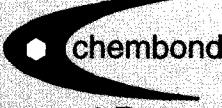


CHEMBOND

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29th  **Annual Report 2003-2004**
Chembond Chemicals Ltd.

Board of Directors

Dr. Vinod D. Shah	Chairman & Managing Director
Ashwin R. Nagarwadia	
Perviz H. Dastur	
Mahendra K. Ghelani	
Jayant S. Vasani	
O. P. Malhotra	
Sameer V. Shah	
Nirmal V. Shah	
Bhadresh D. Shah	
S. M. Mahadik	Alternate Director to Mr. A.R. Nagarwadia

Key Executives

Rajesh K. Arora	General Manager (Operations)
Sadanand V. Apte	Dy. General Manager (Purchase & HRD)
V. R. Pai	Dy. General Manager (Construction Chemicals)
P. Basavaiah	Group Accountant
Tirtha Banerjee	Business Manager (Construction Chemicals)

Auditors

M/s. Kastury & Talati
Chartered Accountants, Mumbai

**Whole Time practising
Company Secretary**

Mr. Virendra Bhatt

Bankers

Bank of India
Worli Naka Branch, Mumbai.

HDFC Bank Ltd.
Nariman Point, Mumbai

Registered and Corporate Office

Chembond Centre
EL-71, Mahape MIDC
Navi Mumbai 400 710
Tel. : (++91 22) 2761 8799
Fax : (++91 22) 2768 1294

City Office

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

Plant

Plot E-6/3 & 6/4, MIDC Tarapur
Dist. Thane, Maharashtra

Registrar and Transfer Agent

Tata Share Registry Ltd.
Army & Navy Building
148, Mahatma Gandhi Road
Fort, Mumbai 400 001
Tel. : (++91 22) 5656 8484
Fax : (++91 22) 5656 8494
E-mail : csg-unit@tatashare.com

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NOTICE

NOTICE IS HEREBY GIVEN THAT THE TWENTY NINTH ANNUAL GENERAL MEETING OF THE MEMBERS OF CHEMBOND CHEMICALS LIMITED WILL BE HELD ON MONDAY, 12TH JULY, 2004, AT CHEMBOND CENTRE , EL-71, MAHAPE MIDC, NAVI MUMBAI - 400 710 AT 10.30 A.M. TO TRANSACT THE FOLLOWING BUSINESS :

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2004 and the Balance Sheet as on that date and the Reports of the Directors and Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Mr. Perviz H. Dastur, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Jayant S. Vasani, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint auditors M/s. Kastury & Talati, Chartered Accountants to hold office from 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 a Special Resolution: "RESOLVED THAT pursuant to Section 198, 269 read with Schedule XIII , 309, 310 and 314 or any other applicable provision of the Companies Act, 1956. Dr. Vinod D. Shah be and is hereby re-appointed as Managing Director with effect from 1st April, 2004 for a period of 3 years on such terms and conditions set out in the Agreement entered into between the company and Dr. Vinod D. Shah, a copy of

which, initialed by Mr. Mahendra K. Ghelani Director of the Company for the purpose of identification, is placed before the meeting.

7. To consider and if thought fit, to pass with or without modification the following resolution as a Special Resolution: "RESOLVED THAT Mr. Bhadrash D. Shah, who was appointed an additional Director of the Company by the Board of Directors of the Company and who ceases to hold office under section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing proposing his candidature for the office of a Director, be and is hereby appointed a Director of the Company liable to retirement by rotation."
8. To consider and if thought fit, to pass with or without modification the following resolution as a Special Resolution: "RESOLVED THAT pursuant to Section 198, 269 read with Schedule XIII, 309, 310 and 314 or any other applicable provision of the Companies Act, 1956 Mr. Bhadrash D. Shah be and is hereby appointed as Executive Director with effect from 5th June, 2004 for a period of 3 years on such terms and conditions set out in the Agreement dated: 5th June, 2004 entered into between the Company and Mr. Bhadrash D. Shah a copy of which, initialed by the Chairman of the Board for the purpose of Identification, is placed before the meeting."

By Order of the Board of Directors
For Chembond Chemicals Limited

Dr. Vinod D. Shah
Chairman & Managing Director

Mumbai, 5th June, 2004

REGISTERED OFFICE :

Chembond Centre,
EL-71, Mahape MIDC,
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.

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 relevant Explanatory Statement pursuant to the Section 173(2) of the Companies Act, 1956, is annexed hereto.
- 3) The register of members and the share transfer books of the company will remain closed from Tuesday, 22nd June, 2004 to Monday, 12th July, 2004 (both days inclusive) in connection with the Annual General Meeting.
- 4) The Directors have recommended dividend @ 24% on Equity Share, which will be paid to members whose names appear in the Company's Register of Members on 12th July, 2004 with Dividend Warrants posted to them on or before 11th August, 2004

In respect of shares held in the electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by the National Securities Depositories Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for this purpose.

