

ANNUAL REPORT 2009 - 2010



Chembond Chemicals Limited

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 Sushil U. Lakhani	Executive Chairman Vice Chairman & Managing Director Joint Managing Director
Company Secretary	Dipti D. Samant	
Key Executives	Bhadresh D. Shah Jinesh Maniar M. P. Nagarkar Abhijit Giri Ravikumar Mutaka Deepak M. Wadekar Mangesh Narvekar Sanjay R. Naik Devkinand Sharma Mangesh Patil	General Manager (Commercial) Finance Controller General Manager (Projects) DGM – Coatings Head – Operations (Tarapur) Senior Manager - SHEQ DGM (Trading) DGM – Coatings Plant Manager - Baddi Plant Manager - 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	
City Office	B – 23, Todi Ind. Estate, New Sun Mill Compound, Lower Parel, Mumbai – 400 013.	
Plants	1)E-6/3 & 6/4, MIDC Tarapur, Maharashtra. 2)T/129, MIDC Tarapur, Maharashtra. 3)Khasara 177/2, Post Manpura Tehsil Nalagarh, Village Theda, Himachal Pradesh. 4)Near Remaha Golai, Opp. Rajesh Chemicals, Balasore. 5)5/5, 5/6B, Avadi Main Road, Sanneerkuppam, Poonamallee, Chennai. 6)404/B-01, Dudhwada, Dist. Vadodara, Gujarat.	
Registrar and Transfer Agent	TSR Darashaw Limited , 6-10, Haji Moosa Patrawala Indl. Estate, 20, Dr. E Moses Road, Mahalaxmi, Mumbai – 400 011.	



CHAIRMAN'S MESSAGE

Dear Shareholders,

I am once again reporting to you on the 35th year since your Company was incorporated. It is also the 15th year since your Company became public.

I wish to recall what I had written in our 33rd Annual Report. I had noted about the recession of Indian economy, "*.....thwarted the growth in India. But this can only be a transient diversion and will not last for more than a year or two.*" This is exactly what has happened. The Indian economy has not only recovered but is on a path of robust growth in all sectors. Several Indian companies are buying assets worldwide and India in its own right is becoming a multinational company abroad. I am of the strong opinion that we Indians have inherent strength of coming out of crisis and not only survive but thrive.

I am writing all this because it has direct relationship with the growth of your Company. Increased auto production directly translates into increased sales at our joint venture company Henkel Chembond. More refineries and petro-plants mean better growth for your subsidiary company Chembond Ashland. The infrastructure projects that have been held up for sometime are certain to come up within a few months and that will mean a return to high growth for your construction chemicals division. The new joint venture, H₂O Innovation India Limited, is already busy executing prestigious projects in India and abroad. I can assure you that your Company is dedicated to growth in years to come.

This year has also been a milestone year for your Company with the tremendous appreciation of the shareholder value. It is the sheer shareholders' confidence in your Company that the current share price has exceeded the pre-bonus issue price, meaning more than doubling in a short span of a few months. Thank you shareholders for reposing such a high-level confidence in the management of your Company.

Finally I want to end this message with a verse from Atharva Veda, India's heritage from more than 5000 years:

**"Recognise thy own inherent power
That may cause to infuse in thee
All the virtues of the Universe"**

Best Wishes

Vinod D. Shah

Dr. Vinod D. Shah

Executive Chairman

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NOTICE

NOTICE IS HEREBY GIVEN THAT THE THIRTY FIFTH ANNUAL GENERAL MEETING OF THE MEMBERS OF CHEMBOND CHEMICALS LIMITED WILL BE HELD ON SATURDAY, 18th SEPTEMBER, 2010, 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, 2010 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. O. P. Malhotra, who retires by rotation and being eligible, offers himself for re-appointment.
5. To reappoint M/s Kastury & Talati, Chartered Accountants as auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and authorise the Board of Directors to fix their remuneration.

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, 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 Executive Chairman of the Company with effect from 1st August, 2010 for the 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.
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 provision of the Companies Act, 1956, Mr. Sameer V. Shah be and is hereby reappointed as Vice Chairman and Managing Director of the Company with effect from 1st August, 2010 for the 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.
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. Nirmal V. Shah be and is hereby reappointed as Joint Managing Director of the Company with effect from 1st August, 2010 for the 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.
9. To consider and if thought fit, to pass with or without modification the following resolution as a Ordinary Resolution :
"RESOLVED THAT Mr. Sushil Lakhani, who was appointed as an Additional Director of the Company by the Board of Directors and who holds the office upto the date of this Annual General Meeting pursuant to the provisions of Section 260 of the Companies Act, 1956 ("the Act") is eligible for appointment and the Company has received notice in writing pursuant to the provisions of Section 257 of the Act from some members of the Company proposing his candidature for the office of the Director of the Company, and who has consented, if appointed, to act as a Director, be and is hereby appointed a Director of the Company, liable to retire by rotation".

