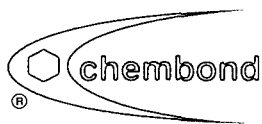


32nd Annual Report 2006 - 2007



Chembond Chemicals Limited

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	Vice Chairman & Executive Director
	Nirmal V. Shah	
Key Executives	Jawahar I. Mehta	
	Sanjay N. Nene	
	Sharad M. Mahadik	Alternate Director to Ashwin R. Nagarwadia
	Bhadresh D. Shah	General Manager (Commercial)
	Rajesh K. Arora	General Manager (Operations)
	E. Gopalkrishnan	General Manager (Construction Chemicals - Projects)
	V. R. Pai	Dy. General Manager (Construction Chemicals - Retail)
	Meenal A. Dighe	Dy. General Manager (Human Resource)
Auditors	Sanjay R. Naik	Sales Manager (Anti Corrosive Coatings)
	Mangesh Narvekar	Sr. Manager Sales (Trading)
	P. Basavaiah	Group Accountant
	Jinesh Maniar	Finance Controller
	M/s. Kastury & Talati	
	Chartered Accountants, Mumbai	
	Mr. Virendra Bhatt	
Whole Time Practising Company Secretary		
Bankers	HDFC Bank Ltd.	
	Bank of India	
Registered and Corporate Office	Chembond Centre, EL-71, Mahape MIDC, Navi Mumbai - 400 710. Tel. : (++91 22) 66143000 Fax : (++91 22) 2768 1294	
City Office	B-23, Todi Estate, New Sunmill Compound, Lower Parel, Mumbai - 400 013.	
Plants	1) Plot E-6/3 & 6/4, MIDC Tarapur, Boisar, Maharashtra 2) Plot T-129, MIDC Tarapur, Boisar, Maharashtra 3) Nr. Ranuna Golai, Opp. Rajesh Chemicals, Ballasore, Orissa 4) Khasara 177 / 2, Post Manpura, Tehsil Nalagarh, H. P.	
Registrar and Transfer Agent	TSR Darashaw Ltd. 6-10, Haji Moosa Patravala Indl. Estate, 20 Dr. E Moses Road, Mahalaxmi, Mumbai - 400 011. Tel. : (++91 22) 6656 8484 Fax : (++91 22) 6656 8494 E-mail : csg-unit@tatashare.com	

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NOTICE

NOTICE IS HEREBY GIVEN THAT THE THIRTY SECOND ANNUAL GENERAL MEETING OF THE MEMBERS OF CHEMBOND CHEMICALS LIMITED WILL BE HELD ON SATURDAY, 18th AUGUST, 2007 AT EL-37, MAHAPE MIDC, NAVI MUMBAI 400 710 AT 3.00 P.M. TO TRANSACT THE FOLLOWING BUSINESS:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2007 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. Jayant S. Vasani, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Mahendra K. Ghelani, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint M/s Kastury & Talati, Chartered Accountants as Auditors 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 provisions of the Companies Act, 1956 and subject to approval of the members and Central Government or any other authority, if required, Dr. Vinod D. Shah be and is hereby reappointed as Managing Director for the period 1st April, 2007 to 17th August, 2007 and appointed as Executive Chairman of the Company with effect from 18th August, 2007 for a period of 3 years on such terms and conditions as set out in the Agreement entered into between the Company and Dr. Vinod D. Shah, a copy of which, initialed by Mr. Jayant Vasani, 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 pursuant to section 198, 269 read with schedule XIII, 309, 310 and 314 or any other applicable provisions of the Companies Act, 1956 Mr. Sameer V. Shah be and is hereby appointed as Managing Director of the Company with effect from 18th August, 2007 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, a copy of which, initialed by Mr. Jayant S. Vasani, Director of the Company for the purpose of identification is placed before the meeting."

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 provisions of the Companies Act, 1956 Mr. Nirmal V. Shah be and is hereby appointed as Joint Managing Director of the Company with effect from 18th August, 2007 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, a copy of which, initialed by Mr. Jayant Vasani, Director of the Company for the purpose of identification is placed before the meeting."