- 5) Members are aware that as per the Finance Act, 2003 no tax will be deducted at source on the dividend payable to the shareholders.

- 6) Consequent upon the amendment to Section 205A of the Companies Act, 1956 and introduction of Section 205C by the Companies (Amendment) Act, 1999 which came into force w.e.f. 31st October, 1998, the company would be obliged to transfer any money lying in the Unpaid Dividend Account which remain unpaid or unclaimed for a period of 7 years from the date of such transfers, to the Investor Education Protection Fund, and hence all unclaimed dividend for the financial year 1995-1996 have been transferred to the Investor Education and Protection Fund. The details of remaining unpaid or unclaimed dividend for the subsequent years are as under:

DATE OF DECLARATION	AMOUNT (RS.)	DUE DATE
30-08-1997	16,938=00	29-08-2004
14-09-1998	14,600=00	13-09-2005
07-09-1999	17,219=60	06-09-2006
23-09-2000	20,462=00	22-09-2007
22-09-2001	18,715=00	21-09-2008
17-09-2002	44,200=60	16-09-2009
07-08-2003	36,005=10	06-08-2010



- 7) Members are requested to inform the Company's Registrar & Transfer Agent - M/s. Tata Share Registry Limited, Army & Navy Building, 148, M. G. Road, Fort, Mumbai- 400 001, of any change in their address immediately so as to enable them to despatch dividend warrants and any further communication at their correct address.

- 8) As per the Listing Agreement, particulars of directors who are proposed to be appointed and re-appointed is furnished below-

- i) Name : Dr. Vinod D. Shah
ii) Age : 72 years
iii) Qualification : Doctorate in Chemical Engineering (Wayne State University)

- iv) Expertise : Chemical Engineering

Dr. Vinod D. Shah is Director in 3 other companies (excluding private companies) and Chairman in Share Transfer Committee and Member in Audit Committee

- i) Name : Mr. Bhadresh D. Shah
ii) Age : 50 years
iii) Qualification : B.Com ; LLB (Gen)
iv) Expertise : Administration and Banking

Mr. Bhadresh D. Shah is not having any Directorship in any other companies and not having Chairmanship and Membership in any other committees.

- i) Name : Mr. Perviz H. Dastur
ii) Age : 67 years
iii) Qualification : B.Com , ACA , MBA (Stanford, USA)

- iv) Expertise : Finance

Mr. Perviz H. Dastur is Director in 3 other companies (excluding private companies) and Chairman of the Audit Committee.

- i) Name : Mr. Jayant S. Vasani
ii) Age : 70 years
iii) Qualification : B.Sc (Tech) , M.S. (Chem. Engg., USA)

- iv) Expertise : Chemical Engineering

Mr. Jayant S. Vasani is not having Directorship in any other companies and Chairman of the Remuneration Committee and Member in the Audit Committee, Share Transfer Committee.

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 applicable to the dividend paid on shares held in electronic form. Members may therefore give instructions regarding bank accounts in which they wish to receive dividend to their Depository Participants.

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

ITEM NO: 6

Dr. Vinod D. Shah is a promoter of Chembond Chemicals Limited and holds Doctorate in Chemical Engineering and has vast experience in the field. The Company has made excellent progress in his leadership as Chairman & Managing Director and entered into Joint Ventures with Henkel KGaA and Ashland, Inc.

As per recommendation of remuneration committee, Dr. Vinod D. Shah was appointed as Managing Director w.e.f. 1st April, 2004 at the meeting of the Board held on 28th April, 2004 for a period of three years, upon the terms and conditions set out in the Agreement dated 28th April, 2004 entered into by the Company with Dr. Vinod D. Shah (hereinafter referred to as "the Agreement").

The remuneration recommended is regarded as fair and complies with the terms and conditions specified in parts I and Section II

(B) of Part II of Schedule XIII to the Companies Act, 1956

An abstract of the terms of the appointment giving details of the remuneration payable and perquisites to be provided to Dr. Vinod D. Shah are set out below :

1. PERIOD OF APPOINTMENT

The appointment is for a period of 3 years with effect from 1st April, 2004 to 31st March, 2007

2. REMUNERATION

Dr. Vinod D. Shah will receive a remuneration of Rs. 2,50,000/- p.m. (including perquisite) effective from 1st April, 2004 as the Managing Director of the Company and the Board of Directors has power to increase the remuneration with the consultation with remuneration committee from time to time. He is also be eligible to the following perquisites which shall not be included in the computation of the ceiling limit of remuneration.

