



Chembond Chemicals Limited
www.chembondindia.com



26th

ANNUAL REPORT 2000-2001

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>
Mr. Rajesh Arora	<i>General Manager (Operations)</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>

Water Treatment Plants & Instruments

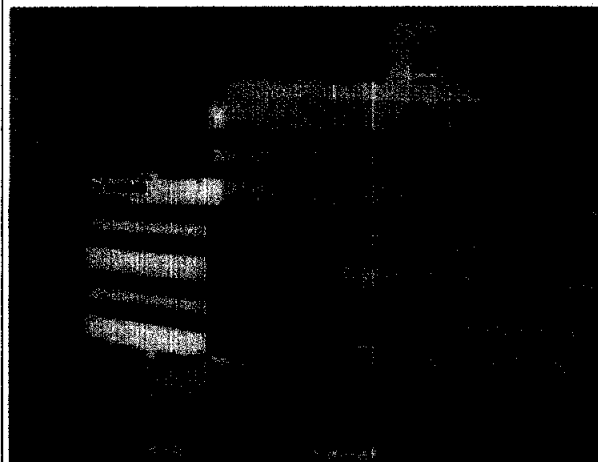
Mr. Sandeep Karmarkar *Manager*

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>Dy. General Manager (Mktg.)</i>
Dr. Ashok Kumar	<i>Sr. Manager (Technical)</i>



▲ Corporate Office, R & D Centre

AUDITORS

M/s. Kastury & Talati
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

REGISTRAR AND TRANSFER AGENT

Tata Share Registry Ltd.
Army & Navy Building
148 - Mahatma Gandhi Road,
Fort, Mumbai - 400 001

26th ANNUAL REPORT 2000 - 2001

NOTICE

NOTICE is hereby given that the 26th Annual General Meeting of the Members of CHEMBOND CHEMICALS LIMITED will be held on Saturday, 22nd September, 2001, 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 2001, Profit and Loss Account for the year ended on 31st March 2001 and reports of the Directors and Auditors thereon.
- 2) To declare the Dividend on Equity Shares.
- 3) To appoint a Director in place of Mr.J.S.Vasani, who retires by rotation and being eligible, offers himself for re-appointment.
- 4) To appoint a Director in place of Mr.P.H.Dastur, who retires by rotation and being eligible, offers himself for re-appointment.
- 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.

BY ORDER OF THE BOARD OF DIRECTORS

For Chembond Chemicals Limited

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

Mumbai, 14th August, 2001

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

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/ HERSELF AND THE PROXY NEED NOT BE THE 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.

2. The Register of Members and the Share Transfer Books of the Company will remain closed from 17th September 2001 to 22nd September, 2001 (both days inclusive)
3. The dividend as recommended by the Board , if sanctioned at the Meeting shall be paid to those members whose name appears on the Register of Members as on 22nd September 2001.
4. 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.
5. 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.
6. 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.
- 7) Members are requested to notify the companies Registrars & Share Transfer agents of the changes, if any, in their address in full with the postal area pin code number quoting their folio numbers. The Registrars & Share Transfer Agents of the company are :
TATA SHARE REGISTRY LIMITED
ARMY & NAVY BUILDING,
148 - MAHATMA GANDHI ROAD,
FORT, MUMBAI- 400 001
Members are requested to contact them for any matter relating to Share Transfer.

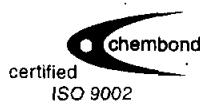
BY ORDER OF THE BOARD OF DIRECTORS

For Chembond Chemicals Limited

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

Mumbai, 14th August, 2001

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



DIRECTORS' REPORT

To
The Members,

The Directors have pleasure in presenting their twenty-sixth Annual Report together with Audited Statement of accounts for the year ended 31st March 2001.

FINANCIAL RESULTS:

The highlights of the Financial results are:

	2000-2001 Rs. in Lacs	1999-2000 Rs. in Lacs
Turnover of Sales	2479.73	2183.22
Profit before tax	148.45	147.70
Less : Provision for taxation	40.00	36.00
Profit after tax	108.45	111.70
 Add : Balance as per last year	 122.20	 86.85
Less : Taxation arrears	0.01	0.43
	230.64	198.12
 Appropriation:		
General Reserve	15.00	14.00
Interim Dividend	0.00	36.00
Tax on Interim Dividend	0.00	3.96
Proposed Dividend	45.00	18.00
Tax on Proposed Dividend	4.59	3.96
Balance carried to balance sheet	166.05	122.20
Total	230.64	198.12

PERFORMANCE REVIEW

I am pleased to inform you that during the year your company has performed adequately well by recording a growth of 13.6% in sales and 12% growth in operating profits (after taking into account that nil dividend was received in the current year as against Rs. 14.7 lacs received in the previous year) in spite of the adverse economy.