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

Dr. Vinod D. Shah
Chairman & Managing Director

Navi Mumbai, 12th July, 2007

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 Wednesday, 1st August, 2007 to Saturday, 18th August, 2007 (both days inclusive) in connection with the Annual General Meeting.
4. The Directors have recommended dividend @ 32.5% on Equity Shares, which will be paid to the members whose names appear in the Company's Register of Members on 18th August, 2007 with Dividend

Warrants posted to them on or before 17th September 2007.

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 remains unpaid or unclaimed for a period of 7 years from the date of such transfer, to the Investor Education and Protection Fund, and hence all unclaimed dividend for the financial year 1998-1999 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, 2007 are as under:

Date of Declaration	Amount (Rs.)	Due Date
23-09-2000	19,467.00	22-09-2007
22-09-2001	16,812.00	21-09-2008
17-09-2002	35,623.60	16-09-2009
07-08-2003	24,702.10	06-08-2010
12-07-2004	34,406.40	11-07-2011
12-08-2005	32,432.40	11-08-2012
29-07-2006	61,561.50	28-07-2013

7. Members are requested to inform the Company about any change in their addresses, if any, immediately so as to enable the Company to despatch dividend warrants and any further communication at their correct address. This information may be provided to -

TSR DARASHAW 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 Directors who are proposed to be appointed and re-appointed is furnished below -

- I Name : Mr. Jayant S. Vasani
Age : 73 years
Qualification : B.Sc (Tech),
M.S (Chem.Engg. USA)
Expertise : Chemical Engineering

Mr. Jayant S. Vasani is not a Director on the Board of Directors of any other Company (excluding private companies) and he is a Chairman of Share Transfer Committee and a member of the Audit Committee of Chembond Chemicals Limited.

- II Name : Mr. Mahendra K. Ghelani
Age : 62 years
Qualification : Advocate
Expertise : Legal & Finance

Mr. Mahendra Ghelani is also a Director on the Board of Directors of two other Companies (excluding private companies) namely Secure Safe Vaults (India) Limited and Lime Chemicals Limited. He is a Chairman of Audit Committee of Chembond Chemicals 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 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 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 under his leadership as Chairman and Managing Director.

As per recommendation of remuneration committee, Dr. Vinod D. Shah was proposed to be reappointed as Managing Director w.e.f. 1st April, 2007 at the meeting of the Board of Directors held on 30th October, 2006 for a period of three years. However, Dr. Shah conveyed his unwillingness to continue as Managing Director w.e.f. 17th August, 2007, so as to handover the reins of the Company to the younger generation. He agreed to accept the role of Executive Chairman to enable the Company to derive the benefits of his vast experience and expertise.

Accordingly, at the meeting of the Board of Directors held on 30th April, 2007 and as per recommendation of the remuneration committee, Dr. Vinod D. Shah was reappointed as Managing Director for the period 1st April, 2007 to 17th August, 2007 and appointed as Executive Chairman of the Company w.e.f. 18th August, 2007 for a period of three years.

The remuneration recommended is regarded as fair and complies with the terms and conditions specified in Schedule XIII to the Companies Act, 1956.

An abstract of the terms of 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 of Dr. Vinod D. Shah as Managing Director is for the period 1st April, 2007 to 17th August, 2007 & thereafter appointment as Executive Chairman is for a period of 3 years with effect from 18th August, 2007 to 17th August, 2010.

2. REMUNERATION

Dr. Vinod D. Shah will receive a remuneration of Rs. 31.50 Lacs p.a. (including perquisites) effective from 1st April, 2007 till 17th August, 2007 as Chairman and Managing Director and w.e.f. 18th August, 2007 till 17th August, 2010 as Executive Chairman. The Board of Directors has power 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 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

Notwithstanding anything contrary herein contained, where in any financial year during the currency of the tenure of the Executive Chairman, 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.