- 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
- 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 tenure

3. MINIMUM REMUNERATION

Notwithstanding anything contrary herein contained, where in any financial year during the currency of the tenure of the Executive Director, the Company has no profits or its profits are inadequate, the company will pay remuneration by way of salary and perquisites as specified in Section II (B) of Part II of Schedule XIII to the Companies Act, 1956, as may be amended from time to time.

The necessary information as required under schedule XIII is furnished as under :

A. GENERAL INFORMATION

1. Nature of Industry :

The Company is in the Chemical Industry.

2. Date of commencement of commercial production

The Company commenced commercial production from 22nd March, 1975

3. Financial Performance

2003-2004

Rs. in '000

Turnover of Sales	400396
Less: Excise Duty	71266
Net Sales	329130
Profit Before Tax and Taxation Arrears	19687
Add : Taxation in Arrears	818
Profit Before Tax	20505
Less : Deferred Tax	348
Less : Provision for Taxation	4200
Profit after Tax	15957

4. Exports performance and net foreign exchange collections

2003-2004

(Rs.in '000)

Total Foreign Exchange Earned	4737
Total Foreign Exchange used	62539

5. Foreign Investments or collaborations : N.A.

B. Information about Dr. Vinod D. Shah

1. Past remuneration

Year	Salary	** Perquisite	Total
2002-03	Rs.15,75,000	Rs.1,12,500	Rs.16,87,500
2003-04	Rs.21,00,000	Rs.5,25,000	Rs.26,25,000

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

2. Proposed Remuneration

Dr. Vinod D. Shah will receive a remuneration of Rs. 2,50,000/- p.m. (including the perquisite) effective from

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1st April, 2004 as the Managing Director of the Company and the Board of Directors has power to increase the remuneration with the consultation with remuneration committee from time to time.

3. Comparative remuneration profile with respect to Industry, Size of the Company, profile of the position and person

The effective capital of the Company is Rs. 10,45,47,148/- and is listed on BSE. Considering the experience and knowledge of Dr. Vinod D. Shah, he is entitled to high remuneration in the similar nature of Industry than recommended by the Board at present.

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

Excepting the payment of remuneration for his services as Managing Director, as approved and detailed here above, Mr. Bhadresh D. Shah, Mr. Sameer V. Shah and Mr. Nirmal V. Shah are relatives of Dr. Vinod D. Shah – Chairman & Managing Director.

C. Other Information

1. Reasons for inadequacy of profits:

The Company operates the Metal treatment chemicals and Water treatment chemicals businesses as Joint Venture and subsidiary companies respectively. The profits of these companies have not been reflected in the profits of your company.

2. Steps taken for Improvement

The company has accelerated efforts to grow the sales of Construction Chemicals. The company has also introduced new products during the year. The Company is also looking for diversifying activities, all of which will increase revenues for the next year.

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

The draft agreement to be entered into between Dr. Vinod D. Shah and the Company is available for inspection by the members of the Company at its Registered office from 10.00 AM to 12.00 Noon.

None of the Directors of the company except Dr. Vinod D. Shah, Mr. Bhadresh D. Shah, Mr. Sameer V. Shah and Mr. Nirmal V. Shah are concerned or interested in the resolution.

This may be treated as abstract of the terms of appointment of Dr. Vinod D. Shah in terms of Section 302 of the Act.

ITEM NO: 7 & 8

Mr. Bhadresh D. Shah has Bachelor's Degree in Commerce of Bombay University. He is also possessing degree of LLB (Gen) from Bombay University. He is with the Company since the past 29 years and at present is working as General Manager (Commercial). He has wide experience in the field of commerce, sales and purchase and looking at his experience in commercial and finance field, he was appointed as Additional Director by the Board of Directors of the Company ("the Board") at its meeting held on 5th June, 2004 with effect from 5th June, 2004. Pursuant to Section 260 of the Companies Act, 1956 ("the Act"), Mr. Bhadresh D. Shah holds office upto the date of Annual General Meeting of the Company. Notices have been received from the members of the Company in pursuance of Section 257 of the Act, proposing Mr. Bhadresh D. Shah as a candidate for the office of Director of the Company. Mr. Bhadresh D. Shah has given his consent, if appointed, to act as a Director of the Company.

As per recommendation of remuneration committee, Mr. Bhadresh D. Shah was appointed as Executive Director w.e.f. 5th June, 2004 at the meeting of the Board held on 5th June, 2004 for a period of three years, upon the terms and conditions set out in the Agreement dated: 5th June, 2004 entered into by the Company with Mr. Bhadresh D. Shah (hereinafter referred to as "the Agreement").

