



41<sup>st</sup>  
ANNUAL  
REPORT  
2015-2016

Chembond Chemicals Limited



## Board of Directors

<b>Dr. Vinod D. Shah</b>	Chairman Emeritus
<b>Ashwin R. Nagarwadia</b>	Director
<b>Jawahar I. Mehta</b>	Independent Director
<b>Mahendra K. Ghelani</b>	Independent Director
<b>Nirmal V. Shah</b>	Vice Chairman & MD
<b>O. P. Malhotra</b>	Independent Director
<b>Perviz H. Dastur</b>	Director
<b>Dr. Prakash D. Trivedi</b>	Independent Director
<b>Sameer V. Shah</b>	Chairman & MD
<b>Mrs. Saraswati Sankar</b>	Independent Director
<b>Sushil U. Lakhani</b>	Independent Director

## CONTENTS

1	Management Discussion and Analysis	55	Notes to Financial Statements
8	Highlights	75	Auditors' Report on Consolidated Financial Statements
11	Directors' Report	79	Consolidated Balance Sheet
32	Corporate Governance	80	Consolidated Statement of Profit & Loss
46	Auditors' Report	81	Consolidated Cash Flow Statement
52	Balance Sheet	82	Notes to Consolidated Financial Statements
53	Statement of Profit & Loss	104	Notice, Proxy Form & Attendance Slip
54	Cash Flow Statement		

**Chief Financial Officer**  
Rashmi S. Gavli

**Company Secretary**  
Jay Mistry

**Statutory Auditors**  
Kastury & Talati  
Chartered Accountants  
Mumbai

**Cost Auditor**  
R. S. Raghavan

**Secretarial Auditor**  
Virendra Bhatt

**Bankers**  
HDFC Bank Limited  
Bank of India  
Kotak Mahindra Bank

**Registrar & Transfer Agents**  
TSR Darashaw Ltd.

**Plants**  
Tarapur, Maharashtra  
Nalagarh, Himachal Pradesh  
Ranipet, Tamil Nadu  
Dudhwada, Gujarat  
Mahape, Navi Mumbai

**Registered Office Address**  
Chembond Centre  
EL71, MIDC Mahape  
Navi Mumbai 400 710  
Tel. : +91 22 3921 3000  
Fax : +91 22 2768 1294

## Management Discussion and Analysis

Your Company reports consolidated results taking into account the results of its subsidiaries and associates (together referred to as "the Group"). This discussion, therefore, covers the financial results and other developments from April 2015 to March 2016, in respect of the Group. Some statements in this discussion describing the projections, estimates, expectations or outlook may be forward looking. Actual results may, however, differ materially from those stated on account of various factors such as changes in government regulations, tax regimes, economic developments, exchange rates and interest rates fluctuations, impact of competition, demand and supply constraints.

During the year under review, your Company has achieved sales turnover of ₹ 21,563.77 lakhs on a standalone basis and ₹ 27,104.71 lakhs on a consolidated basis. The comparative figures are tabulated below. Due to the divestment of your Company's stake in Henkel Chembond Surface Technologies Ltd., the numbers of 2015-16 are not comparable because the profit figures include proceeds from the stake sale and the consolidated numbers include a full year of operations of the joint venture in 2014-15. Most businesses of the Company continued to show improved performance over the prior year though.

### Financial and Operational Performance Standalone

The highlights of the financial performance of the Company on a standalone basis are as follows:

(₹ in Lakhs)

Particulars	2015-16	2014-15	% Δ
Net Sales	21,435	21,429	0.03
Product Margin	3,835	3,901	(1.70)
Gross Margin	2,499	2,697	(7.32)
Selling & Administration Costs	2,703	2,149	25.80
Employee Costs	1,702	1,693	0.54
EBITDA	18,955	1,123	1,587.21
PBT	18,567	574	3,136.33

### Ratio Analysis

Particulars	2015-16	2014-15
Product Margin, % of Sales	17.89	18.20
Gross Margin, % of Sales	11.66	12.58
Selling & Admin Costs, % of Sales	12.61	10.03
Employee Costs, % of Sales	7.94	7.90
EBITDA, % of Sales	88.43	5.24
Earnings per Share (Basic)	226.45	8.38
Earnings per Share (Diluted)	223.00	8.17
Debt / Equity Ratio	0.04	0.42

## Consolidated

The highlights of the consolidated financial performance are as follows:

(₹ in Lakhs)