The details of individual business divisions are as under:

WATER TREATMENT CHEMICALS

This year the Water treatment chemicals registered an impressive growth rate of 26%. The effects of competitive pricing experienced during the previous year were overcome resulting in growth in volume and value. Your company has demonstrated a good leadership and problem solving capacity. (see New Business Developments below)

The STOM division has made a successful entry by setting up a network of 15 dealers in India.

CONSTRUCTION CHEMICALS

The sales in this division grew 28% over the previous year. With focused attention on supplies to the infrastructure segment, your company expects to continue the growth trend for a few more years ahead.

TRADING

Sales of trading division were stable this year. Though no growth was experienced, the company introduced a few new products which would bring better performance over the next years.

ANTI-CORROSIVE COATINGS

A major project was completed during the year. With only a few new projects coming up due to sluggish economy, the sales were reduced somewhat. However, your company's products have been approved by well known consultants and customers like NTPC, GAIL and steel plants during the year. This lays a firm ground for increasing the sales from this division in the future.

NEW BUSINESS DEVELOPMENT**JV with Ashland Specialty Chemicals Company, USA.**

I am happy to inform you that in a major development, your company has acquired the entire shareholding from Goodlass Nerolac Paints Ltd. in Drewtreat Chemicals Limited, which is an existing water treatment chemicals company of long standing in India. This acquisition combines two major water treatment forces in India and would offer many synergies to strengthen the business jointly. The Drew Industrial Division of Ashland Specialty Chemicals Company ranks third internationally for water treatment chemicals. The parent company - Ashland Inc., USA has a turnover of sales of over US\$ 7 billion.

The new JV has been named as Chembond Drewtreat Limited in which your company has 55% shareholding. The new JV has the benefit of Chembond's vast local experience and Drew's "state of art" technology, experienced manpower and international exposure which makes it a formidable combination for rapid growth of water treatment business in India.

Since the acquisition was effected towards the fag end of the year the real effect of the same would be evident in the current financial year.

HENKEL CHEMBOND

Henkel Chembond Surface Technologies Ltd., your company's joint venture with Henkel KgaA, recorded sales of Rs. 13.2 crores for the year ending December 31, 2000 which represents a growth of 7% over the previous year. Profit after tax was Rs. 55.3 lakhs for the same period, which is a decline of 30% over the previous year. The increase in sales was lower than targeted by the company due to reduced procurement by the automotive and general industry customers. Profitability was reduced mainly because royalty payments to Henkel Corporation commenced from the year 2000. Henkel Chembond was exempt from paying royalties to Henkel Corp. for the initial years of the company.

There has been a strong addition of new customers in Henkel Chembond, which though not reflected in the sales or profits for 2000, will drive growth in the next years and when the economy expands. Some of these new business added include Telco's utility vehicle line, Tata Steel's new galvanising line in Jamshedpur, and a new customer who will make high quality, low roughness steel tubes for export markets using Henkel's Reactobond reactive drawing oil. Another area of business growth for Henkel Chembond will be from its new job coating facility setup in March 2001 in Chinchwad, Pune. This plant, called ProCoat, will coat automotive components with Henkel's Autophoretic coatings and will also showcase the process to potential customers.

An abridged balance sheet and profit and loss statement of Henkel Chembond is appended to this report for the information of all shareholders.

EXPORTS

Your company enjoy good export sales. The volume of business this year is Rs. 69.80 lacs.

INSTRUMENTS PROJECT

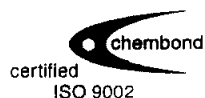
This project of manufacturing instruments is not making much progress in view of imports of very sophisticated instruments at much reduced costs.

FUTURE PROSPECTS

The year 2001-02 has started on a good business volume and your directors expect at least 20% growth.

