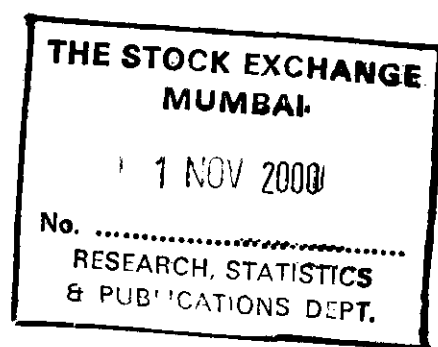


Chembond Chemicals Limited
www.chembondindia.com

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25th

ANNUAL REPORT 1999 - 2000

BOARD OF DIRECTORS

Dr. Vinod D. Shah	<i>Chairman & Managing Director</i>
Mr. C.D. Shah	<i>Jt. Managing Director</i>
Mr. A.R. Nagarwadia	
Mr. J.S. Vasani	
Mr. M.K. Ghelani	
Mr. P.H. Dastur	
Mr. O.P. Malhotra	<i>Resident Director, East India</i>
Mr. Sameer V. Shah	<i>MD – Henkel Chembond - JV</i>
Mr. Nirmal V. Shah	<i>Executive Director</i>

KEY EXECUTIVES

Mr. B.D. Shah	<i>General Manager (Commercial)</i>
---------------	-------------------------------------

Water Treatment Chemicals

Mr. S.M. Mahadik	<i>Vice President</i>
Mr. N.C. Padia	<i>General Manager (Technical)</i>
Mr. N.A. Patil	<i>Dy. General Manager (Marketing)</i>
Mr. N.B. Dambe	<i>Sr. Manager (Technical Service)</i>
Mr. Jayanta Ghosh	<i>Area Manager (East)</i>

Anti-Corrosive Coatings

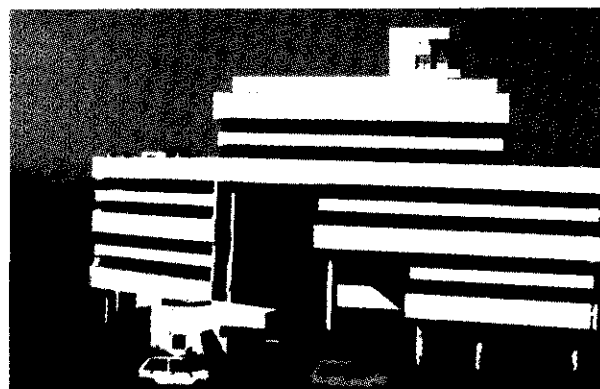
Mr. S. K. Trivedi	<i>Dy. General Manager (Marketing)</i>
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Construction Chemicals

Mr. T. P. Banerjee	<i>Sr. Manager (Technical)</i>
Mr. Pralay Ghosh	<i>Sr. Manager (Marketing)</i>

Henkel Chembond Surface Technologies Ltd.

Mr. S.P. Kolhe	<i>General Manager (Technical)</i>
Mr. Naresh Adivrekar	<i>Sr. Marketing Manager (Auto)</i>
Dr. Ashok Kumar	<i>Sr. Manager (Technical)</i>



▲ Chembond Centre

AUDITORS

M/s. V.N. Kastury & Co.
Chartered Accountants
Mumbai.

BANKERS

Bank of India
Worli Naka Branch
Mumbai - 400 018

PLANT

Plot E - 6/4, MIDC Tarapur,
Dist. Thane, Maharashtra. INDIA.

CITY OFFICE

B-23, Todi Estate, Sunmill Compound,
Lower Parel, Mumbai - 400 013. INDIA.

REGISTERED AND CORPORATE OFFICE

Chembond Centre, EL-71, Mahape MIDC,
Navi Mumbai - 400 705. INDIA.

Tel.: (+91 22) 7618799

Fax: (+91 22) 7681294

e-mail: Chembond@vsnl.com

Website: www.chembondindia.com

NOTICE

NOTICE is hereby given that the 25th Annual General Meeting of **CHEMBOND CHEMICALS LIMITED** will be held on 23rd September, 2000 at 11.00 a.m at the Registered Office of the Company situated at Chembond Centre, EL-71, MIDC Mahape, Navi Mumbai-400705 to transact the following business.

