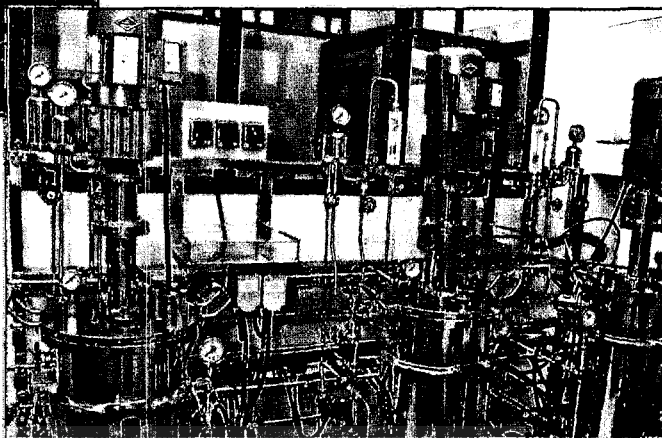
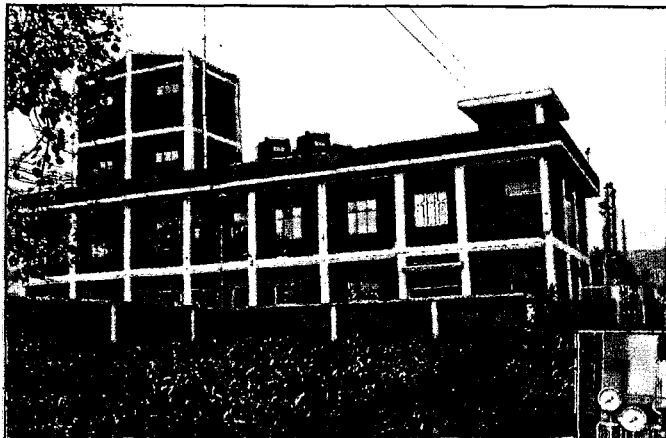




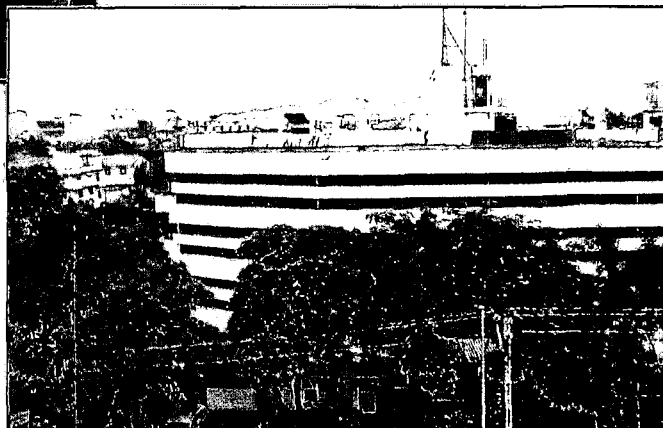
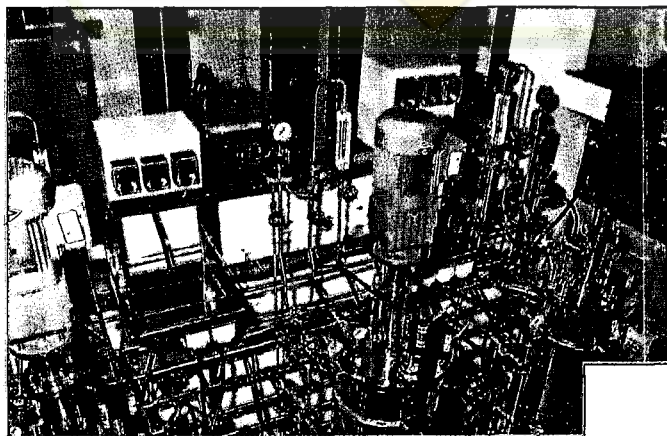
Chembond Chemicals Limited

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**33rd Annual Report
2007-2008**