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

Dr. Vinod D. Shah
Executive Chairman

Navi Mumbai, 31st July, 2010

REGISTERED OFFICE:

EL-71, Chembond Centre, 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 Thursday, 9th September, 2010 to Saturday, 18th September, 2010 (both days inclusive) in connection with the Annual General Meeting.
5. The Directors have recommended dividend of ₹ 1.75 per Equity Share, which on approval by the members at the Annual General Meeting will be paid to the members whose names appear in the Company's Register of Members on 18th September, 2010 and Dividend Warrants will be posted to them on or before 17th October, 2010.
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 2001-2002 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 2010 are as under:

Date of Declaration	Amount (₹)	Due Date
07-08-2003	25,265.10	06-09-2010
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	49,983.50	12-09-2015
22-08-2009	42,273.00	21-09-2016

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 Indl. 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 : Jayant Vasani
Age : 76 years
Qualification : B. Sc (Tech), M. S. (Chem. Engg. USA)
 - II. Name : O. P. Malhotra
Age : 78 years
Qualification : B. Chem. Engg.
 - III. Name : Mr. Sushil U. Lakhani
Age : 51 years
Qualification : Chartered Accountant

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 companies namely, Chembond Ashland Water Technologies Limited & Protochem Industries Private Limited Hence, accounts of these Subsidiary Companies are not required to be attached with the Balance Sheet of the Company. These documents will 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 companies during working hours upto the date of the Annual General Meeting.

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

ITEM No. 6

Dr. Vinod D. Shah is a Chemical Engineer and has achieved his Masters and Doctorate in Chemical Engineering from the University of Michigan and Wayne State University, USA, respectively. He has on hand expertise in Chemical Engineering.

He is a promoter & founder of Chembond Chemicals Limited (the Company) and has been associated with the Company as Chairman & Managing Director since its inception. He has vast and rich business experience to his credit. He is the overall in charge of the Company and has developed the entire product range of the Company. And due to his great expertise in developing chemical products, the Company has a leading position in the market.

As per recommendation of the remuneration committee, remuneration of Dr. Vinod D. Shah was proposed to be increased w.e.f. 1st August 2010.

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

Dr. Vinod D. Shah is a promoter of Chembond Chemicals Limited and he is its Executive Chairman from 17th August, 2007.

2. REMUNERATION

Dr. Vinod D. Shah will receive a remuneration of ₹ 50.00 Lacs (₹ Fifty Lacs Only) p.a. (including perquisite) effective from 1st August 2010 and the Board of Directors have powers 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.

- a) 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
- b) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service and
- c) Encashment of leave at the end of the tenure.

3. MINIMUM REMUNERATION

In the event of loss or inadequacy of profits in any financial year during the tenure of the appointment, the Chairman shall, subject to the approval of the Central Government, if required be paid remuneration by way of salary and perquisites as set out above, as minimum remuneration, subject to restriction, if any, set out in schedule XIII to the Companies Act, 1956, from time to time.

A. GENERAL INFORMATION

1. Nature of Industry

The Company is in the Chemical Industry and main objects of the Company are :

- A. To carry on all or any business of manufactures, dealers, or processors in the field pretreatment of ferrous and non-ferrous metals for anti corrosive and paint adhesion purposes.
- B. To carry on all or any of the business of Chemical Engineers, Manufactures, dealers in chemicals and as investors, exploiters, of all type of processes in the field of chemicals and the pre-treatment or anticorrosive and paint and adhesion purposes of metals and metallic substances.

2. Date of Commencement of commercial production

The Company commenced commercial production from 22nd March, 1975.

3. Financial Performance

Particulars	Standalone 2009 - 2010 ₹ In '000	Consolidated 2009-2010 ₹ In '000
Turnover of Sales	1,247,502	1,887,279
Less : Excise Duty	103,344	136,793
Net Sales	1,144,158	1,750,486
Profit before Tax	64,736	223,291
Less : Deferred Tax	5,705	6,724
Less : Provision for Taxation	7,300	71,368
Profit After Tax	51,731	145,199

4. Export performance and net foreign exchange collections

Particulars	Standalone 2009- 2010 ₹ In'000
Total Foreign Exchange Earned	12,219
Total Foreign Exchange Outgo	156,024

5. Foreign collaborations or investments, if any

The Company has subsidiary companies Chembond Ashland Water Technologies Limited in collaboration with Ashland International Holding Inc U.S.A, Protochem Industries Private Limited.

The Company has joint venture company Henkel Chembond Surface Technologies Limited in collaboration with Henkel KGaA, Germany.

B. Information about Dr. Vinod D. Shah

1. Past Remuneration

Particulars	2008-2009
Salary and Perquisites	₹ 3,150,000*

* 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 ₹ 50.00 Lacs (₹ Fifty Lacs) p.a. (including perquisite) effective from 1st August, 2010 and the Board of Directors have powers 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. 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 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.

As Dr. Vinod D. Shah is 78 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 302 of the Act.

ITEM NO. 7

Mr. Sameer V. Shah is Vice Chairman & Managing Director of the Company w.e.f. 18th August, 2007. The Board of Directors decided to reappoint him as Vice Chairman and Managing Director for further period of 3 years w.e.f. 1st August, 2010 at a remuneration of Rs. 30 Lacs p.a. (including perquisites). The Board of Directors have powers 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 31st July, 2010.