ORDINARY BUSINESS :

- 1) To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2000, Profit and Loss Account for the year ended on 31st March, 2000 and the Reports of the Directors and Auditors thereon.
- 2) To appoint Director in place of Mr. Ashwin R. Nagarwadia, who retires by rotation and being eligible, offers himself for re-appointment.
- 3) To appoint Director in place of Mr. Mahendra K. Ghelani, who retires by rotation and being eligible, offers himself for re-appointment.
- 4) To declare Dividend on Equity Shares.
- 5) To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS :

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

"RESOLVED THAT Mr. Sameer V. Shah who was appointed as Additional Director under Section 260 of the Companies Act, 1956 and holds office till the conclusion of this Annual General Meeting be and is hereby appointed as Director of the Company."
- 7) To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Nirmal V. Shah who was appointed as Additional Director under Section 260 of the Companies Act, 1956 and holds office till the conclusion of this Annual General Meeting be and is hereby appointed as Director of the Company."
- 8) To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. O. P. Malhotra who was appointed as Additional Director under Section 260 of the Companies Act, 1956 and holds office till the conclusion of this Annual General Meeting be and is hereby appointed as Director of the Company."
- 9) To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of section 198, 269, 309 and 310 read with Schedule

XIII and any other applicable provisions of the Companies Act, 1956, the Company hereby accords its approval to the appointment of Mr. Nirmal V. Shah as Executive Director of the Company for a period of five years with effective from 10th January, 2000 on the basis of the remuneration, terms and conditions set out in a draft agreement that is proposed to be entered into with the said Mr. Nirmal V. Shah, copy whereof initialled by the Chairman is produced at the meeting.

- 10) To consider and if thought fit to pass with or without modifications, the following Resolution as Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provision of the Companies Act, 1956, the Articles of Association of the Company be altered in the following manner:

- (a) The following new Article numbered as 10A and 10B be inserted after Article 10:

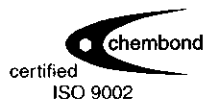
10A. Register and Index of Members :

The Company shall cause to be kept at its registered office or at such place as may be decided by the Board of Directors, the Register and Index of Members in accordance with Sections 150 and 151 and other applicable provisions of the Companies Act, 1956 and Depositories Act, 1996 with the details of shares held in physical and dematerialised form in any media as may be permitted by law including in any form of electronic media.

The Register of Index of Beneficial owners maintained by a Depository Under Section 11 of the Depositories Act, 1956 and any amendment or reenactment thereof. The Company shall have power to keep in any state or country outside India, a register of members for the residents in that state or country.

10B: Nomination :

1. Every shareholder or debenture holder of the Company may at anytime nominate in the prescribed manner a person to whom his shares in, or debentures of the Company shall vest in the event of his death.
2. Where the shares in or debentures of the Company are held by more than one person jointly, the joint holders may together nominate in the prescribed manner a person to whom all the rights in the shares or debentures of the company as the Company as the case may be, shall vest in the event of death of all the joint holders.
3. Notwithstanding anything contained in any other law for the time being in force or in any depositions, whether testamentary or otherwise in respect of such shares in or debentures of the Company, where a nomination made in the prescribed manner purports to confer on any person the right to invest the shares in or debentures of the Company, the nominee shall on the death of the shareholder or debenture holder or as the case may be on the death of the joint



holders, become entitled to all the rights in such shares or debentures or as the case may be all the joint holders in relation to such shares or debentures to the exclusion of all other persons, unless the nomination is varied, cancelled in the prescribed manner.

4. Where the nominee is a minor, it shall be lawful for the holder of the shares or debentures to make the nomination to appoint, in the prescribed manner any person to become entitled to shares in or debentures of the Company in the event of his death during the minority.
5. A nominee, upon production of such evidence as may be required by the Board and subject as hereinafter provided, elect, either:
 - (a) to be registered himself as holder of the share or debenture, as the case may be : or
 - (b) to make such transfer of the share or debenture as the case may be as the deceased shareholder or debenture holder could have made:
 - (c) if the nominee elects to be registered as holder of the share or debenture, himself as the case may be he shall deliver or send to the Company a notice in writing signed by him stating that he so elects and such notice shall be accompanied with the death certificate of the deceased shareholder or debenture holder as the case may be:
 - (d) a nominee shall be entitled to the same dividends and other advantages to which he would be entitled to if he were the registered holder of the share or debenture except that he shall not, before being registered as a member in respect of his share or debenture be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company.

Provided further that the Board may at any time give notice requiring any such person to elect either to be registered himself or to transfer the share or debenture and if the notice is not complied with within ninety days the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable or rights accruing in respect of the share or debenture until the requirements of the notice have been complied with.