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Board of Directors	Dr. Vinod D. Shah Ashwin R. Nagarwadia Perviz H. Dastur Mahendra K. Ghelani Jayant S. Vasani O. P. Malhotra Sameer V. Shah Nirmal V. Shah Jawahar I. Mehta Sanjay N. Nene	Executive Chairman Vice Chairman & Managing Director Joint Managing Director
Company Secretary	Dipti Samant	
Key Executives	Bhadresh D. Shah E. Gopalkrishnan M. P. Nagarkar Meenal A. Dighe Jinesh J. Maniar P. Basavaiah Ravikumar Mutaka Deepak M. Wadekar Mangesh Narvekar Sanjay R. Naik Devkinandan Sharma	General Manager (Commercial) General Manager (Construction Chemicals) General Manager (Projects) Dy. General Manager (Human Resources) Finance Controller Group Accountant Head - Operations (Tarapur) Senior Manager - SHEQ Sr. Manager Sales (Trading) Sr. Sales Manager (Anti Corrosive Coatings) Plant Manager (Baddi)
Auditors	M/s Kastury & Talati Chartered Accountant, Mumbai	
Whole Time Practicing Company Secretary	Mr. Virendra Bhatt	
Bankers	HDFC Bank Limited Bank of India	
Registered and Corporate Office	Chembond Centre, EL - 71, Mahape MIDC, Navi Mumbai - 400 710. Tel.: (++91 22) 6614 3000 Fax: (++91 22) 2768 1294	
City Office	B - 23, Todi Ind. Estate, New Sunmill Compound, Lower Parel, Mumbai - 400 013.	
Plants	1) Plot E-6/3 & 6/4, MIDC Tarapur, Dist. Thane, Maharashtra. 2) Plot T/129, MIDC Tarapur, Dist. Thane, Maharashtra. 3) Khasara 177/2, Post Manpura Tehsil Nalagarh, Village Theda, Himachal Pradesh - 174 101. 4) Near Remana Golai, Opp. Rajesh Chemicals, Balasore - 756 001, Orissa. 5) 5/5, 5/6B, Avadi Main Road, Sanneerkuppam, Poonamallee, Chennai - 600 056	
Registrar and Transfer Agent	TSR Darashaw Limited, 6-10, Haji Moosa Patrawala Indl. Estate, 20, Dr. E Moses Road, Mahalaxmi, Mumbai - 400 011.	



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CHAIRMAN'S MESSAGE

The Indian economy is emerging towards a real and tangible growth path. Though, the past one year has impacted the Indian economy somewhat adversely due to a variety of reasons—mostly global and beyond our reach. The rising crude oil prices and the sub-prime problems in US and Europe that caused slowdown of economy worldwide with the resultant inflation has set in a domino effect that thwarted the growth in India. But this can only be a transient diversion and will not last for more than a year or two.

The base in India is very strong. The increase of young and educated population and rise in their income levels has generated a vast market for goods and services that is leading us to new and hitherto unparalleled demand paths.

All this is very good for Chembond. Rightfully, the reins of the Company have been passed on to the younger generation and the results are there for all to see. It is the young minds that realise the needs and aspirations of the young population and employ the right tools to meet their expectations. Chembond is ever ready to keep evolving to take up the new challenges and opportunities to its advantage and sets trends for others to follow.

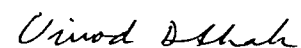
The young and second generation team at Chembond has the benefit of having guidance from a Board of Directors each member being an outstanding personality in his profession. This does not however, hamper the freedom to the team to aggressively chart out the course of action to lead the company to new heights.

Today, Chembond Group boasts of having 5 manufacturing facilities across India and the sixth and seventh to be completed by this year end. The takeover of an existing manufacturing facility is on cards and the formalities will be completed by March 2009.

A new team of young biotechnologists are working on exotic products based on micro-organisms. This is an area of activity that will lead to the future.

All in all, your Company remains steadfast in its commitments to all stakeholders that include yourselves, the shareholders, the customers who provide the impetus for growth, the employees who share our vision, the society for our responsible care of our environment and the Government for our compliance.

