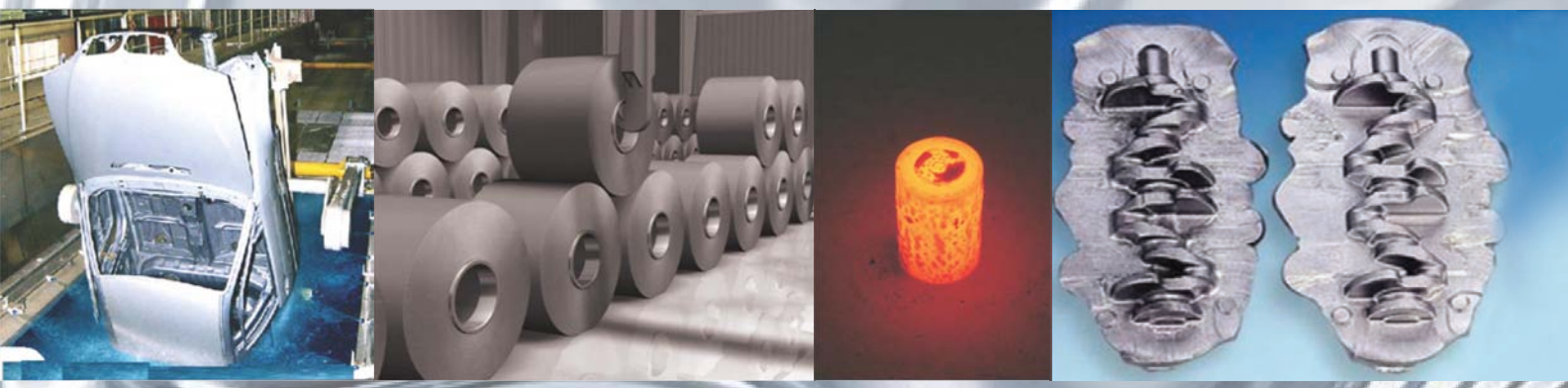
ANNUAL REPORT
2010 - 2011

chembond®

Chembond Chemicals Ltd.



Dr. Vinod D. Shah
Executive Chairman

Ashwin R. Nagarwadia
Director

Perviz H. Dastur
Director

Mahendra K. Ghelani
Independent Director

Jayant S. Vasani
Independent Director

Nirmal V. Shah
Jt. Managing Director

Jawahar I. Mehta
Independent Director

O. P. Malhotra
Independent Director

Sushil U. Lakhani
Independent Director

Sameer V. Shah
Managing Director

CHAIRMAN'S MESSAGE

My Dear Shareholders,

I am pleased to write on the occasion of 36th Annual Report of your company.

The intervening period of 36 years have witnessed many ups, downs and changing global scenario. Your company has faced the dynamic situation admirably by adapting itself with the changes and used the unfavorable circumstances beyond our control as opportunities for new vistas of business development for better profitability. I am sure when you look back at the comparative performances of the last few years, these facts will reveal themselves.

We are in an era of new developments and inventions. One need to look into any scientific journal to see how fast the new products, processes, technologies and knowledges keep pouring in. The existing products that took years to be replaced earlier, now take only a few months. In my opinion, the "Mantra" for a company to progress today is to keep developing and adapting new processes and technologies to not only retain but also to enhance the visibility on a national and International radar.

Beginning this year therefore, the management of your company has decided to set up a modern research and development facility to be headed by an eminent scientist/technocrat. This will be an investment for the long term prosperous future of your company.

I believe in the maxim that companies and organizations are more important than the individuals managing it and ultimately it is the role of the company in the betterment of the values of the customers, shareholders, employees and the society at large that is the driving force steering the actions of the company.