- (c) **The following interpretations will follow after "Writing in existing Article 2(s) :**
 - 2(t) Beneficial Owner : "Bye-Laws" means the beneficial owner as defined in clause (a) of subsection (1) of section 2 of the Depositories Act 1996.
 - 2(u) Bye-laws : "Bye-Laws" mean bye-laws made by a Depository under section 26 of the Depositories Act, 1996.

2(v) Depositories Act : Depositories Act means the Depositories Act, 1996 and any statutory modification or reenactment thereof for time being in force.

2(w) Depository : Depository means a Company formed and registered under the Companies Act 1956 (1 of 1956) (the Act) and which has been granted a certificate of registration under sub-section (1) of Section 12 of the Securities and Exchange of India Act, 1992 (15 of 1992).

2(x) Record : "Record" includes the records maintained in the form of books or stored in a computer or in such other form as may be determined by the regulations made by SEBI.

2(y) Regulations : Regulations means the regulation made by SEBI.

2(z) SEBI means the Securities and Exchange Board of India.

2(aa) Security : "Security means such as may be specified by SEBI from time to time.

Shareholder or Member : shareholder or Member means the duly registered holder from time to time of the shares of the Company and includes the subscribers to the Memorandum of Association of the Company and also every person holding equity shares and / or Preference Shares of the Company as also one whose name is entered as a beneficial owner of the shares in the records of a Depository.

(d) The following Articles Nos. from 18A to 18L shall be inserted after Article 18:

18A. Dematerialisation of Securities:

Notwithstanding anything contained in these articles, the Company shall be entitled to dematerialise its shares, debentures and other securities (both existing and future) held by it with the Depository and to offer its shares, debentures and other securities for subscription in a dematerialised form pursuant to Depositories Act, 1996 and Rules framed thereunder if any:

18B Option for Investors:

Every person subscribing to the securities offered by the company shall have the option to receive the security certificates or hold the securities with a Depository. Such a person who is the beneficial owner of the securities can at any time opt out of a Depository, if permitted by law, in respect of any security in the manner provided by the Depositories Act, and the company shall in the manner and within time prescribed, issue to the Beneficial Owner the required certificates of securities.

Where a person opts to hold his security with a Depository, the Company shall intimate such Depository the details of allotment of the security and on receipt of such information, the Depository shall enter in its record the

name of the allottee as the beneficial owner of the security:

18C. Securities in Depositories to be in fungible form:

All securities held by Depository shall be dematerialised and shall be in a fungible form. Nothing contained in Sections 153, 153A, 153B, 187A, 187B, 187C and 372A of the Act shall apply to a Depository in respect of the securities held by it on behalf of the beneficial owners:

18D. Rights of Depositories and Beneficial Owners :

1. Notwithstanding anything to the contrary contained in the Act or these Articles, a Depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of security on behalf of the Beneficial Owner:
2. Save as otherwise provided in (1) above, the Depository as a registered owner of the securities shall not have any voting rights or any other right in respect of the securities held by it:
3. Every person holding securities of the Company and whose name is entered as a Beneficial Owner in records of the Depository shall be deemed to be a member of the Company. The Beneficial Owner of the securities shall not have any voting rights or any other right in respect of his securities held by a Depository.

18E. Depository to furnish information:

Notwithstanding anything to the contrary contained in the Act or these Articles, where the securities are held in a Depository, the records of the Beneficial Ownership may be served by such Depository on the Company by means of electronic mode or by delivery of floppies and discs.

18F. Option to opt out in respect of the security:

If a Beneficial Owner seeks to opt out of a Depository in respect of any security, the Beneficial Owner shall inform the Depository accordingly. The Depository shall, on receipt of intimation as above, make appropriate entries in its record and shall inform the Company accordingly.

The Company shall within thirty (30) days of the receipt of intimation from the Depository and on fulfillment of such conditions and on payment of such fees as may be specified by the regulations, issue the certificate of securities to the Beneficial Owner or the transferee as the case may be.

18G. Section 83 and 108 of the Act not to apply :

Notwithstanding anything to the contrary contained in the articles-

- i. Section 83 of the Act shall not apply to the shares with a Depository.
- ii. Section 108 of the Act shall not apply to transfer of security effected by the transferor and the transferee both of whom are entered as Beneficial Owners in the records of a Depository.

18H. Register and Index of Beneficial Owners:

The Register and Index of Beneficial Owner, maintained by a Depository under section 11 of the Depositories Act shall be deemed to be the Register and Index of members and security holders as the case may be for the purpose of these Articles.

18I. Intimation to Depository:

Notwithstanding anything contained in the Act or these Articles, where securities are dealt with in a Depository, the Company shall intimate the details of allotment of securities thereof to the Depository immediately on allotment of such securities.