Particulars	2015-16	2014-15	% Δ
Net Sales	26,341	29,432	(10.50)
Product Margin	8,223	10,887	(24.46)
Gross Margin	6,713	9,521	(29.50)
Selling & Administration Costs	6,348	7,448	(14.77)
Employee Costs	3,445	3,886	(11.35)
EBITDA	20,020	2,801	614.66
PBT	19,484	2,008	870.37

## Ratio Analysis

Particulars	2015-16	2014-15
Product Margin, % of Sales	31.22	36.99
Gross Margin, % of Sales	25.48	32.35
Selling & Admin Costs, % of Sales	24.10	25.31
Employee Costs, % of Sales	13.08	13.20
EBITDA, % of Sales	76.00	9.52
Earnings per Share (Basic)	230.08	18.59
Earnings per Share (Diluted)	226.58	18.11
Debt/Equity Ratio	0.05	0.23

## Industry Structure & Developments

The relevant industry for your Company is Specialty Chemicals, which occupies an important position in the Indian economy for its role in providing the building blocks for industrialisation, export competitiveness, value addition and employment generation.

Strong growth in end user segments coupled with

the initiatives from the government and industry to enhance manufacturing has brought the focus on the Indian specialty chemicals manufacturing segment. Simultaneously, improved competitiveness of Indian manufacturers and an interest in India from global players is likely to result in significant growth of the diverse specialty chemicals segment.





## Opportunities and Threats

With rapid industrialisation the opportunities of growth for the industry and your Company are plentiful. In particular, these opportunities present themselves due to increasing customer as well as regulatory demands, such as,

- treatment, conservation, and reuse of industrial water;
- improvements in nutrition in the dairy and poultry industry;
- modern and efficient construction materials and techniques;
- obtaining cost savings and efficiency improvement in industrial assets; and
- introduction of higher performing and green engineering polymers.

At the same time the competitive landscape poses a threat with companies global and local, large and small, quality oriented and not, being treated almost as equals by users. Scarcity of skilled and trained human resources is another threat to the growth of the Company. Volatile raw material prices can pose a threat to the short term profitability of the company.

## Risks & Concerns

The present risks and anticipated future risks are reviewed by the management of your company at regular intervals. Based on its past experiences, the management tries to remain vigilant about all prospective risks and takes suitable preventive measures to adequately safeguard its resources like men, machine & money, so that the business continues as usual even during difficult situations. The company also follows the norms of OHSAS 18001:2007, to provide a risk free work environment to the employees, by providing them with the necessary safety equipment & gears to enable them to perform their tasks safely

## Business areas

### Water Treatment

Your Company is a pioneer in the field of cooling water treatment chemicals in India. The Company today offers the entire range of water treatment chemicals namely cooling water treatment chemicals, boiler water treatment chemicals, membrane treatment chemicals, raw water and effluent treatment polymers and defoamers. In water treatment chemicals arena we have introduced GREEN chemistry for cooling water systems in the form of concentrated and solid products like Kem ChlorGen oxidizing biocide and Kem MultiTab formulated, multi-component tablets. Your company has also successfully introduced a new range of defoam / antifoam products specifically for the cement-fiber industry, distilleries and fertilizer plants. The chemicals business is run as a joint venture company under the name Chembond Solenis Water Technologies Limited wherein your company owns 55% equity. In addition to the chemicals offered above, your Company has additional capabilities offering equipment based water treatment and waste water recycling solutions. A successful break-through was obtained in the year using microbial remediation of high COD industrial waste water. This places your Group in a unique position, offering integrated water treatment solutions to industry. The equipment and systems business is operated as Chembond Clean Water Technologies - a subsidiary of your company.

### Construction Chemicals

Used by the construction and civil repair industry, these products help enhance concrete strength and quality, provide water-tightness and protect concrete structures from atmospheric degradation. Your Company offers a wide range of products for applications in concrete modification, waterproofing, repair and rehabilitation of structures. Products like admixtures for concrete, sealants, grouts, concrete curing compounds, tile fixing adhesives, waterproofing chemicals, membranes, jointing compounds, crack repair and special application mortars are offered by Chembond.

During the year under review, your Company has added a new range of high performance coatings for waterproofing, anti-carbonation protection, water repellence and heat reduction. A new clear and glossy coating for sealing masonry and concrete blocks was introduced. Your Company has obtained approval for its products to be used in DRDO projects.

Your Company continued to participate in exhibitions, imparted regular applicator training and arranged distributor and retailer meets. The existing website ([www.chembondconschem.com](http://www.chembondconschem.com)) was also revamped to a newer and more user friendly format.

Your Company's online sales medium has slowly but steadily gained momentum with its products now available on Amazon and ebay apart from its own online store. Be sure to log onto [www.chembondindia.in](http://www.chembondindia.in) and order products at great deals from a company you can trust in this business!