The remuneration recommended is regarded as fair and complies with the terms and conditions specified in parts I and Section II (A) of part II of Schedule XIII to the Companies Act, 1956

An abstract of the terms of the appointment giving details of the remuneration payable and perquisites to be provided to Mr. Bhadresh D. Shah are set out below:

1. PERIOD OF APPOINTMENT

The appointment is for a period of 3 years with effect from 5th June, 2004 to 4th June, 2007

2. REMUNERATION

The total remuneration to Mr. Bhadresh D. Shah by way of salary, perquisite and any allowance not exceeding Rs. 75,000/- p.m. as per Section II (A) of part II of Schedule XIII to the Companies Act, 1956 and the Board of Directors has power to increase the remuneration with the consultation with remuneration committee from time to time.

Mr. Bhadresh D. Shah also be eligible to the following perquisites which shall not be included in the computation of the ceiling limit of remuneration.

- 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
- 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 tenure

3. MINIMUM REMUNERATION

Notwithstanding anything contrary herein contained, where in any financial year during the currency of the tenure of the Managing Director, the Company has no profits or its profits are inadequate, the company will pay remuneration by way of salary and perquisites as specified in Section II of Part II of Schedule XIII to the Companies Act, 1956, as may be amended from time to time.

Your Directors recommend the resolution set out in Item No. 7 & 8 of the Notice convening the meeting.

The draft agreement to be entered into between Mr. Bhadresh D. Shah and the Company is available for inspection by the members of the Company at its Registered office from 10.00 AM to 12.00 Noon.

None of the Directors of the company except Dr. Vinod D. Shah and Mr. Bhadresh D. Shah is concerned or interested in the resolution.

This may be treated as abstract of the terms of appointment of Mr. Bhadresh D. Shah in terms of Section 302 of the Act.

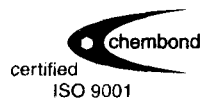
By Order of the Board of Directors
For Chembond Chemicals Limited

Dr. Vinod D. Shah
Chairman & Managing Director

Mumbai, 5th June, 2004

REGISTERED OFFICE :

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



DIRECTORS' REPORT

To ,

The Members ,

Your Directors have pleasure in presenting the 29th Annual Report on the business and operations of your company together with Audited Financial Statements for the year ended 31st March, 2004.

1. FINANCIAL RESULTS:

	2003-2004 Rs. in '000	2002-2003 Rs. in '000
Turnover of Sales	400396	355697
Less: Excise Duty	71266	62025
Net Sales	329130	293672
Profit Before Tax and Taxation Arrears	19687	13289
Add: Taxation in Arrears	818	(492)
Profit Before Tax	20505	12797
Less: Deferred Tax	348	1435
Less: Provision for Taxation	4200	3100
Profit after Tax	15957	8262
Add: Balance as per last year	32118	32302
	48075	40564
Appropriation		
General Reserves	2000	1500
Proposed Dividend	7200	6300
Tax on Proposed Dividend	922	646
Balance carried to Balance Sheet	37953	32118
Total	48075	40564

PERFORMANCE REVIEW

During the year under review, the Company has recorded a 10% increase in Net Sales. The consolidated net sales of your company have increased by 17% over that of prior year. The profit before tax has gone up by 60% and the profit after tax has recorded an increase of 90% mainly because the dividends received from the Joint Venture Company and Subsidiary Company are not taxable. The EPS of the company has increased notably to Rs.5.32 from Rs.2.75 during the last accounting year.

Your company added two new product lines during the year – bacterial effluent treatment chemicals and paint additives for foam control. These new business activities are poised for rapid growth in future years. Your company has also made sufficient progress to diversify into new areas and have identified a few new high technology projects, the implementation of which would take place toward the end of current year.

Your company continues to grow sales of construction chemicals effectively. The year under review saw the sales of these products increase by 97% over that of the prior period. Your company has firmed up plans to launch a range of products for the retail distribution network as an avenue to be present across all segments of the market.

Sales of the various coatings manufactured by your company also recorded an impressive 68% growth during the year under review.

Joint Venture company – Henkel Chembond Surface Technologies Limited

Henkel Chembond Surface Technologies Ltd., your company's joint venture with Henkel KGaA, recorded sales of Rs. 23.89 crores for the year ended December 31, 2003 as against Rs. 20.86 crores for the year ending December 31, 2002, which represents a growth of 14.5% over the previous year. All segments in the joint venture company grew, led by the automotive and auto component sectors. The profit after tax for

the same period was Rs. 188.04 lakhs compared to Rs. 145.26 lakhs in the previous year.