18J. Stamp duty on securities held on dematerialised form:

No stamp duty would be payable on shares and securities held in dematerialised form in any medium as may be permitted by law including any form of electronic medium.

18K. Applicability of the depositories Act, 1996:

In case of transfer of shares, debentures and other marketable securities, where the company has not issued any certificate and where such shares, debentures or securities are being held in an electronic and fungible form in a Depository, the provisions of the Depositories act 1996 shall apply.

18L. Company to recognise the rights of Registered Holders as also the Beneficial Owners in the records of the Depository:

Save as herein otherwise provided, the Company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any share, as also the Beneficial Owner of the shares in the records of the Depository as the absolute owner thereof as regards receipt of dividends or bonus or service of notices and all or any other matters connected with the Company shall not except as ordered by a court of competent jurisdiction or as by law required be bound to recognise and benami trust or equitable, contingent or other claim to or interest in such share on the part of any other person whether or not it shall have express or implied notice thereof."

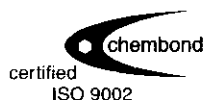
BY ORDER OF THE BOARD OF DIRECTORS
For **Chembond Chemicals Limited**

sd/-
Dr. Vinod D. Shah
(Chairman & Managing Director)

Mumbai, 12th August, 2000

Registered Office:

Chembond Centre.
EL-71, MIDC, Mahape,
Navi Mumbai-400705.

**NOTES :**

- a) 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/HERSELF AND THE PROXY NEED NOT BE A MEMBER.

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.

- b) The relevant Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item 6 to 9 stated above is annexed hereto.
- c) The Register of Members and the share Transfer Books of the Company will remain closed from 15th September, 2000 to 23rd September, 2000 (both days inclusive.)
- d) The dividend as recommended by the Board, if sanctioned at the meeting, shall be paid to those

members whose names appear on the Register of Members of the Company as on 23rd September, 2000.

- e) Members/Proxies should bring the Attendance Slip sent herewith, duly, filled in, for attending the meeting. You are also requested to bring the copy of Annual Report sent to you.
- f) Shareholders holding shares in identical order of names in more than one folio are requested to write to the Company's Share Department enclosing their share certificates, to enable the company to consolidate their holding in one folio.
- g) Members desiring any information on the Accounts are requested to write to the Company, which should reach the Company at least one week before the meeting so as to enable the Management to keep the information ready. Replies will be provided only at the meeting.
- h) Members are requested to notify the Company, the changes, if any, in the address in full with the postal area pin code number quoting their folio numbers.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.**ITEM NO. 6**

In order to broad base the Board of Directors, the Directors at its meeting held on 10th January, 2000 appointed Mr. Sameer V. Shah, as Additional Director pursuant to the provisions contained in the Articles of Association of the Company under Section 260 of the Companies Act, 1956.

Mr. Sameer V. Shah, holds office as Director upto the date of Annual General Meeting.

As required under Section 257 of the said Act, notice has been received from some members signifying their intention to propose Mr. Sameer V. Shah as candidate for the office of Director of the Company.

The Directors, therefore, recommended the passing of this Resolution.

No Director except Mr. Sameer V. Shah and Dr. Vinod D. Shah may be considered to be interested in the passing of this Resolution.

ITEM NO. 7

In order to broad base the Board of Directors, the Directors at its meeting held on 10th January, 2000 appointed Mr. Nirmal V. Shah, as Additional Director pursuant to the provisions contained in the Articles of Association of the Company under Section 260 of the Companies Act, 1956.

Mr. Nirmal V. Shah, holds office as Director upto the date of Annual General Meeting.

As required under Section 257 of the said Act, notice has been received from some members signifying their intention to propose Mr. Nirmal V. Shah as candidate for the office of Director of the Company.

The Directors, therefore, recommended the passing of this Resolution.

No Director except Mr. Nirmal V. Shah and Dr. Vinod D. Shah may be considered to be interested in the passing of this Resolution.

ITEM NO. 8

In order to broad base the Board of Directors, the Directors at its meeting held on 10th January, 2000 appointed Mr. O. P. Malhotra, as Additional Director pursuant to the provisions contained in the Articles of Association of the Company under Section 260 of the Companies Act, 1956.

Mr. O.P. Malhotra, holds office as Director upto the date of Annual General Meeting.

As required under Section 257 of the said Act, notice has been received from some members signifying their intention to propose Mr. O. P. Malhotra as candidate for the office of Director of the Company.