Best Wishes

Vinod D Shah

Dr. Vinod D. Shah
Executive Chairman

Company Secretary	Dipti D. Samant	
Key Executives	Abhijit Giri	DGM – Coatings
	Bhadresh D. Shah	General Manager - Commercial
	Deepak M. Wadekar	Senior Manager - SHEQ
	Devkinand Sharma	Plant Manager - Baddi
	Jinesh Maniar	Finance Controller
	Mangesh Narvekar	DGM - Trading
	Mangesh Patil	Sr. Manager Construction Chemicals
	M. P. Nagarkar	General Manager - Projects
	Ravikumar Mutaka	Head – Operations Tarapur
	Sanjay R. Naik	DGM – Coatings
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
Thane, Maharashtra.
Nalagarh, Himachal Pradesh,
Balasore, Orrisa
Chennai, Tamilnadu
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.

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NOTICE

NOTICE IS HEREBY GIVEN THAT THE THIRTY SIXTH ANNUAL GENERAL MEETING OF THE MEMBERS OF CHEMBOND CHEMICALS LIMITED WILL BE HELD ON AT SATURDAY, 10TH SEPTEMBER, 2011 AT EL-37, MAHAPE, MIDC, NAVI MUMBAI 400 710. AT 3.00 PM 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 2011 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. Jawahar I. Mehta, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Perviz H. Dastur, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint M/s Kastury & Talati 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, the following resolution as a Special Resolution:

   "**RESOLVED THAT** pursuant to the provisions of Section 81(1A), and all other applicable provisions, if any, of the Companies Act, 1956, the Memorandum and Articles of Association of the Company, Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and amendments made thereto(hereinafter referred to as "SEBI Guidelines"), and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions as may be prescribed or imposed while granting such approvals, permissions and sanctions, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee, including the Compensation Committee which the Board has constituted to exercise its powers, including the powers, conferred by this resolution), to create, offer, issue, transfer and allot at any time to or to the benefit of such person(s) who are in permanent employment of the Company, including any Director of the Company, whether whole time or otherwise, directly or through any Trust constituted or to be constituted for the purpose options exercisable into not more than 318,000 equity shares of the Company of face value ₹ 10/- each, under one or more employee stock option, in one or more tranches and on such terms and conditions as may be fixed or determined by the Board in accordance with the provisions of the law or guidelines issued by the relevant Authority; each option being exercisable for one Equity Share of a face value of ₹ 10 each fully paid up on payment of the requisite exercise price to the Company / Trust."

   "**RESOLVED FURTHER THAT** the Exercise Price shall be determined by the Board of Directors and/or Compensation Committee at the time of Grant of an Option and may be at such discount not exceeding 10% of the market price i.e. not less than lower of the average of weekly high and low of closing price of six months or two weeks prior to the date of the meeting of the Board of Directors and/ or Compensation Committee in which options are granted, on the Stock exchange on which there is highest trading volume."

   "**RESOLVED FURTHER THAT** in case of any change in capital structure such as right issues, bonus issues, merger and sale of division or otherwise, if any, additional equity shares are required to be issued by the Company under any such employee stock option plan the above ceiling of 318,000 equity shares shall be deemed to be increased to the extent of such additional equity shares required to be issued by the Company."

   "**RESOLVED FURTHER THAT** in case the equity shares of the Company are either sub-divided or consolidated, then the number of shares to be allotted and the price of acquisition payable by the option grantees under any employee stock option plan shall automatically stand augmented or reduced, as the case may be, in the same proportion as the present face value of ₹ 10 per equity share bears to the revised face value of the equity shares of the Company after such sub-division or consolidation, without affecting any other rights or obligations of the said allottees."

   "**RESOLVED FURTHER THAT** in case of any corporate action(s) like merger, sale of undertaking, etc or change in capital structure whether by issue of rights/bonus shares, or other changes in the share capital whatsoever, the Board be and is hereby authorised to make such adjustments as it may deem fit to the quantum of shares to be issued pursuant to the exercise of the options, the exercise price, and other rights and obligations under the options."

"**RESOLVED FURTHER THAT** the Equity Shares issued and allotted to the employees upon exercise of options from time to time shall rank pari passu in all respects with the then existing equity shares of the Company."

