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Chembond Chemicals Limited

**34th Annual Report
2008-2009**



Tarapur Plant



Head Office



Dudhwada Plant

Board of Directors

| | |
|----------------------|-----------------------------------|
| Dr. Vinod D. Shah | Executive Chairman |
| Ashwin R. Nagarwadia | |
| Perviz H. Dastur | |
| Mahendra K. Ghelani | |
| Jayant S. Vasani | |
| O. P. Malhotra | |
| Sameer V. Shah | Vice Chairman & Managing Director |
| Nirmal V. Shah | Joint Managing Director |
| Jawahar I. Mehta | |
| Sanjay N. Nene | |

Company Secretary

Dipti D. Samant

Key Executives

| | |
|--------------------|--|
| Bhadresh D. Shah | General Manager (Commercial) |
| E. Gopalkrishnan | General Manager (Construction Chemicals - Infrastructure) |
| M. P. Nagarkar | General Manager (Projects) |
| Jinesh J. Maniar | Finance Controller |
| P. Basavaiah | Group Accountant |
| Ravikumar Mutaka | Head - Operations (Tarapur) |
| Deepak M. Wadekar | Senior Manager - SHEQ |
| Mangesh Narvekar | Dy. General Manager (Trading) |
| Sanjay R. Naik | Sr. Sales Manager (Anti Corrosive Coatings) |
| Abhijit Giri | Manager Sales |
| Devkinandan Sharma | Plant Manager (Baddi) |
| Mangesh Patil | Sr. Manager (Production, Dudhwada) |

Auditors

M/s Kastury & Talati
Chartered Accountants, 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

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 Teh. Nalagarh, Vil. Theda, Himachal Pradesh.
- 4) Near Remuna Golai, Opp. Rajesh Chemicals, Balasore Orissa.
- 5) 5/5, 5/6B, Avadi Main Road, Sennerkuppam, Poonamallee, Chennai, Tamil Nadu.
- 6) Survey No. 404/B-01, Village Dudhwada, Taluka Padra, Dist. Vadodara, Gujrat.

Registrar and Transfer Agent

TSR Darashaw Limited,
6-10, Haji Moosa Patrawala Indl. Estate, 20,
Dr. E Moses Road, Mahalaxmi, Mumbai – 400 011.



CONTENTS

| | |
|--|----|
| Chairman's Message | 3 |
| Notice of Annual General Meeting | 4 |
| Directors' Report | 7 |
| Management Discussion and Analysis | 12 |
| Report and Certificate on Corporate Governance | 14 |
| Auditors' Report on Financial Statement | 21 |
| Balance Sheet | 24 |
| Profit and Loss Account | 25 |
| Cash Flow Statement | 26 |
| Schedules forming part of Balance Sheet and Profit & Loss Account | 27 |
| Notes on Accounts & Significant Accounting Policies | 34 |
| Balance Sheet Abstract | 45 |
| Statement under Section 212 of the Companies Act & Other Details | 46 |
| Auditors' Report on Consolidated Financial Statements | 47 |
| Consolidated Balance Sheet | 48 |
| Consolidated Profit and Loss Account | 49 |
| Consolidated Cash Flow | 50 |
| Schedules forming part of Consolidated Balance Sheet and Profit & Loss Account | 51 |
| Notes on Accounts & Significant Accounting Policies of Consolidated Accounts | 58 |

CHAIRMAN'S MESSAGE

Dear Shareholders,

It gives me pleasure to come before you and share some of my thoughts on the working of your Company.

The year 2008-2009 was a year of mixed feelings of sweet and sour. During this year, Company's modern plant at Dudhwada was put on stream. With this plant, the Company is geared to separate the productions of Water Treatment Chemicals at one consolidated facility at Dudhwada while the entire manufacturing facility at Tarapur is now used for the manufacture of Surface Treatment Chemicals. A separate building at Dudhwada is exclusively producing the Construction Chemicals. This action has streamlined the raw materials and finished inventories while removing the bottlenecks of movement of materials within the plant.

Your Company has also acquired substantial shareholding in Protochem, a company engaged in the manufacture of surface treatment chemicals since the time that Chembond started its operations in early 70s. The acquisition of Protochem is being completed currently. This acquisition will provide a broad based market and synergy to our joint venture Henkel Chembond Surface Technologies Limited. This acquisition will also provide an additional manufacturing facility at Mahape, Navi Mumbai.