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The Directors, therefore, recommended the passing of this Resolution.

No Director except Mr. O. P. Malhotra may be considered to be interested in the passing of this Resolution.

ITEM NO. 9

In view of the growing activities of the Company, the Board of Directors at its meeting held on 10th January, 2000, appointed Mr. Nirmal V. Shah who is son of Dr. Vinod D. Shah as an Executive Director of the Company for a period of five years with effective from 10th January, 2000. The terms and conditions of such appointment are embodied in the draft agreement that is proposed to be entered into between Company and Mr. Nirmal V. Shah.

Under the draft agreement in consideration of his services as the Executive Director of the Company, Mr. Nirmal V. Shah is entitled to the following by way of remuneration:

He is entitled to a salary of Rs. 25000/- per month. He shall also be entitled to bonus, Leave Travel Allowance, Medical and other perquisites, which shall be given to the senior management staff as per the rules of the Company.

Mr. Nirmal V. Shah shall also be eligible to the following perquisites which shall not be included in the computation of the ceiling on remuneration specified as under:

- (a) contribution to 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.

No Director of the Company is concerned or interested in the resolution except Mr. Nirmal V. Shah and Dr. Vinod D. Shah.

The Board commends the resolution for the approval of the members.

Item No 10:

Article 10A, 10B, 2t to 2aa, 18A to 18L

The Depositories Act, 1996 has amended certain provisions of the Companies Act, 1956 pertaining to issue, holding, transfer, transmission and dealing in shares and other securities as also to issue relevant certificates thereof, so as to facilitate the introduction and implementation of the Depository System.

Further, the Companies Act (Amendment) Act, 1999 has permitted to the shareholders and debentureholders an option to nominate a person to whom the Rights of security holders shall vest in the event of his death / her death. It would be beneficial if such nomination facility is provided for in the Articles of Association of the Company. Hence, the amendment.

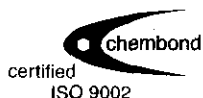
BY ORDER OF THE BOARD OF DIRECTORS
For **Chembond Chemicals Limited**

Sd/-
Dr. Vinod D. Shah
(Chairman & Managing Director)

Mumbai, 12th August, 2000

Registered Office:

Chembond Centre,
EL-71, MIDC Mahape,
Navi Mumbai-400705.



DIRECTORS' REPORT

To
The Members,

The Directors have pleasure in presenting their twenty-fifth Annual Report together with Audited Statement of accounts for the year ended 31st March 2000.

FINANCIAL RESULTS:

The highlights of the Financial results are:

	1999-2000 In Lacs	1998-99 In Lacs
Turnover of Sales	2183.22	1962.62
Profit before tax	147.70	125.89
Less : Provision for taxation	36.00	34.00
Profit after tax	111.70	91.89
 Add : Balance as per last year	 86.85	 60.43
Less : Taxation arrears	0.43	0.52
	198.12	151.80
 Appropriation:		
General Reserve	14.00	15.00
Interim Dividend	36.00	—
Tax on Interim Dividend	3.96	—
Proposed Dividend	18.00	45.00
Tax on proposed Dividend	3.96	4.95
Balance carried to balance sheet	122.20	86.85
Total	198.12	151.80

PERFORMANCE REVIEW

I am pleased to inform you that during the year under review, your company achieved a sales turnover of Rs.2183.22 lacs as against Rs.1962.62 recorded in previous year. This amounts to an 11.24% increase. Corresponding profit is up 21.56%, from Rs.91.89 lacs to Rs.111.70 lacs.

The **Construction Chemicals** division recorded a substantial growth effected from large supplies of concrete admixtures made to Skanska International Civil Engineering AB, for construction of a section of the new Mumbai-Pune expressway. Chembond's name is gradually getting established in the construction industry and your company can rightfully look forward to good growth for the next few years as infrastructure development in India continues.

The **Anti-corrosive Coatings** division also recorded a high growth rate with your company's products getting wider acceptance. Your company has now carved out a niche position for the supply of specific high performance coatings.

The **Water Treatment Chemicals** division saw an impressive increase in volume supplies. However, the Rupee sales increased only marginally due to competitive pricing. The strategy has paid off successfully and some prestigious orders have been received. The competitive pricing trend is now being reversed and the first quarter results of 2000-2001 are very encouraging. The Water Treatment chemicals division continues to be the largest division at Chembond.

Your Directors are pleased to inform you that a **new division - STOM** for the promotion of water treatment chemicals to the small and mid size cooling and boiler water applications has been formed. Sales to this segment