Best Wishes



Dr. Vinod D. Shah

Chairman



NOTICE

NOTICE IS HEREBY GIVEN THAT THE THIRTY THIRD ANNUAL GENERAL MEETING OF THE MEMBERS OF CHEMBOND CHEMICALS LIMITED WILL BE HELD ON SATURDAY, 13TH SEPTEMBER, 2008 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 2008 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 Jawahar I. Mehta, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Sanjay N. Nene, who retires by rotation and being eligible, offers himself for re-appointment.
5. To reappoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

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

"RESOLVED THAT pursuant to the provisions of Section 372A and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and subject to such approvals, consents, sanctions and permissions of appropriate authorities, departments or bodies as may be necessary, consent of the Company be and is hereby accorded to the Board of Directors of the Company to make loan(s) and/or give any guarantee(s)/provide any security(ies) in connection with loan(s) made to and/or acquire by way of subscription, purchase or otherwise the securities of Protochem Industries Private Limited, up to a limit not exceeding Rs. 25,00,00,000/- (Rs. Twenty Five Crores) notwithstanding that the aggregate of the loans, guarantees or securities so far given or to be given to and/or securities so far acquired or to be acquired in all bodies corporate may exceed the limits prescribed under the said section.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take such steps as may be necessary for obtaining approvals, statutory, contractual or otherwise, in relation to the above and to settle all matters arising out of and incidental thereto, and to sign and execute all deeds, applications, documents and writings that may be required, on behalf of the Company and also to delegate all or any of the above powers to the Committee of Directors of the Company and generally to do all acts, deeds and things that may be necessary, proper, expedient or incidental for the purpose of giving effect to the aforesaid Resolution."

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

Dr. Vinod D. Shah
Chairman

Navi Mumbai, 31st July, 2008

REGISTERED OFFICE:

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

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE ON A POLL ONLY INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.**
2. A proxy form duly completed and stamped, must reach the registered office of the Company not less than 48 hours before the time for holding the aforesaid meeting.
3. The relevant Explanatory Statement pursuant to the Section 173(2) of the Companies Act, 1956, is annexed hereto.
4. The register of members and the share transfer books of the company will remain closed from Friday, 5th September, 2008 to Saturday, 13th September, 2008 (both days inclusive) in connection with the Annual General Meeting.
5. The Directors have recommended dividend @ 35% on Equity Shares, which will be paid to the members whose names appear in the Company's Register of Members on 13th September, 2008 and Dividend Warrants posted to them on or before 12th October, 2008.
6. 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.
7. Members are aware that as per the Finance Act, 2003 no tax will be deducted at source on the dividend payable to the shareholders.
8. 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 and Protection Fund, and hence all unclaimed dividend for the financial year 1999-2000 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 2008 are as under:

Date of Declaration	Amount (Rs.)	Due Date
22-09-2001	16,635.00	21-09-2008
17-09-2002	32,506.60	16-09-2009
07-08-2003	25,265.10	06-08-2010
12-07-2004	33,362.40	11-07-2011
12-08-2005	31,082.40	11-08-2012
29-07-2006	54,411.50	28-07-2013
18-08-2007	43,842.50	17-08-2014

9. Members are requested to inform the Company about any change in their addresses, if any, immediately so as to enable the Company to dispatch dividend warrants and any further communication at their correct address.

This information may be provided to –

TSR DARASHAW LIMITED

6-10, Haji Moosa Patrawala Industrial Estate,
20, Dr. E Moses Road,
Mahalaxmi, Mumbai – 400 011.



10. As per the Listing Agreement, particulars of Directors who are proposed to be appointed and re-appointed is furnished below –

I. Name : Jawahar I. Mehta
Age : 76 years
Qualification : B.Sc, B.S., M.S.

Jawahar I. Mehta is also on the Board of Ahmedabad Steelcraft Limited and he is also a Chairman of Audit Committee of Ahmedabad Steelcraft Limited.

II. Name : Sanjay N. Nene
Age : 55 years
Qualification : M.Sc., M.Tech

Sanjay N. Nene is not on the Board of any other Company.

11. 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.
12. The Company has received approval from the Central Government granting exemption from attaching the copy of the Balance Sheet, Profit & Loss Account, Report of Board of Directors, Report of the Auditors of its Subsidiary Company namely, Chembond Ashland Water Technologies Limited (formerly Chembond Drewtreat Limited) Hence, accounts of this Subsidiary Company are not required to be attached with the Balance Sheet of the Company. These documents will also be available for inspection by any Member of the Company at the Registered Office of the Company and the Registered Office of the Subsidiary Company during working hour upto the date of the Annual General Meeting.

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

ITEM No. 6

As per the provisions of Section 372A of the Companies Act, 1956, the aggregate of the investment(s), loan(s) made, the securities, guarantee(s) provided by the company, shall not exceed 100 percent of its free reserves or 60 percent of its paid up share capital and free reserves whichever is more, unless previously authorised by a special resolution passed in a general meeting.