On the sour side, the profits have declined compared to the previous year. In fact, the year turned out to be a proving ground for the management because of the challenges thrown up by the slump in Indian economy and scaled down industrial production. I am happy to say that the management has been thoughtfully responsive and sensitive to the crisis and has garnered new business sectors to partially offset the reduced sales volumes.

These economic challenges continue in the current year, especially in the infrastructure sector. The Company's performance is somewhat encouraging though, at least on a sequential basis, and with the expected improvement in the economy, your Company is well poised to fare better.

Best Wishes



Dr. Vinod D. Shah

Chairman



NOTICE

NOTICE IS HEREBY GIVEN THAT THE THIRTY FOURTH ANNUAL GENERAL MEETING OF THE MEMBERS OF CHEMBOND CHEMICALS LIMITED WILL BE HELD ON SATURDAY, 22ND AUGUST, 2009, 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 2009 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. Ashwin R. Nagarwadia, 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.

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

Dr. Vinod D. Shah
Chairman

Navi Mumbai, 30th June, 2009

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 register of members and the share transfer books of the company will remain closed from Friday, 14th August, 2009 to Saturday, 22nd August, 2009 (both days inclusive) in connection with the Annual General Meeting.
4. The Directors have recommended a dividend of Rs. 3.50/- per Equity Share, which will be paid to the members whose names appear in the Company's Register of Members on 22nd August, 2009 and Dividend Warrants posted to them on or before 21st September, 2009.
5. 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.
6. Members are aware that as per the Finance Act, 2003 no tax will be deducted at source on the dividend payable to the shareholders.
7. 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 2000-2001 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 2009 are as under:

| Date of Declaration | Amount (Rs.) | Due Date |
|---------------------|--------------|------------|
| 17-09-2002 | 32,506.60 | 16-09-2009 |
| 07-08-2003 | 25,265.10 | 06-08-2010 |
| 12-07-2004 | 33,122.40 | 11-07-2011 |
| 12-08-2005 | 31,082.40 | 11-08-2012 |
| 29-07-2006 | 54,411.50 | 28-07-2013 |
| 18-08-2007 | 38,772.50 | 17-08-2014 |
| 13-09-2008 | 51,769.50 | 12-09-2015 |

8. 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.



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

I. Name : Perviz H. Dastur

Age : 72 years

Qualification : B.Com, MBA, ACA

Mr. Perviz H. Dastur is also on the Board of following companies:

Finor Piplaj Chemicals Limited

Chembond Ashland Water Technologies Limited

Oil Field Instrumentation (India) Limited

II. Name : Ashwin R. Nagarwadia

Age : 71 years

Qualification : BE (MECH.) from USA

Mr. Ashwin Nagarwadia is also on the Board of following companies:

Finor Piplaj Chemicals Limited

Henkel Chembond Surface Technologies Limited

Hitech Plast Limited

CCL Optoelectronics Private Limited

10. 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.
11. 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 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 respective Subsidiary Company during working hour upto the date of the Annual General Meeting.

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

Dr. Vinod D. Shah
Chairman

Navi Mumbai, 30th June, 2009

REGISTERED OFFICE:

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

DIRECTORS' REPORT

To,
The Members,

Your Directors have pleasure in presenting the 34th Annual Report on the business and operations of your Company together with Audited Financial Statements for the year ended 31st March 2009.

FINANCIAL RESULTS:

| | 2008 – 2009 (Rs. in '000) | 2007 – 2008 (Rs. in '000) |
|---|------------------------------|------------------------------|
| Turnover of Sales | 1,257,592 | 1,128,954 |
| Less: Excise Duty | 148,416 | 173,756 |
| Net Sales | 1,109,176 | 955,198 |
| Profit Before Tax | 55,477 | 64,057 |
| (Less)/Add: Deferred Tax | (2,369) | (868) |
| Less: Provision for Taxation | (4,150) | (12,000) |
| Fringe Benefit Tax | (930) | (750) |
| Profit after Tax | 48,028 | 50,439 |
| Prior period adjustment | 334 | - |
| Profit After Prior Period Adjustment | 48,362 | 50,439 |
| Add: Balance as per last year | 119,974 | 87,319 |
| Total | 168,336 | 137,758 |
| Appropriation | | |
| General Reserves | 5,000 | 5,500 |
| Proposed Dividend | 10,500 | 10,500 |
| Tax on Proposed Dividend | 1,784 | 1,784 |
| Balance carried to Balance Sheet | 151,052 | 119,974 |
| Total | 168,336 | 137,758 |