### Biotech

Biotech division with animal health and nutrition as its mainstream is growing very rapidly, outperforming the industry. The division has the potential to emerge as one of the growth drivers in your Company in the future. Plans for expansion with new products, new segments and increased presence across the country are afoot.

### Industrial Technologies

A new industrial technologies division has been created by combining the high performance coatings, industrial coatings, and the maintenance, repair, and overhaul (MRO) products of Protochem. In addition to the above, a range of adhesives and sealants are being developed, which will form a part of the Industrial Technologies group. For this, your Company is pleased to inform you that it has entered into an agreement with ND Industries, Inc., USA to offer their brand of Vibra-TITE industrial adhesives and sealants in India. With the enhanced product range, significant synergies are expected since all these products are used in similar markets and customers.

## Performance of Joint Ventures & Subsidiaries

**Chembond Enzyme Company Limited** became a wholly owned subsidiary of your Company during the year.

**Chembond Calvatis Industrial Hygiene Systems Limited** (formerly known as Chembond Bioengineering Company Limited), a Joint Venture between Chembond (55%) and Calvatis GmbH, Germany (45%) offers industrial hygiene and cleaning products and solutions primarily to the dairy, food processing and beverage and brewing industries. Being in its first year, the company has been building up its reference list and obtaining approvals from user industries.

**Protochem Industries Pvt. Ltd. (Protochem)** is a wholly owned subsidiary of your Company. The range of products manufactured by Protochem includes specialty chemicals and lubricants such as corrosion inhibitors, products for the defence industry, heat treatment chemicals, and aerosol & non-aerosol MRO (Maintenance, Repair and Operation) products. During the year under review, Protochem has entered into new areas of cooperation with the defence industry. The fermentation plant commissioned by Protochem last year has started supplying probiotics and industrial enzymes not only to your Company's animal nutrition business but also to other companies and to export markets.

During the year, the performance of associate company **Chembond Distribution Limited**, was noteworthy as well, gaining sales momentum.

## Research & Development

Continued research and development has resulted in the streamlining of the manufacturing and introduction of several new products. These activities have resulted in your Company being recognized as an innovative company with a differentiated strategy.

## Construction Chemicals

Company has added a new range of high performance elastomeric anti carbonation, water repellent and heat reducing exterior coatings like KEM PROOF ULTIMATE and improved properties of existing product, KEM PROOF 87 which is an elastomeric roof coating. Products like KEM PAVER SHINE were introduced for sealing masonry and concrete blocks. Our product KEM SUPLAST SCC 50 got approved in DRDO projects.

## Coatings

The growing concern over release of solvent emissions into the atmosphere and the pursuit of work conditions more attentive to employee health and safety, have led to a desire from industry for the development of environment friendly products. Continuous research by your Company has resulted in the Kemgreen series of products that virtually contain zero solvents. Careful selection of a resin backbone with water completely substitutes the solvent thus giving considerable reduction in the vapor emissions. It is also possible to retrofit the existing application system operating with traditional solvent borne paints with environment friendly water borne paints with very minor modification in the processes and system.

## Polymers

Researchers at your Company have furthered the activities, initiated last year, of the production of polyamides based on renewable resources. The Kemyon series of polyamide 610 products have completed successful trials and initial orders in a wide range of applications

## Biotech

From producers of complex enzymes, your Company has now emerged as a full-fledged manufacturer of a varied array of consortia and individual probiotics and export quality enzymes during the last few years. Your Company is now deploying its productive strengths towards the development of prebiotics, probiotics, and individual enzymes for animal health and other specific applications. Development of stable liquid enzymes has

been successfully achieved, optimisation of submerged enzymes has been completed and the setup for further processing is under way.

## Manufacturing

Your Company has existing manufacturing units at Tarapur, Mahape, Dudhwada, Ranipet and Baddi. With this, your Company has the capability to efficiently serve the customers' requirements in all parts of the country. The overall manufacturing capacity is elastic, with a flexibility of wide range of product categories and capable of handling the requirements of the Company for the next several years. The plants are modern, compliant with health, safety, and environment norms, and the team is well trained to use the best manufacturing practices.

## Safety, Health, Environment and Quality

Chembond has an objective of being the "supplier of choice" to its diverse customers. In order to achieve this objective, all manufacturing sites and functions have targets on customer service, among others. Your Company aims to continually improve these targets through its Quality Management Systems.

In addition to Quality, Safety, Health, and Environment is an integral part of' Chembond's business and operations. Your Company's Tarapur and Dudhwada plants have implemented safety, health & environment management systems, which is integrated with its Quality Management System.