"**RESOLVED FURTHER THAT** the Board be and is hereby authorized to make modifications, changes, variations, alterations or revisions in any employee stock option plan as it may deem fit and or as may be suggested by one or more concerned authorities including but not limited to the Stock Exchanges, from time to time in its sole and absolute discretion in conformity with the provisions of the Companies Act, 1956, the Memorandum and Articles of Association of the Company, SEBI Guidelines and any other applicable laws."

"**RESOLVED FURTHER THAT** to determine all other terms and conditions for the purpose of giving effect to any offer, issue or allotment of equity shares or securities or instruments representing the same, as described above under any employee stock option plan, the Board be and is hereby authorized on behalf of the Company to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary or desirable for such purpose with power on behalf of the Company to settle all questions, difficulties or doubts that may arise in this regard to such issue or allotment without being required to seek further consent or approval of the members."

7. To consider and, if thought fit, to pass, the following resolution as a Special Resolution.

"**RESOLVED THAT** pursuant to the provisions of Section 81 (1A) and other applicable provisions, if any, of the Companies Act 1956, the Memorandum and Articles of Association of the Company and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee, including the Compensation Committee which the Board has constituted to exercise its powers, including the powers, conferred by this resolution), to create, offer, issue and allot at any time to or to the benefit of such person(s) who are in permanent employment of its current subsidiaries namely Chembond Ashland Water Technologies Limited, H2O Innvotion India Limited, and Protochem Industries Private Limited and any other future subsidiaries of the Company, including any Director of such a subsidiary, whether in whole time employment or otherwise, options exercisable into shares or securities convertible into equity shares within the overall ceiling of 318,000 Equity Shares of the Company as mentioned in Resolution No. 6 above, under one or more employee stock option plant, in one or more tranches and on such terms and conditions as may be fixed or determined by the Board in accordance with the provisions of the law or guidelines issued by the relevant Authority; each option would be exercisable for one Equity share of a face value of ₹ 10 each fully paid-up on payment of the requisite exercise price."

"**RESOLVED FURTHER THAT** the Exercise Price shall be determined by the Board of Directors and/or Compensation Committee at the time of Grant of an Option and may be at such discount not exceeding 10% of the market price i.e. latest available closing price, prior to the date of the meeting of the Board of Directors and/ or Compensation Committee in which options are granted, on the Stock exchange on which there is highest trading volume."

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

Dr. Vinod D. Shah
Executive Chairman

Mumbai, 30th July, 2011

REGISTERED OFFICE:
Chembond Centre,
EL-71, MIDC, Mahape,
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 HIM SELF 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, 26th August, 2011 to Saturday, 10rd September, 2011 (both days inclusive) in connection with the Annual General Meeting.
4. The Directors have recommended dividend of Rs. 2.15/- 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 20th September, 2011 with Dividend Warrants posted to them on or before 9th October 2011.
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 2002-03 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 2011 are as under:

Date of Declaration	Amount (₹)	Due Date
12/07/04	32882.40	11/07/2011
12/08/05	30812.40	11/08/2012
29/07/06	54086.50	28/07/2013
18/08/07	35197.50	17/08/2014
13/09/08	46046.00	12/09/2015
22/08/09	35973.00	21/09/2016
18/09/10	61346.25	17/09/2017

8. The Ministry of Corporate Affairs vide its General Circular No. 2/2011 (51/12/2007-CL-III) dated 8th February, 2011 has granted a general exemption under Section 212(8) of the Companies Act, 1956 for publication of the Accounts of subsidiary companies , subject to fulfillment of certain conditions. In view of the same, your company is also exempted from publication of the accounts of its subsidiaries under the provisions of Section 212 of the Companies Act, 1956 .These documents will be submitted on request to any member wishing to have a copy on receipt of such request by the Company at the Registered Office 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 Offices of the respective subsidiary company during working hour upto the date of the Annual General Meeting.
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
   (Formerly Tata Share Registry 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 –

    Name : Mr. Jawahar Mehta

    Age : 79 years

    Qualification : B.Sc, B.S., M.S.