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

Subsidiary company – ChembondDrewtreat Limited

ChembondDrewtreat Limited – your company's subsidiary specific to the water treatment business recorded sales of Rs.23.21 crores during the year marking a growth of 11% over prior year. The profit after tax grew by 14% to Rs.1.33 crores. Several new products and technologies have been introduced during the year. The Financial Statement of subsidiary company ChembondDrewtreat Limited are attached pursuant to section 212(1)(e) of the Companies Act, 1956.

Your company directors are positive on future growth prospects in keeping with India's emergence as a fast developing country.

DIVIDEND

Your Directors are pleased to recommend a higher dividend of 24% on the Equity Share for the financial year ended 31st March, 2004. The total outflow on account of dividend and the tax thereon amounts to Rs.8122 thousands (Previous year Rs. 6946 thousands).

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

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

PARTICULARS OF EMPLOYEES

The Information required under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is given as under

Employee Name	: Dr. Vinod D. Shah
Designation	: Chairman & Managing Director
Age	: 72 years
Qualifications	: Doctorate in Chemical Engineering
Remuneration	: Rs.29,82,000/- (incl. L.T.A. and Provident Fund)

DIRECTORS' RESPONSIBILITY STATEMENT

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

- that in preparation of the Annual Accounts for the year ended 31st March, 2004, the applicable accounting standards had been followed alongwith proper explanation relating to material departures, if any;
- that the directors had selected such accounting policies and applied consistently and made judgements and estimates that were reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March, 2004 and the profit of the Company for the year under review;
- 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;
- that the annual accounts for the year ended 31st March, 2004 have been prepared on a 'going concern basis'.

CORPORATE GOVERNANCE

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

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DEPOSITS

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

DEPOSITORY SYSTEM

The Company has entered into an agreement with the National Securities Depository Limited (NSDL) as well as the Central Depository Services (India) Limited (CDSL) to enable shareholders to hold shares in dematerialization form. The Company also offers simultaneous dematerialization of the physical shares lodged for transfer.

CONSOLIDATED FINANCIAL STATEMENTS

As stipulated by Clause 32 of the Listing Agreement, the Company in accordance with the requirements of Accounting Standard 21 has prepared Consolidated Financial Statements. The Audited Consolidated Financial Statements form part of the Annual Report, which include the financial statements of subsidiary company, ChembondDrewtreat Limited and Joint Venture Company, Henkel Chembond Surface Technologies Limited.

DIRECTORS

Mr. Perviz H. Dastur & Mr. Jayant S. Vasani Director of the Company are liable to retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Subject to approval of members the remuneration committee and the Board of Directors recommend Dr. Vinod D. Shah's continuation as Managing Director of the Company for a period of 3 years w.e.f. 1st April, 2004

Mr. Bhadresh D. Shah was appointed as additional director of the Company in the Board Meeting held on 5th June, 2004. Mr. Bhadresh D. Shah holds office of Director upto the date of ensuing AGM. The Company has received notices from the members pursuant to Section 257 of the Companies Act, 1956 of their intention to move resolutions at the ensuing AGM for the

appointment of Mr. Bhadresh D. Shah as a Director of the Company.

Subject to approval of members the remuneration committee and the Board of Directors recommended Mr. Bhadresh D. Shah as Executive Director of the Company for a period of 3 years w.e.f. 5th June, 2004

Mr. Sharad M. Mahadik was appointed as an alternate director in place of Mr. Ashwin R. Nagarwadia on 30th April, 2003 and acted as an alternate director upto 20th December, 2003 and the Board of Directors had appreciated his service rendered during the tenure of office of alternate director.

AUDITORS

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

DISCLOSURE UNDER SECTION 274(1)(g)

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

ACKNOWLEDGEMENTS

Your Board takes this opportunity to thank the customers, vendors, shareholders and bankers for the faith reposed in the Company. Your directors also place on record their sincere appreciation of the contribution of its employees, who through their competence, hard work and co-operation have enabled the company to achieve consistent growth.