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 8

Mr. Nirmal V. Shah is Joint Managing Director of the Company w.e.f. 18th August, 2007. The Board of Directors decided to reappoint him as Joint Managing Director for further period of 3 years w.e.f. 1st August, 2010 at a remuneration of Rs. 30 Lacs p.a. (including perquisites). The Board of Directors have powers 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. Nirmal V. Shah is also Managing Director of Chembond Ashland Water Technologies Limited. As per recommendation of remuneration committee, appointment of Mr. Nirmal V. Shah as Joint Managing Director was approved by the Board at its meeting held on 31st July, 2010.

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 Mr. Nirmal V. Shah in terms of Section 302 of the Act.

ITEM 9

Mr. Sushil Lakhani was appointed as an Additional Director of the Company on 11th May, 2010 by the Board of Directors of the Company. According to the provisions of Section 260 of the Companies Act, 1956, he holds office as Director only upto the date of the ensuing Annual General Meeting. As required by Section 257 of the Act, a notice has been received from member signifying his intention to propose appointment of Mr. Sushil Lakhani as a Director along with a deposit of ₹ 500.

None of the Directors, except Mr. Sushil Lakhani, Director himself, deemed concern or interested in the above resolution.

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

Dr. Vinod D. Shah
Executive Chairman

Navi Mumbai, 31st July, 2010

REGISTERED OFFICE:

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

DIRECTORS' REPORT

To,
The Members,

Your Directors have pleasure in presenting the 35th Annual Report on the business and operations of your Company together with Audited Financial Statements for the year ended 31st March 2010.

FINANCIAL RESULTS:

	2009 – 2010 (In ₹ '000)	2008 – 2009 (In ₹ '000)
Turnover of Sales	1,247,502	1,257,592
Less: Excise Duty	103,344	148,416
Net Sales	1,144,158	1,109,176
Profit Before Tax	64,736	55,477
(Less)/Add: Deferred Tax	(5,705)	(2,369)
Less: Provision for Taxation	(7,300)	(4,150)
Fringe Benefit Tax	-	(930)
Profit after Tax	51,731	48,028
Prior period adjustment	-	334
Profit After Prior Period Adjustment	51,731	48,362
Add: Balance as per last year	153,461	119,974
Total	205,192	168,336
Appropriation		
General Reserves	5,500	5,000
Set off of Dividend Tax in respect of dividend from Subsidiary Company.	(1,178)	(1,179)
Proposed Dividend	11,131	10,500
Tax on Proposed Dividend	1,849	1,784
Dividend on Shares issued on Amalgamation	631	-
Addition of Amalgamation of SMEPL	-	(1230)
Balance carried to Balance Sheet	187,259	153,461
Total	205,192	168,336

PERFORMANCE REVIEW

A separate section on Management Discussion and Analysis follows in this annual report wherein the company performance, industry environment, economy, and the other aspects of your company's business are highlighted. Your Company has recorded an increase in Sales of 3.15% and an increase of 16.8% and 7.4% in Profits before Tax (PBT) and Profit after Tax (PAT) respectively over the previous year. The Earning per Share (EPS) increased to ₹ 8.13 as at March 31, 2010 from ₹ 7.60 at the end of the previous fiscal year on the expanded equity of your company after the 1:1 bonus issue.

DIVIDEND

The Board of Directors recommends a dividend of ₹ 1.75 per Equity Share for the financial year ended 31st March, 2010. The total outflow on account of dividend and the tax thereon amounts to ₹ 12,979.42 Thousand. The Company has also transferred the amount of ₹ 5,500,000 (Previous year ₹ 50,00,000) from its current years profit to Reserve account.

SAFETY, HEALTH, ENVIRONMENT, AND QUALITY (SHEQ)

Your Company follows an integrated SHEQ Management System under which all plants are certified to the applicable standards. The Tarapur plants are ISO 9001, ISO 14001, and ISO/TS 16949 certified. The corporate entity and the Baddi and Dudhwada plants are ISO 9001 certified.

DEPOSITS

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

DIRECTORS

In accordance with the Articles of Association of the Company, Mr. Jayant Vasani and Mr. O. P. Malhotra, Directors of the Company, are liable to retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Mr. Sanjay N. Nene resigned from the Board of Directors wef 31st December, 2009. The Board records its appreciation for the contribution made by him during his tenure with the Company.

Dr. Vinod D. Shah will be appointed as Executive Chairman wef 1st August, 2010 for a period of 3 years.

Mr. Sameer V. Shah will be appointed as Vice Chairman and Managing Director wef 1st August, 2010 for a period of 3 years.

Mr. Nirmal V. Shah will be appointed as Joint Managing Director wef 1st August, 2010 for a period of 3 years.

SUBSIDIARY COMPANIES

The Central Government has vide its letter no. 47/464 /2010 -CL-III dated 21st May, 2010 exempted the Company from attaching the financial report of the Subsidiary Companies to this annual report. However, the Annual Accounts of the Subsidiary Companies and related detailed information will be made available to shareholders seeking such information at any point of time and the Annual Accounts of the Subsidiary Companies will be available for inspection at the registered office of the Company. The statement