    Jawahar Mehta is not on Board of any other Companies.

    II Name : Mr. Perviz Dastur

    Age : 74 years

    Qualification : B.Com, MBA, ACA

    Perviz Dastur is also on the Board of following Companies:

    Finor Piplaj Chemicals Limited

    Chembond Ashland Water Technologies Limited

    Oil Field Instrumentation (India) Limited

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.

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

ITEM NO. 6 & 7

The Company intends to introduce stock-based compensation schemes for incentivizing the Employees and Directors (excluding the Promoters or persons belonging to the Promoter group) of the Company and its subsidiaries. The approval of the shareholders is being sought for granting stock options to the employees of the Company and its subsidiaries under (one or more employee stock option plan to be introduced by the Company".

The main features of the proposed employee stock option plan and Information as required under clause 6.2 of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are given below:

1. **Total number of options to be granted:**

   Options for up to 318,000 equity shares of ₹ 10 each would be available for being granted to eligible employees (including the Directors) of the Company and its present and future subsidiaries under employee stock option plan. Each option when exercised would be converted into one Equity Share of ₹ 10 each fully paid up.

   Vested options that lapse due to non-exercise or unvested options that get cancelled due to resignation of the employees or otherwise, would be available for being re-granted at a future date.

   SEBI guidelines require that in case of any corporate action(s) or change in capital structure such as rights issues, bonus issues, sub-division / consolidation of the nominal value of shares, merger and sale of division and others, a fair and reasonable adjustment needs to be made to the options granted. Accordingly, if any additional equity shares are required to be issued for making such fair and reasonable adjustment, the ceiling of 368,000 equity shares shall be deemed to be increased to the extent of such additional equity shares issued/to be issued. Further the Board and/or Compensation Committee shall in such cases also have the power to make appropriate adjustments to the number of shares to be allotted pursuant to the exercise of the Options, the Exercise price and other rights and obligations under the options granted.

2. **Identification of classes of employees entitled to participate in the Employee Stock Option Scheme(s):**

   All permanent employees of the Company and its subsidiary companies, including the Directors thereof whether in wholetime employment or not but excluding the promoters of the Company or persons belonging to the Promoter Group, as may be decided by the Board / Compensation Committee from time to time, would be entitled to be granted stock options under the employee stock option plan.

3. **Transferability of employee stock options**

The stock options granted to an employee will not be transferable to any person and shall not be pledged, hypothecated, mortgaged or otherwise alienated in any manner. However, in the event of the death or permanent disability of an employee stock option holder while in employment, the right to exercise all the options granted to him till such date shall be transferred to his legal heirs or nominees.

4. **Requirements of vesting and period of vesting,**

The Options granted shall vest so long as the employee continues to be in the employment of the Company. The Compensation Committee may, at its discretion, lay down the period of time and/or specify certain performance metrics on the achievement of which the granted options may vest (subject to the minimum vesting period as specified below). The vesting of the Options may also happen in tranches in accordance with the above mentioned conditions.

The options would vest not earlier than one year but not later than five years from the date of grant of options. The exact proportion in which and the exact period over which the options would vest would be determined by the Board / Compensation Committee, subject to the minimum vesting period of one year from the date of grant of options and may be customised for individual employees.

5. **Exercise Price or Pricing Formula:**

The exercise price shall be decided by the Board of Directors and/or Compensation Committee on the date of grant which shall not be more than the Market price as defined under the SEBI Guidelines. In cases, where options are granted at a discount to the market price, the discount shall not exceed 10% of the market price i.e. not less than lower of the average of weekly high and low of closing price of six months or two weeks prior to the date of the meeting of the Board of Directors and/ or Compensation Committee in which options are granted, on the Stock exchange on which there is highest trading volume.