Your Company follows an integrated SHE-Q Management System under which, the following plants are certified:

Locations	ISO 9001 : 2008	ISO 14001	OHSAS 18001	ISO/TS 16949
H O - Mahape	Y	NA	NA	Y
Tarapur	Y	Y	Y	Y
Dudhwada	Y	Y	Y	NA
Baddi	Y	-	-	NA

"Quality is not an act, it is a habit". Chembond also has a Safety, Health and Environment objective of having zero lost time due to accidents across the organisation. Everyone at Chembond is committed to protect the environment by controlling the interaction with environment by process control, systematic waste management, energy conservation, and emission control.

## Human Resources

The manpower strength of your Company was 333 at the close of 2014-15 and it stood at 336 as of March 31st 2016. Average age of the workforce is 35 years. The year was marked by customized OD interventions to sharpen individual skills of employees in keeping with the belief – when the individuals grow, their Divisions grow, and when the Divisions grow, the Company grows. New talent was attracted in key positions. Organisation structures and responsibility allocations were revised keeping in mind changing organisational requirements, individual capabilities and the need to nurture in-house talent. Several employee engagement activities were organized on a regular basis. Employees participated in sports activities, cultural events and a blood donation camp. Employee Stock Options linked with individual business division's annual results were offered to the employees as a part of your Company's endeavour to keep the employees motivated as important stakeholders.

## Internal Control Systems and their Adequacy

The internal control system in place throughout the Company is aimed at systematic and thorough identification and assessment of all major risks, which threaten the achievement of objectives, including risks related to business operations, finance, legal and strategic. It makes an important contribution towards ensuring compliance with the laws that apply as well as providing assurance on the propriety and reliability of internal and external financial reporting. The internal control system is therefore a significant factor in the management of process risks.

Your Company has also formed "Risk Management Committee" comprising of Non-Executive Directors

who are expert in the field of finance, strategic management, operations and law. Furthermore, the Company has engaged the services of independent firms of professionals to function as internal auditors and provide reports and necessary actions where required on various activities covering observation on adequacy of internal controls and their recommendations.

## Developments during the financial year

### Joint Venture Agreement

During the year, your Company has entered into an agreement with I-Chem Solution Sdn Bhd, Malaysia for forming a joint venture Company in Malaysia to do the business of selling and servicing water treatment chemicals for industries in Malaysia.

### Corporate Social Responsibility

The Chembond group believes that an organisation should make decisions based not only on financial factors, but also on the social and environmental consequences and do recognizes that its business activities have wide impact on the societies in which it operates, and therefore an effective practice is required giving due consideration to the interests of its stakeholders. The Company endeavors to make CSR a key business process for sustainable development and it is always committed to play active role in improving the lives of people. The **Chembond Children's Centre**, is a non-formal educational centre at Pasthal and Shirgaon, near Tarapur, where English, Hindi, Marathi, Science, Mathematics, Social Studies, and General Knowledge form the main subjects of curriculum. The Centre was formed over fifteen years ago in partnership with Chembond's earlier joint venture partner, Henkel KGaA, and is now being continued by your Company. In addition to education, the Centre provides camps and workshops in health care, life skills, and scholarships. **The Rachna Kendra** at Piplaj, Gujarat was started in 2010 to impart training in handicrafts to the financially weaker women of the village. The Kendra is where they make products using the handicraft skills. Besides providing a means of livelihood, Rachna Kendra helps identify buyers and the women then fulfill the orders.





## Outlook

The investments made by your Company in technology, brands, people, and facilities over the past few years has begun to show some improvement in the last year. This is especially reflected in the performance of the construction chemicals and animal nutrition businesses. With the Indian economy steadily improving growth and a good monsoon to support the same, your Company will accelerate its strengths. While the impact of the divestment of your Company's metal treatment business will still affect the consolidated earnings from operations for a few more quarters, it is the objective of the management to more than compensate for the same by rapid growth in the new areas of business, like animal nutrition, construction chemicals, and industrial technologies, while maintaining better than GDP growth in the more established business, like water treatment chemicals.

## Forward Looking Statements

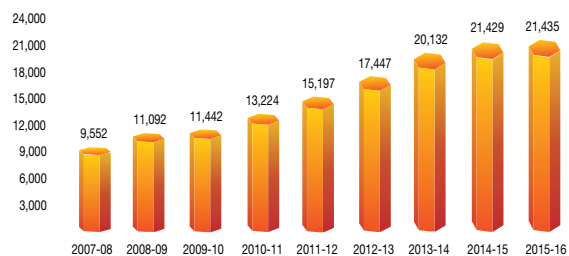
This report contains statements, which may constitute 'forward looking statements' within the meaning of the applicable securities laws and regulations. Forward-looking statements are based on certain assumptions and expectations of the future events. Actual results could differ materially from those expressed or implied. Important factors that could impact the Company's performance include, among others, economic conditions affecting the demand / supply and price conditions in the markets in which the Company operates, changes in the Government policies, regulations, tax laws, other statutes and incidental factors.