For and on behalf of the Board of Directors

Dr. Vinod D. Shah
Chairman & Managing Director

Mumbai, 5th June, 2004

ANNEXURE TO THE DIRECTORS' REPORT

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

I. CONSERVATION OF ENERGY

- A) Energy Conservation Measures taken:
The Company has taken adequate timely measures to reduce the energy consumption by change in elements in furnace and other equipment.
- B) Additional investments and proposals for Reduction of energy:-
None under the present condition.
Impact of the measure as (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:
- C) 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:

	2003-2004	2002-2003
1) Electricity purchased:		
i) Units	2,40,170	2,22,735
ii) Total Amount (Rs. In '000)	669	570
iii) Rate/KWH (Rs.)	2.78	2.56
2) Kerosene purchased:		
i) Litres	26,488	28,156
ii) Total Amount (Rs. In '000)	424	496
iii) Rate/Lt. (Rs.)	16	17.62

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:

	2003-2004 (Rs. In '000)	2002-2003 (Rs. In '000)
Total Foreign Exchange earned	4,737	6,960
Total Foreign Exchange used	62,539	58,283

For and on behalf of the Board of Directors

Dr. Vinod D. Shah
Chairman & Managing Director
Mumbai, 5th June, 2004



MANAGEMENT DISCUSSION AND ANALYSIS

This reports 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.

GENERAL REVIEW

The Company is in the specialty chemicals business and offers a range of products for diverse industrial applications. The Company maintains its head office in Mahape, Navi Mumbai and the plant in Tarapur, Maharashtra. The Company has branch offices spread across the country.

SIGNIFICANT FINANCIAL EVENTS OF THE YEAR

The Company's turnover grew by 12.56% in 2003-04 to Rs. 4,003.96 lacs. This has been mainly possible due to the efforts put in to achieve growth. The increased sales also reflect the improved performances of Henkel Chembond Surface Technologies Ltd. (JV Company) and ChembondDrewtreat Ltd. (Subsidiary Company). The Company improved capacity utilization at the plant and streamlined production processes.

Expenditure increased from Rs.2843.07 lacs to Rs.3093.42 lacs, an increase of 8.8%. This is in line with the increased sales volume. The Profit Before Tax grew by 60.24% to Rs.205.05 lacs over prior period. Interest and Financial charges were curtailed to Rs.50.41 lacs marking a decrease of 36.38% over prior year. This was possible due to improved financial control and reduced interest rates on borrowings.

The paid-up equity share capital stood at Rs.300 lacs. The Earnings Per Share were Rs.5.32. A dividend of 24% (Rs.2.40

per share) has been proposed, subject to approval of the shareholders. The payout at this rate will be Rs.72.00 lacs on account of dividend and Rs.9.22 lacs on account of dividend distribution tax.

RESOURCES AND LIQUIDITY

Primary liquidity needs have been to finance working capital needs. To fund these, the company relied on internal accruals and borrowings. The Company has secured loans of Rs.225.75 lacs and unsecured loans of Rs.81.41 lacs.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company maintains effective internal controls, systems and procedures for management of its business. As a part of this process, systems and procedures are regularly reviewed and strengthened. The internal controls systems cover the accounting, production and administration functions. The Company has appointed an outside internal audit agency to further assess the systems and provide valuable feedback on the systems and areas of improvement of the same. The Company has a proper and adequate system to ensure that all assets are safeguarded and protected against loss, theft, unauthorized use and damage from improper use.

HUMAN RESOURCES / DEVELOPMENT

The Company has a large pool of talented and knowledgeable personnel. The Company offers several in-house training programs to its personnel. This is aimed at continuous development and improvement of the Company's talent pool. Over 20 in-house training programs were conducted during the year. Industrial relations at the plant remained cordial throughout the year.

OUTLOOK

The industry sector under which the Company operates has been posting healthy growth rates over the years. The market for the product mix is expanding at above 6% per annum. These factors provide opportunities for the Company to continue to return impressive growth and returns for all stakeholders.

CORPORATE GOVERNANCE

PHILOSOPHY ON CODE OF GOVERNANCE

The Philosophy underlying Corporate Governance seeks to create a system of "Checks and Balances" based on transparency, ensuring integrity, clarity and consistency in the dealings of the Company with all stakeholders. Good Governance ensures that the best corporate practices are followed by a company, implementation of the good governance indicates not only the compliances of the laws and regulations of the land but also indicates the values, practices and culture of your organization.

The report on corporate governance is divided into Five Parts:

- I. Board of Directors
- II. Remuneration of Directors
- III. Committees of the Board
- IV. Shareholders Information
- V. Other Disclosures

I BOARD OF DIRECTORS

The Business of the Company is managed by the Board of Directors. The Board formulates the strategy, regularly reviews the performance of the Company and ensures that the previously agreed objectives are met on a consistent basis. The Managing Director along with the Executive Directors manages the day to day operations of the company.

The Board of Directors has the ideal composition with more than half of the directors being non executive directors. The Non Executive Directors bring an external and wider perspective confirming therewith in depth business deliberations and decisions advantage.