The Company shall be entitled to recover from the employee any tax as that may be levied upon or in relation to the Options"

6. **Exercise Period and the process of Exercise:**

The Exercise period would commence from the date of vesting and will expire on completion of a period of upto five years from the date of vesting of the options. The options shall become exercisable in part or in full within the overall exercise period permitted under the Plan.

The options will be exercisable by the Employees by a written application to the Company to exercise the options in such manner, and on execution of such documents, as may be prescribed by the Board / Compensation Committee from time to time. The options will lapse if not exercised within the specified exercise period and would be available for being re-granted in future.

7. **Appraisal Process for determining the eligibility of the employees to ESOP:**

The appraisal process for determining the eligibility of the employee will be specified by the Board / Compensation Committee, and will be based on criteria such as role / designation of the employee, length of service with the Company, past performance record, future potential of the employee and/or such other criteria that may be determined by the Compensation Committee at its sole discretion.

8. **Maximum number of options to be issued per employee and in aggregate:**

The aggregate number of Options / underlying Shares that may be granted under the Plan shall not exceed 318,000 (Three Lacs Eighteen Thousand only). Further, options under each Grant to an Employee shall not be less than 50 (Fifty) and shall not exceed 0.50% of the total issued capital of the Company in any year provided that the aggregate number of options granted per employee under the total tenure of the plan in any case shall not exceed 1% (One Percent) of the aggrigate options granted.

9. **Maximum number of options to be granted to Non-Executive Directors (including independent directors) in any financial year and in aggregate:**

The number of options that may be granted to any Non-Executive director (including any independent director) in any financial year under employee stock option plan shall not exceed 0.25% of the issued and paid-up capital and in aggregate shall not exceed 0.50% of the issued and paid up capital of the Company at the time of grant of options.

10. **Accounting Policies:**

The Company shall comply with the disclosure and the accounting policies as specified in Schedule I referred to in clause 13.1 of SEBI Guidelines.

11. **Method of option valuation:**

To calculate the employee compensation cost, the Company shall use the Intrinsic Value Method for valuation of the options granted.

In case the Company calculates the employee compensation cost using the Intrinsic Value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the Fair Value of the options, shall be disclosed in the Directors' Report and also the impact of this difference on profits and on EPS of the Company shall also be disclosed in the Directors' Report.

As the employee stock option scheme provide for issue of shares to be offered to persons other than existing shareholders of the Company, consent of the members is being sought pursuant to Section 81(1A) and all other applicable provisions, if any, of the Act and as required under clause 6 of the SEBI Guidelines. The terms and conditions of the Options may be customized for individual employees within the above framework.

None of the Directors of the Company (except the Promoters who are excluded) and the Directors of its subsidiaries are in any way, concerned or interested in the resolution, except to the extent of their shareholding in the Company and/or the securities that may be offered to them under the scheme.

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

Dr. Vinod D. Shah
Executive Chairman

Mumbai, 30th July, 2011

REGISTERED OFFICE:
Chembond Centre,
EL-71, MIDC, Mahape,
Mumbai- 400 710

In order to improve the corporate contribution to the environment, the Ministry of Corporate Affairs has undertaken a 'Green Initiative in Corporate Governance' by allowing paperless compliances by Companies through electronic mode vide its Circular Nos. 17/2011 & 18/2011 dated April 21, 2011 and April 29, 2011, respectively. Accordingly, your Company proposes to henceforth effect electronic delivery of communication / documents including the Annual Reports and such other necessary communication / documents from time to time Members, who have provided their e-mail address to their Depository Participant (DP) / Company as the case may be. Members who wish to inform any changes of their e-mail addresses, are requested to promptly update/ change the same with their DP, from time to time. Members holding shares in physical form and who are desirous of receiving the communication / documents in electronic form , are requested to please promptly inform their e-mail address to the Company. A seperate communication to this effect has already been issued earlier.