The Company undertakes no obligations to update or revise forward-looking statements based on any subsequent developments, information, or events.

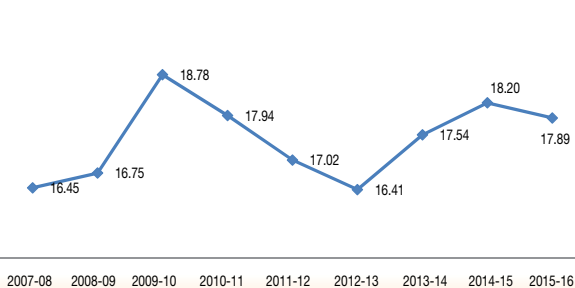
# Highlights

## Standalone

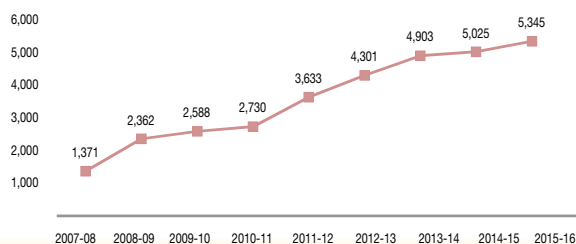
Standalone Sales



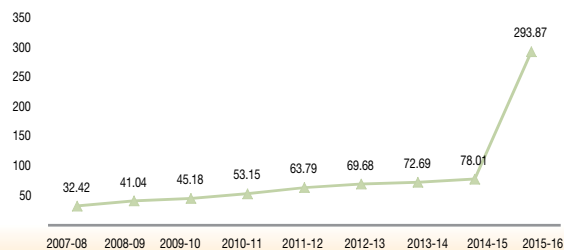
Product Margin (in %)



Fixed Assets

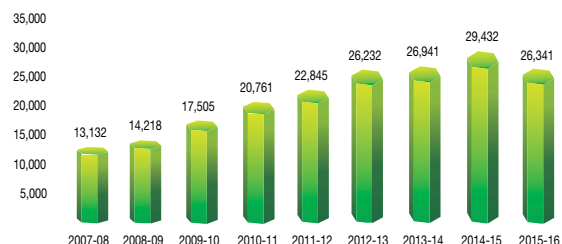


Book Value

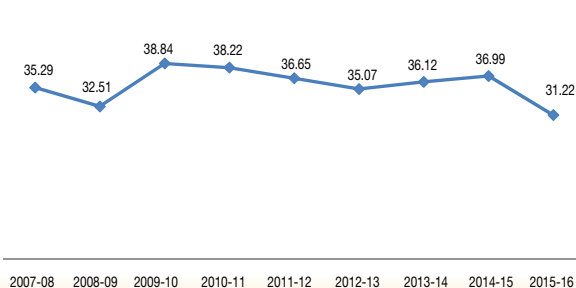


## Consolidated

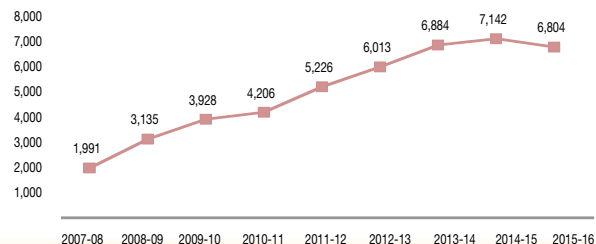
Consolidated Sales



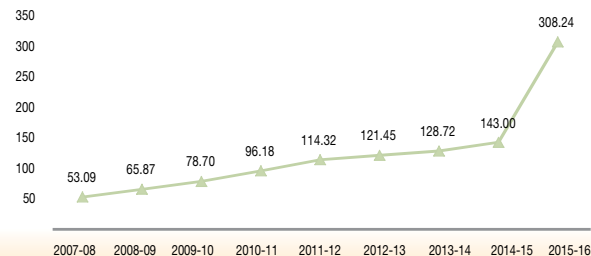
Product Margin (in %)



Fixed Assets



Book Value



for the year ended on March, 2016

all numbers in ₹ Lakhs except Book Value

Numbers adjusted for issue of Bonus Shares in March 2010 in the ratio of 1 : 1