The proposed investment in Protochem Industries Private Limited, together with loans and investments already made by the Company will exceed the limit prescribed under Section 372A of the Companies Act, 1956 and hence the approval of the shareholders is sought, as a matter of abundant caution.

Your directors recommend the resolution for your approval.

None of the directors are concerned or interested in the same.

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

Dr. Vinod D. Shah
Chairman

Navi Mumbai, 31st July, 2008

REGISTERED OFFICE:

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

DIRECTORS' REPORT

To,
The Members,

Your Directors have pleasure in presenting the 33rd Annual Report on the business and operations of your Company together with Audited Financial Statements for the year ended 31st March 2008.

FINANCIAL RESULTS:

	2007 – 2008 (Rs. in '000)	2006 – 2007 (Rs. in '000)
Turnover of Sales	1,128,954	893,802
Less: Excise Duty	173,756	151,657
Net Sales	955,198	742,145
Profit Before Tax	64,057	58,095
(Less)/Add: Deferred Tax	(868)	(2,511)
Less: Provision for Taxation	(12,000)	(9,600)
Fringe Benefit Tax	(750)	(680)
Profit after Tax	50,439	45,304
Prior period adjustment	-	(4,471)
Profit After Prior Period Adjustment	50,439	40,833
Add: Balance as per last year	87,319	61,993
Total	137,758	102,826
Appropriation		
General Reserves	5,500	4,100
Proposed Dividend	10,500	9,750
Tax on Proposed Dividend	1,784	1,657
Balance carried to Balance Sheet	119,974	87,319
Total	137,758	102,826

PERFORMANCE REVIEW

During the year under review, your Company has recorded a 28.70 % increase in net sales. The Profit Before Tax (PBT) and Profit After Tax (PAT) have increased by 10.26 % and 23.52 % respectively over the previous year. The Earnings Per Share (EPS) increased to Rs.16.81 as at March 31, 2008 from Rs. 13.61 at the end of the previous fiscal year. The reduction in return on sales in spite of lower operating costs, was primarily due to two reasons, a reduction in other income due to one-time gains last year and increases in raw material costs.

Your Subsidiary Company, Chembond Ashland Water Technologies Limited (formerly Chembond Drewtreat Limited), which supplies industrial water treatment chemicals, registered an increase of 12.36 % and 17.70 % in Sales and PBT respectively.

Your Joint Venture Company, Henkel Chembond Surface Technologies Ltd., which supplies metal treatment chemicals to the automotive, metals, aviation, and general industries recorded a growth in sales of 23 % for the year ended December 31, 2007 and 12 % in profits.

DIVIDEND

Your Directors are pleased to recommend a dividend of 35 % on the Equity Share for the financial year ended 31st March, 2008. The total outflow on account of dividend and the tax thereon amounts to Rs. 1,22,84,000/- (Previous year Rs. 1,14,07,000). The Company has also transferred the amount of Rs. 55, 00,000 (Previous year Rs. 41,00,000) from its current years profit to Reserve account.



DEPOSITS

The Company had accepted the deposits from the public as per the Section 58A 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.

DIRECTORS

Jawahar I. Mehta & Sanjay N. Nene, Directors of the Company are liable to retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

SUBSIDIARY COMPANY

The Central Government has vide its letter no. 47/449/2008-CL-III dated 30th June, 2008 exempted the Company from attaching the financial report of the Subsidiary Company to this annual report. However, the Annual Accounts of the Subsidiary Company and related detailed information will be made available to shareholder seeking such information at any point of time and the Annual Accounts of the Subsidiary Company will be available for inspection at the registered office of the Company. The statement as required under Section 212(1)(e) of the Companies Act, 1956 and the statement containing the details of the Subsidiary as required to be given as per the above exemption letter are enclosed herewith and forms part of this annual report.

Further, as stipulated by Clause 32 of the Listing Agreement and as per the conditions stated in the above letter, the Company, in accordance with the requirements of Accounting Standard 21 and Accounting Standard 27 on consolidated Financial Statements read with Accounting Standard 23 on Accounting for Investments in Associates, has prepared the Consolidated Financial Statements for the year ended 31st March, 2008 and the same is attached to this Annual Report.

AUDITORS

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

CODE OF CONDUCT

The Company has introduced 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 2008.

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.

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 2008, 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 2008 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;