DIVIDEND

Your Directors have recommended a dividend @ 15% on equity shares for the financial year ended 31st March, 2001. The total outflow on account of Dividend and tax thereon amounts to Rs. 49.59 Lacs. (Previous Year Rs. 61.92 Lacs.)



DIRECTORS

Mr. J.S. Vasani and Mr. P.H. Dastur will retire by rotation at the forthcoming Annual General Meeting and are eligible for reappointment.

DISCLOSURE OF STATUTORY INFORMATION:

Information pursuant to Section 217(1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988, relating to Conservation of Energy, Technology absorption, Foreign Exchange earnings and outgo are given in Annexure "A" forming part of the report.

As required by Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, the particulars of employees are reflected in Annexure "B" forming part of the Report.

DIRECTORS' RESPONSIBILITY STATEMENT U/S 217 (2AA)

The Board of Directors Report:

- i) that in the preparation of Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii) that the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for that period;
- iii) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- iv) that the directors had prepared the annual accounts on a going concern basis.

AUDITORS

M/s. V.N. Kastury & Co., Chartered Accountants, Mumbai, the present auditors of the Company have sent a letter intimating a change in their Firm's name to M/s Kastury & Talati. The constitution of the Firm remains unchanged and hence there would be no casual vacancy. M/s Kastury & Talati retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for reappointment. Members are requested to consider their appointment to hold office from the conclusion of the Annual General Meeting until the next annual general Meeting and to fix their remuneration.

CORPORATE GOVERNANCE

Your company has always striven to incorporate appropriate standards for good corporate governance. The company has taken adequate steps to ensure that all mandatory provisions of corporate governance as prescribed under amended listing Agreement of the Stock Exchanges with which company is listed.

ACKNOWLEDGEMENTS:

Your Directors wish to place on record their deep appreciation of efforts put in by the employees at all levels and for their Co-operation and collective contribution towards actual performance.

Your Directors also acknowledge the continued support given by the esteemed shareholders, customers, suppliers, bankers, financial institutions and various departments of central & state governments.

By order of the Board

Sd/-

Dr. Vinod D. Shah

Chairman & Managing Director

Mumbai, 14th August, 2001

ANNEXURE "A" TO THE DIRECTORS REPORT

Particulars required under section 217 (1) (e) of the Company's Act 1956 read with (Disclosure of particulars in the report of Board of Directors) Rule, 1988:-

I CONSERVATION OF ENERGY**A) Energy Conservation Measures taken :**

The company has taken adequate timely measures to reduce the energy consumption by change in elements in furnace & other plants.

B) Additional investments and proposals for Reduction of energy :-

None under the present condition.

C) Impact of the measures at (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 as above-mentioned the quantitative consumption of energy has been brought down to satisfactory levels. The cost of consumption per unit has gone up only due to the increase in the rates of energy.

D) Total energy consumption & energy consumption per unit of Production :-**1) Electricity Purchased :**

1) Units		101154
2) Total Amount	Rs. In Lacs	5.47
3) Rate/ KWH	Rs.	5.41

2) Kerosene Purchased :

1) Litres		35659
2) Total Amount	Rs. In Lacs	5.12
3) Rate / KWH	Rs.	14.36

II TECHNOLOGY ABSORPTION

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

III FOREIGN EXCHANGE EARNINGS AND OUTGO:-

Total Foreign Exchange earned	Rs. In Lacs	69.80
Total Foreign Exchange used	Rs. In Lacs	262.88

ANNEXURE "B" TO THE DIRECTORS REPORT

Statement of Particulars of employees as required under Section 217 (2A) of Companies Act, 1956 read with companies (Particulars of employees) Rules 1975 :-

Employed throughout the year

Name of employee/ Age in Years	Designation/ Experience	Remun- eration Rs. in Lacs	Qualification	Date of Commencement of employment	Last Employment Held	Experience In years
Dr. Vinod D. Shah (69)	Chairman & Managing Director	9.92	Ph. D. (Chem Eng.)	April 1975	Union Carbide India Ltd.	45 years

Note: Gross Remuneration includes Salary, Bonus, L.T.A. , Medical Aid, Company's Contribution to Provident Fund and Family, Pension Fund etc.

By order of the Board

Sd/-

Dr. Vinod D. Shah

Chairman & Managing Director

Mumbai, 14th August, 2001