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

	2006 - 2007 Rs. in '000
Turnover of Sales	893,802
Less : Excise Duty	151,657
Net Sales	742,145
Profit before Tax	58,095
Less : Deferred Tax	(2,511)
Less : Fringe Benefit Tax	(680)
Less : Provision for Taxation	(9,600)
Profit After Tax	45,304
Prior Period Adjustment	(4,471)
Profit After Prior Period Adjustment	40,833

4. Export performance and net foreign exchange collections

Total Foreign Exchange Earned	4663
Total Foreign Exchange Outgo	118937

B. Information about Dr. Vinod D. Shah**1. Past Remuneration**

Year	Salary	** Perquisite	Total
2005 - 2006	Rs. 30,00,000	Rs. 1,50,000	Rs. 31,50,000
2006 - 2007	Rs. 30,00,000	Rs. 1,50,000	Rs. 31,50,000

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

2. Proposed Remuneration

As given above in Point 2 of Item No. 6 in the Explanatory Statement.

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

Considering the experience and knowledge of Dr. Vinod D. Shah, he is entitled to a higher remuneration in a 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 for the period 1st April, 2007 to 17th August, 2007 and thereafter as Executive Chairman for a period of 3 years w.e.f. 18th August, 2007 as approved and detailed here above. Mr. Sameer V. Shah and Mr. Nirmal V. Shah are relatives of Dr. Vinod D. Shah.

However, as Dr. Vinod D. Shah is 75 years old, an approval of Members and Central Government under section 269 & Schedule XIII of the Companies Act, 1956 is required to be taken. Accordingly the above remuneration would be subject to the approval of Members and Central Government.

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 Dr. Vinod D. 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.

None of the Directors of the Company except Dr. Vinod D. Shah, Mr. Sameer V. Shah & 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

Mr. Sameer V. Shah is Vice Chairman & Executive Director of the Company w.e.f. 1st August, 2004 and considering his experience, the Board of Directors decided to appoint him as Vice Chairman cum Managing Director of the Company for a period of three years w.e.f. 18th August, 2007 at a remuneration of Rs 15 Lacs p.a. (including perquisites). The Board of Directors has power to increase the remuneration in consultation with the remuneration committee from time to time subject to Schedule XIII & other applicable provisions of the Companies Act, 1956. Mr. Sameer V. Shah is also Managing Director of Henkel Chembond Surface Technologies Limited.

As per recommendation of remuneration committee, appointment of Mr. Sameer V. Shah as Managing Director was approved by the Board at its meeting held on 30th April, 2007. Your Directors recommend the resolution set out in the Item No. 7 of the Notice convening the meeting.

The draft Agreement to be entered into between Mr. Sameer 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.

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

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

ITEM NO: 8

Mr. Nirmal V. Shah is a Director of the Company since January 2000. His timely advice and guidance relating to the sales and business promotions of the Company were instrumental to the strategic growth of the Company. Thereby considering his experience in the field, the Board of Directors decided to appoint him as Joint Managing Director of the Company for the period of three years w.e.f 18th August, 2007 at a remuneration of Rs. 12 Lacs p.a. (including perquisites). The Board of Directors has power to increase the remuneration in consultation with the remuneration committee from time to time subject to Schedule XIII and other applicable provisions of the Companies Act, 1956. Mr. Nirmal V. Shah is also Managing Director of ChembondDrewtreat Limited.

As per recommendation of the remuneration committee, appointment of Mr. Nirmal V. Shah as Joint Managing Director was approved by the Board at its meeting held on 12th July 2007.

Your Directors recommend the resolution set out in the Item No. 8 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.

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

This may be treated as abstract of the terms of appointment of Dr. Nirmal V. 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

Navi Mumbai, 12th July 2007
Registered Office:
Chembond Centre,
EL - 71, Mahape MIDC,
Navi Mumbai - 400 710



DIRECTORS' REPORT

To,
The Members,

Your Directors have pleasure in presenting the 32nd Annual Report on the business and operations of your company together with Audited Financial Statements for the year ended 31st March, 2007.