PERFORMANCE REVIEW

The year in review was a challenging one for your Company. It started off quite well. At the half year mark sales were growing by over 30 % and profits had more than doubled over 2007 - 08. Sales of construction chemicals were exceptionally strong during this period due to the ground work prepared over the past several years. Subsequent to September your Company was affected by the economic slowdown to the extent that the sales ended the year higher by only 16.1%. Particularly hit were sales to infrastructure and building projects and to the metals industry. This slowing coincided with the start-up of the new plant resulting in higher manufacturing costs, depreciation, and interest expenses. As a result of this your Company has recorded a decrease of 13.4% and 4.8% in Profits before Tax (PBT) and Profit after Tax (PAT) respectively over the previous year. The Earning per Share (EPS) decreased to Rs.16.01 as at March 31, 2009 from Rs. 16.81 at the end of the previous fiscal year.

Your Subsidiary Company, Chembond Ashland Water Technologies Limited which supplies industrial water treatment chemicals registered an increase of 25.20% and 13.13% in Sales and PBT respectively.

After several successive years of double digit sales and profit growth your Joint Venture Company, Henkel Chembond Surface Technologies Limited recorded a nominal 1.27% growth in sales for the year ended 31st March, 2009. Profits were however, lower by 23% due to Raw Material Cost increases and planned organisational expenses based on forecasted business gains which were affected by the slowdown.

DIVIDEND

Considering the results and the significant investments planned by your Company, your Directors recommend maintaining the dividend at Rs. 3.50 per Equity Share for the financial year ended 31st March, 2009. The total outflow on account of dividend and the tax thereon amounts to Rs. 12,284,000/- (Previous year Rs. 12,284,000/-). The Company has also transferred the amount of Rs. 5,000,000/- (Previous year Rs. 5,500,000/-) from its current years profit to Reserve account.

SAFETY, HEALTH, ENVIRONMENT, AND QUALITY (SHEQ)

During the year your Company has implemented a 5S program at its Tarapur plant and attained the third level by year end. This disciplined and highly effective process, which is followed by the leading manufacturing companies of the world, focuses on better plant maintenance, reduced wastage, and organized storage among other measures and results in higher morale, greater efficiency and a safer workplace.

Your Company follows an integrated SHEQ Management System under which all plants will be certified to the applicable standards. The Tarapur plant continues to be ISO 9001 and 14001 certified and is in the process of OSHAS certification. The Dudhwada plant will be similarly certified to all three standards in 2009 - 10 while Baddi is ISO 9001 certified and will also implement and be certified to the environmental and safety standards in 2009 - 10.

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

Perviz H. Dastur & Ashwin R. Nagarwadia, 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. 47/189/2009-CL-III dated 19th March, 2009 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, 2009 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 (1-B) of the Companies Act, 1956.

DISCLOSURE UNDER SECTION 274(1) (g)

None of the Directors of the company are disqualified from 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 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 to the said code of conduct during the financial year ended 31st March 2009.

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.

CORPORATE SOCIAL RESPONSIBILITY

Your Company along with other group companies continues to support the Visan Trust in its objective of providing the girl child in tribal areas with educational and vocational opportunities and in enhancing their self-esteem. Around 300 girls between the ages of 3 and 18 from areas around Tarapur attend the Center and we are pleased that this year four girls completed their SSC levels and have enrolled for higher studies. As a leader in industrial water treatment, your Company has now initiated a project to apply some of its knowledge base to providing drinking water solutions to areas where access to safe, clean drinking water is lacking. A pilot project was started in a village near Tarapur, while water purification equipment, which would remove suspended solids as well as viruses and bacteria, for four more locations has been designed and procured.

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 2009, 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 2009 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 2009 have been prepared on a 'going concern basis'.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS 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 Earnings 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 | Designation | Age | Qualification | Remuneration * | No. of Shares Held |
|-------------------|--------------------|----------|-----------------------------------|----------------|----------------------|
| Dr. Vinod D. Shah | Executive Chairman | 77 Years | Doctorate in Chemical Engineering | Rs.3,000,000/- | 4,42,355 (14.75%) |

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

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, for their competence, hard work and cooperation.

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

Sameer V. Shah
Vice Chairman & Managing Director

Place: Navi Mumbai
Date: 30th June, 2009