- A. The Constitution of the Board as on 31st March, 2004. The details of the Board Meetings held and attendance of the Directors is given below:

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Name of the Directors	Designation	No. of Board Meetings attended	Total Number of Committee Membership held	Total Number of Chairmanship held	Number of outside Directorship held (excl. alternate directorship and in private companies)	Attendance at last AGM
Dr. Vinod D. Shah	Chairman & Managing Director	9	2	1	3	Yes
Mr. Ashwin R. Nagarwadia	Independent & Non-Executive Director	3	1	1	3	No
Mr. Perviz H. Dastur	- do -	9	1	1	3	Yes
Mr. Mahendra K. Ghelani	- do -	5	2	—	2	No
Mr. Jayant S. Vasani	- do -	5	2	—	—	Yes
Mr. O.P. Malhotra	- do -	3	—	—	11	Yes
Mr. Sameer V. Shah	Non Executive Director	9	1	—	2	Yes
Mr. Nirmal V. Shah	- do -	9	1	—	2	Yes
** Mr. Sharad M. Mahadik	Alternate Director	6	—	—	—	—

**** Mr. Sharad M. Mahadik was appointed as an alternate director in place of Mr. Ashwin R. Nagarwadia in the Board Meeting held on 30.04.2003 and continued up to 20.12.2003.**

B. BOARD PROCEDURES

Board Members are given appropriate documents and information in advance of each Board and Committee Meeting. To enable the Board to discharge its responsibilities effectively, the Managing Director reviews the overall company performance followed by each executive director placing a detailed functional report before the Board Members. The functions performed by the board includes review of : ● Strategy and business plans, ● Annual operating and capital expenditure budgets, ● Investment and exposures limits, ● Business risk analysis and control, ● Senior executive appointment, ● Compliance with statutory / regulatory requirements and reviews of major legal issues, ● Adoption of quarterly results / annual results, ● Transaction pertaining to purchase disposal of property, major provisions and write offs

C. BOARD MEETINGS

The meetings of the Board of Directors are scheduled well in advance and the folder containing the agenda for the meeting with detailed review of all aspects of the Company business, including performance of the company, employee relations, details of investments, capital expenditure etc. is circulated to all the directors. It also highlights important matters at the audit committees, shareholders grievance committees. NINE Board Meetings were held during the period, on 30.04.03, 23.06.03, 31.07.03, 24.09.03, 27.10.03, 29.10.03, 20.12.03, 29.12.03 & 28.01.04.

II REMUNERATION OF DIRECTORS

The details of remuneration paid to the Directors for the year ended 31.03.04 are specified below;

Remuneration to Non Executive Directors

Name	Commission
Mr. Perviz H. Dastur	Rs.80,000/-
Mr. Ashwin R. Nagarwadia and alternate director Mr. Sharad M. Mahadik	Rs.40,000/-
Mr. Jayant S. Vasani	Rs.30,000/-
Mr. Mahendra K. Ghelani	Rs.25,000/-

Remuneration to Managing Director

Name	: Dr.Vinod D. Shah
Position	: Chairman & Managing Director
Salary	: Rs.21,00,000/-
Perquisite	: Rs.5,25,000/-
Service Contract	: 3 years w.e.f.1 st April, 2004

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

III COMMITTEES OF THE BOARD

A. AUDIT COMMITTEE

Name of the Members	Designation	No.of meetings attended
Mr. Perviz H. Dastur	Chairman	5
Dr. Vinod D. Shah	Member	5
Mr. Jayant S. Vasani	Member	5
Mr. Mahendra K. Ghelani	Member	5

The Audit Committee was constituted on 29th January, 2002. The Committee has members with sound knowledge of finance, accounting and law. The Committee deals with accounting matters, financial reporting and internal controls. The power and role of the Audit Committee is as per guidelines set out in the amended listing agreements. The committee monitors any proposed changes in accounting policy, accounting implications of major transactions etc. The Committee also closely reviews the adequacy of internal audit controls, formulates and monitors the annual audit plan. During the Financial Year the Audit Committee met Five times 30.04.03, 20.06.03, 31.07.03, 27.10.03, 28.01.04

B REMUNERATION COMMITTEE

Name of the Members	Designation	No.of meetings attended
Mr. Jayant S. Vasani	Chairman	1
Mr. Ashwin R. Nagarwadia	Member	1
Mr. Mahendra K. Ghelani	Member	1

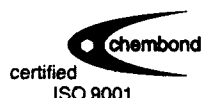
C SHARE TRANSFER COMMITTEE

Name of the Members	Designation	No.of meetings attended
Dr. Vinod D. Shah	Chairman	30
Mr. Sameer V. Shah	Member	30
Mr. Nirmal V. Shah	Member	30
Mr. Jayant S. Vasani	Member	30

The Committee deals with matter relating to

- Transfer / Transmission of Shares
- Issue of duplicate Share Certificates
- Review of Shares dematerialized

The Company has appointed Mr. Bhadrash D. Shah as Compliance Officer, who has been co-ordinating with Registrar and Transfer Agent for all matters pending relating to share transfer and shareholders grievances. There are no pending matters relating to any shareholders requirements.