1. FINANCIAL RESULTS:

	2006 - 2007 (Rs. in '000)	2005 -2006 (Rs. in '000)
Turnover of Sales	893,802	641,811
Less: Excise Duty	151,657	111,496
Net Sales	742,145	530,315
Profit Before Tax	58,095	41,339
(Less)/Add: Deferred Tax	(2,511)	(420)
Less: Provision for Taxation	(9,600)	(9,540)
Fringe Benefit Tax	(680)	(825)
Profit after Tax	45,304	30,554
Prior period adjustment	(4,471)	81
Profit After Prior Period Adjustment	40,833	30,635
Add: Balance as per last year	61,993	45,916
Total	102,826	76,551
Appropriation		
General Reserves	4,100	3,441
Proposed Dividend	9,750	9,750
Tax on Proposed Dividend	1,657	1,367
Balance carried to Balance Sheet	87,319	61,993
Total	102,826	76,551

2. PERFORMANCE REVIEW

During the year under review, your company has recorded a 39.26% increase in net sales. The profits before tax and PAT have increased by 40.53% and 48.28% respectively over the previous year. The earnings per share increased to Rs.13.61 as at March 31, 2007 from Rs.10.21 at the end of the previous fiscal year.

Your joint venture company, Henkel Chembond Surface Technologies Ltd., recorded a growth in sales of 40% for the year ended December 31, 2006 and 74% in profits. The Company is operating in the business of Metal Treatment Chemicals. Your subsidiary company, ChembondDrewtreat Ltd., registered an increase of 14% and 4% in Sales and PBT respectively. The Company is operating in the business of Water Treatment Chemicals.

A new plant for manufacturing construction chemicals products in liquid form was commissioned in Himachal Pradesh during the year. The plant for production of chemicals in powder form is under construction and expected to be completed shortly. The sales area footprint was expanded during the year and we are now well covered in the four major regions of the country. The products are well accepted in infrastructure projects, ready mix concrete and the retail markets. New products are being constantly introduced to serve the evolving market needs. In the Coatings division, your company has seen a growth of 197% in sales during the current year. This growth has come from applications in structural coatings and floor coatings in the western, northern, and southern regions of the country.

During the year under review, your Company has acquired about 12 acres of freehold land in Dudhwada near Vadodara, Gujarat. Construction activity for a multi-purpose blending plant for liquids and powders would start upon receiving necessary approvals from government departments. We expect the plant to be commissioned in early 2008.

3. DIVIDEND

Your Directors are pleased to recommend a dividend of 32.50% on the Equity Share for the financial year ended 31st March, 2007. The total outflow on account of dividend and the tax thereon amounts to Rs.11407 thousand (Previous year Rs.11117 thousand). The Company has also transferred the amount of Rs.4100 thousands (Previous year Rs.3441 thousands) from its current years profit to Reserve account.

4. DEPOSITS

The Company had accepted 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.

5. DIRECTORS

Mr. Jayant S. Vasani & Mr. Mahendra K. Ghelani, Directors of the Company are liable to retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Dr. Vinod D. Shah was reappointed as Chairman and Managing Director for the period 1st April, 2007 to 17th August, 2007 and was appointed as Executive Chairman of the Company w.e.f 18th August, 2007 for a period of three years subject to approval of the members and Central Government.

Subject to approval of the members, remuneration committee and the Board of Directors recommend appointment of Mr. Sameer V. Shah as Managing Director and Mr. Nirmal V. Shah as Joint Managing Director of the Company for a period of three years w.e.f. 18th August, 2007.

6. 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.

7. 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.

8. CODE OF CONDUCT

The Company has introduced a 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, 2007.

9. 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.

10. DIRECTORS' RESPONSIBILITY STATEMENT

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

- i) that in preparation of the Annual Accounts for the year ended 31st March 2007, the applicable accounting standards had been followed along with proper explanation relating to material departures, if any;
- ii) that the directors had selected such accounting policies and applied consistently and made 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 2007 and the profit of the Company for the year under review;
- iii) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) that the annual accounts for the year ended 31st March 2007 have been prepared on a 'going concern basis'.

11. 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.

12. 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	Designation	Age	Qualifications	Remuneration *	No. of Shares Held
Dr. Vinod D. Shah	Chairman & Managing Director	75 years	Doctorate in Chemical Engineering	Rs.31,50,000/-	432480 (14.42%)

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

13. 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 cooperation have enabled the company to achieve consistent growth.

