effect from April 2013.

All the Non-Executive Directors of the Company are deemed interested in the Resolution set out at Item No. 7 of the accompanying Notice since it relates to their respective remuneration.

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

Sameer V. Shah
Chairman & Managing Director

Mumbai, 30th May, 2013

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

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 38th ANNUAL GENERAL MEETING of the Company to be held on Saturday,
10th August, 2013 at 3.00 p.m. at EL-37, MAHAPE, MIDC, NAVI MUMBAI 400 710 and any adjournment thereof.

Signed this _____ day of _____, 2013.

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 38th ANNUAL GENERAL MEETING of the Company at EL-37, MAHAPE, MIDC, NAVI MUMBAI 400 710 on Saturday, the 10th August, 2013 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.

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Roof Coating



KEM PROOF 86
Elastomeric Waterproof
Exterior Coating



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Elastomeric Waterproof Roof Coating



☎ (022) 39213186 ✉ feedback@buildsys.co.in 🖱 www.chembondindia.com



green initiative

Support green initiative, by Ministry of Corporate Affairs, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, with 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 Pvt. Ltd., 3-10, Haji Moosa Patrawala Indl. Estate, 20, Dr. E Moses Road, Mahalaxmi, Mumbai – 400 011, Tel: 022 - 6656 8484, Fax: 6656 8494 or email to csg-unit@tsrdarashaw.com mentioning their Name, Folio No, DP ID, Client ID. The members may pass the said correspondence to the Registered Office of the Company or email to investor.grievance@chembondindia.com

Chembond Chemicals Limited



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

☎ Tel. : +91 22 3921 3000 ✉ Email : info@chembondindia.com 🌐 www.chembondindia.com

Chembond Chemicals Limited

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

Fax: (91 22) 27681294

Tel : (91 22) 39213000, 39213001

E-mail: info@chembondindia.com

Website: www.chembondindia.com



July 12, 2013

To,
Bombay Stock Exchange Limited
Dalal Street, Fort,
Mumbai-400001

Ref: Company Code no.530871

FORM A

CLAUSE 31(a) OF EQUITY LISTING AGREEMENT

1	Name of the Company	Chembond Chemicals Limited
2	Annual Financial Statements for the year ended	31st March, 2013
3	Type of Audit observation	Matter of Emphasis
4	Frequency of observation	First Time
5	To be signed by -	
	CEO/Managing Director	
	CFO	
	Auditor of the Company	MEM NO. F/4/867 FOR M/S. KASTURY & TALATI CHARTERED ACCOUNTANTS DHIREN P. TALATI, PARTNER DATE: 22/7/13 MUMBAI
	Audit Committee Chairman	

CERT N
920
DT.
22/07/13

Kindly acknowledge the receipt.

Thanking You

Yours faithfully,

For Chembond Chemicals Limited

Omkar Mhamunkar
Company Secretary