**IV SHAREHOLDER INFORMATION****1. Annual General Meeting**

Date and Time : 12th July, 2004 at 10.30 a.m.
 Venue : Chembond Centre,
 EL-71, Mahape MIDC,
 Navi Mumbai-400 710.

2. Book Closure Date : 22nd June, 2004 to 12th July, 2004

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

4. Listing of Equity Shares : The Stock Exchange, Mumbai

5. Stock Code : 530871

Stock Prices Data	High	Low
April, 2003	19.50	17.50
May, 2003	21.75	18.10
June, 2003	25.25	19.00
July, 2003	28.95	20.10
August, 2003	24.00	20.90
September, 2003	23.20	20.50
October, 2003	24.00	18.00
November, 2003	22.95	19.60
December, 2003	35.00	21.15
January, 2004	33.10	19.65
February, 2004	26.00	21.05
March, 2004	24.95	20.05

7. Registrar and Transfer Agent

Tata Share Registry Limited
 Army and Navy Building,
 148, Mahatma Gandhi Road,
 Fort, Mumbai-400 001

8. Distribution of Shareholding as on 31st March, 2004

No. of Equity Shares held	No. of Shareholders	% of Shareholders	Face Value Rs.	% of Shareholdings
Upto 500	1492	83.82	2389900	7.97
501-1000	124	6.97	1048970	3.50
1001-2000	57	3.20	806550	2.69
2001-3000	33	1.85	793860	2.64
3001-4000	8	0.45	266560	0.89
4001-5000	9	0.50	423140	1.41
5001-10000	14	0.79	1010950	3.37
10001 & above	43	2.42	23260070	77.53
TOTAL	1780	100.00	300000000	100.00

9. Category of Shareholdings as on 31st March, 2004

Category	No. of Shares	% of total Shares
Promoters & their relatives	1994777	66.49
Persons acting in concert	136286	4.54
Banks / FI's / Insurance Co. (Central / State Govt./ Non Govt. Institutions)	12000	0.40
Corporate Bodies	48423	1.61
NRI's /OCB's	36600	1.22
Indian Public	771914	25.74
Total	30,00,000	100.00

10. Financial Releases for 2004-2005

Quarter	Release date (tentative and subject to change)
1 st Quarter ending 30 th June	End of July, 2004
2 nd Quarter ending 30 th Sept.	End of October, 2004
3 rd Quarter ending 31 st Dec.	End of January, 2005
4 th Quarter ending 31 st March	End of April, 2005

V. OTHER DISCLOSURE**1. Details of Annual / Extra Ordinary General Meetings**

Locations and time of General Meetings held on last 3 years

Year	AGM/EGM	LOCATION	DATE	TIME
2000-2001	AGM	Chembond Centre, EL-71, Mahape MIDC, Navi Mumbai-400 710	22.09.01	11.00 a.m.
2001-2002	AGM	-- do --	17.09.02	4.00 p.m.
2002-2003	AGM	Navi Mumbai Sports Association, Sector 1-A, Vashi, Navi Mumbai - 703	07.08.03	3.30 p.m.

- For 2003-2004 the Company has passed the resolution for delisting of securities from the Ahmedabad Stock Exchange through postal ballot

- There were no materially significant related party transactions with promoters, Directors, etc that may have potential conflict with the interests of the company at large.
 - There were no non-compliance by the Company, penalties, structures imposed on the Company by Stock Exchange or SEBI or any statutory authority on any matter relating to the capital markets during the last three years.
 - There were no pecuniary relationship or transactions of Non Executive Directors vis.a.vis the Company.

AUDITORS' CERTIFICATE

To

The Members of CHEMBOND CHEMICALS LIMITED

We have examined the compliance of conditions of Corporate Governance by CHEMBOND CHEMICALS LIMITED for the year ended on 31st March, 2004, as stipulated in clause 49 of the Listing agreement of the said company with Stock Exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. 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 the above mentioned Listing Agreement.

We state that no investor grievance are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders / Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For M/s. Kastury & Talati
 Chartered Accountants

Dhiren P.Talati
 Partner

Membership No.: F/41867

Mumbai, 5th June, 2004