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

Dr. Vinod D. Shah
Chairman & Managing Director

Navi Mumbai, 12th July, 2007



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.
- 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 as above-mentioned the quantitative consumption of Energy are to the satisfactory levels.
- D) Total energy consumption & energy consumption per unit of production:

Particulars	2006-07	2005-06
I) Electricity Purchased		
i) Units	415260	355285
ii) Total Amount (Rs. In '000)	2458	1797
iii) Rate/KWH (Rs.)	5.92	5.06
II) Kerosene purchased		
i) Liters	48005	46074
ii) Total Amount (Rs. In '000)	1268	1122
iii) Rate/ Lt. (Rs.)	26.42	24.35

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:

Particulars	(Rs. in Thousand)	
	2006-07	2005-06
Total Foreign Exchange Earned	4663	5434
Total Foreign Exchange Outgo	118937	66749

IV. RESEARCH & DEVELOPMENT

a) Research & Development is mainly focused on improvements in coatings for structural protection and industrial floors, construction chemicals and introduction of new range of building chemicals for the retail segments.

b) Benefits from the R & D activities :

- i) There have been successful formulations developed and the customers are been continuously guided based on the difficulty faced by them during formulations
- ii) R&D carried out in the field of epoxy and polyurethane based floor coatings has helped increase the sales of these products to industry.
- iii) New products for use in the building industry were developed for use in the residential and commercial segments.

c) Future Plans of action

In the field of coatings and construction chemicals, R&D is focused on developing novel products which are more efficient than the existing ones, offer qualitative usage and enviromental benefits to the customers and help the Company to increase its market share in the industry.

d) Expenditure on R & D

Particulars	(Rs. in Thousand)	
	2006-07	2005-06
Revenue Expenditure	862.84	1185.21
Capital Expenditure	2680.00	1797.84
Total	3542.84	2983.05
Total R & D as percentage of Turnover	0.40%	0.46%

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

Dr. Vinod D. Shah
Chairman & Managing Director

Navi Mumbai, 12th July, 2007

MANAGEMENT DISCUSSION AND ANALYSIS**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 and Nalagarh, Himachal Pradesh. Further, the Company has one subsidiary ChembondDrewtreat Limited and Joint Venture Henkel Chembond Surface Technologies Limited, which deal in Water Treatment Chemicals and Metal Surface Treatment Chemicals respectively. The Company has also branch offices spread across the country.

COMPANY'S OBJECTIVE & POLICY

The Company has an objective of becoming a "Supplier of Choice" for its existing as well as prospective customers. It considers the customer as a partner and works towards achieving the common objectives of higher quality, better value for money and a friendly environment. The Company considers product quality, technical services and customer satisfaction as the backbone of its business. The Company is accredited with ISO 9001 Standard by DQS GmbH for its quality. The Company is also committed to absorb knowledge to incorporate improvements on continuous basis which are consistent with global standards.

The Company also has a policy called SHE (Safety, Health and Environment), which is applicable to all the employees of the Company. Every one at Chembond is committed to comply with the standard prescribed under the policy and work towards improving the same on continuous basis.

SIGNIFICANT FINANCIAL EVENTS OF THE YEAR

The Company's turnover grew by 39.26% in 2006-07 to Rs. 8938 lacs. The growth has been possible due to the efforts put in to achieve growth. The increased sales also reflect the improved performance 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. 5062 lacs to Rs. 7054 lacs an increase of 39%. This is in line with the increased sales volume. The Profit Before Tax grew by 40.53% to Rs. 581 lacs over prior period.

The paid-up equity share capital stood at Rs.300 lacs. The Earning Per Share was Rs. 13.61. A dividend of 32.5% (Rs. 3.25 per share) has been proposed, subject to approval of the shareholders. The payout at this rate will be Rs. 97.5 lacs on account of dividend and Rs. 16.5 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. 504 lacs and unsecured loans of Rs. 101 lacs.

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

The Company is in the process of implementing SAP ERP application in the business process and transactions. SAP will benefit the Company to shape its network across the country. SAP will increase the productivity and ensure effective utilization of human resource. SAP will also result into free flow of information across all functional areas especially at management level for enabling quick decision making.

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 control 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. The Company regularly holds in-house training programs and during the year under reference four training programs were held. Industrial relations at the plant remained cordial throughout the year. The number of people employed by the Company as of 31st March, 2007 is 150.

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 about 8% per annum. These factors provide opportunities for the Company to continue to return impressive growth and returns for all shareholders.

FORWARD LOOKING STATEMENT

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.