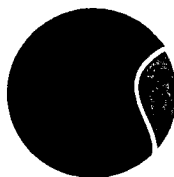


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SUNSHIELD
CHEMICALS LIMITED

**22ND ANNUAL REPORT
FOR THE YEAR ENDED ON 31ST MARCH 2009**



SUNSHIELD CHEMICALS LIMITED

BOARD OF DIRECTORS

| | |
|-------------------------|--------------------------|
| Amit C. Choksey | Chairman |
| Ashok R. Datar | Director |
| Bipin V. Jhaveri | Director |
| Dhiren P. Mehta | Director |
| Manubhai G. Patel | Director |
| Sandeep H. Junnarkar | Director |
| Shreerang R. Belgaonkar | Wholetime Director |
| Satish M. Kelkar | Vice Chairman & Director |

COMPANY SECRETARY

Amit A Kumashi

REGISTERED & ADMINISTRATIVE OFFICE

N.K.M. International House,
178, Babubhai Chinai Marg,
Backbay Reclamation,
Mumbai – 400 020
Tel. No.: 022- 22838293 / 94 / 95
Fax No.: 022- 22838291

AUDITORS

M/s. Tembey & Mhatre
Chartered Accountants

FACTORY / R & D CENTRE

Pali-Khopoli Road, Village Rasal, Taluka
Sudhagad, Dist. Raigad, Maharashtra
Tel No.: 02142-242226, 242117, 242046

BANKERS

Bank of Baroda
The Saraswat Co-op. Bank Ltd.
State Bank of India

REGISTRAR & SHARE TRANSFER AGENTS

TSR Darashaw Ltd. 6-10,
Haji Moosa Patrawala Industrial Estate,
20, Dr. E. Moses Road, Mahalaxmi,
Mumbai – 400 011.
Tel. 022-66568484 • Fax No. 022-66568494

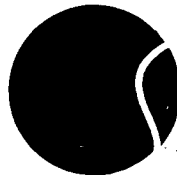
SOLICITORS

M/s. Junnarkar & Associates
Advocates, Solicitors & Notary

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**SUNSHIELD
CHEMICALS LIMITED**

**Persons constituting group within the definition
of "group" as defined in the Monopolies &
Restrictive Trade Practices Act, 1969**

- 1. Amit Champaklal Choksey**
- 2. Aeonian Investments Company Limited**
- 3. Abhiraj Trading & Investments Private Limited**
- 4. Satish Manohar Kelkar**
- 5. Neokel Investments Private Limited**
- 6. Kelkar Chemicals Private Limited**



SUNSHIELD CHEMICALS LIMITED

NOTICE

NOTICE is hereby given that the Twenty Second Annual General Meeting of the Members of **Sunshield Chemicals Limited** will be held on **Wednesday, 29th July 2009** at **11.30 A.M.** at **M. C. Ghia Hall, Bhoghilal Hargovindas Building, 2nd Floor, 18/20, K. Dubash Marg, Kala Ghoda, Mumbai – 400 023** to transact the following business:-

ORDINARY BUSINESS:

1. To receive, consider and adopt the Profit and Loss Account for the financial year ended March 31, 2009, the Balance Sheet as at that date and the Reports of the Board of Directors and Auditors' thereon.
2. To appoint a Director in place of Mr. Amit Choksey, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Satish Kelkar, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint M/s. Tembey & Mhatre, Chartered Accountants, Mumbai as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.

By Order of the Board of Directors
For **SUNSHIELD CHEMICALS LIMITED**

Amit Kumashi
Company Secretary

Date: 12th May, 2009

Place: Mumbai

Registered Office:

N. K. M. International House,
178, Backbay Reclamation,
Babubhai Chinai Marg,
Mumbai – 400 020.

NOTES:

1. A Member of the Company entitled to attend and vote at the Annual General Meeting may appoint a proxy to attend and, on a poll, vote instead of himself/herself. A Proxy need not be a Member. Proxies to be effective should be deposited at the Registered Office of the Company not later than Forty Eight hours before the commencement of the meeting.
2. Corporate Members are requested to send to the Company's Registrar & Transfer Agent, a duly certified copy of the Board Resolution authorizing their representative to attend and vote at the Annual General meeting.
3. Members / Proxies / Representatives should bring the enclosed Attendance slip, duly filed in, for attending the Meeting. Copies of the Annual Report or Attendance Slips will not be distributed at the Meeting.
4. Profile of the Directors seeking re-appointment, as required in terms of clause 49 of the Listing agreement entered into with Stock Exchange, is annexed to this Notice.
5. The Register of Members and the Share Transfer Books of the Company will remain closed from **Thursday, 23rd July 2009 to Wednesday, 29th July 2009** (both days inclusive).
6. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to send their queries in writing to the Compliance officer of the Company at its Registered Office so as to reach at least seven days before the date of the meeting.
7. Members are requested to send their demat/remat applications, request for share transfers, intimation of change of address and other correspondence to the Company's Registrar & Transfer Agents, M/s. TSR Darashaw Ltd. (formerly Tata Share Registry Ltd.) having its Office at 6-10, Haji Moosa Patrawala Industrial Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai - 400011.



SUNSHIELD CHEMICALS LIMITED

Profile of the Directors being re-appointed as required under clause 49 of the Listing Agreement entered with Stock Exchange

Name: **Mr. Amit Choksey**

Mr. Amit Choksey (55) is Bachelor of Commerce.

Experience: He has over 30 years of experience in managing industries manufacturing various types of Construction Chemicals, Specialty Water Proofing Compounds and Inorganic pigments. He is the Chairman and Managing Director of Mazda Colours Ltd., one of leading manufacturers and exporters of various types of pigments and intermediates;

The Board of Directors had appointed Mr. Amit Choksey as an Additional Director of the Company, liable to retire by rotation with effect from 21st April 2005. He was appointed as Director of the Company in the Annual General Meeting held on 29th July 2005. Mr. Amit Choksey is due to retire by rotation at the forthcoming Annual General Meeting of the Company and being eligible, offers himself for re-appointment.

His Directorship and Committee Membership of other Public Limited Companies, as at 31st March 2009 is as follows;

Company Position Committee

| Company | Position | Committee membership |
|--|----------|---------------------------------------|
| Aeonian Investments Company Limited | Director | Investor Grievance Committee (Member) |
| Apcotex Industries Limited | Director | Nil |
| Cons Holdings Limited | Director | Nil |
| Mazda Colours Limited | Director | Nil |
| Sammelan Investments and Trading Limited | Director | Nil |

He is holding 509100 (6.92%) Equity Shares of Rs. 10/- each of the company.

Name: **Mr. Satish Kelkar**

Mr. Satish Kelkar (61) is a B.Sc. from Mumbai University and has Masters Degree in Management Studies (MMS).

Mr. Satish Kelkar has experience of more than three decades in the business of manufacturing and marketing of Speciality Chemicals, Anti-oxidants, Surfactants and other Ethylene Oxide, Condensates having been connected with Sunshield Chemicals Limited, Schenectady Specialties Asia Ltd., etc. He is the past president of Indian Speciality Chemicals Manufacturers Association (ISCMA). He is also active Member of other business associations and chamber of commerce like

Indian Chemical Manufacturers Association (ICMA) and Maharashtra Chamber of commerce (MCC) etc.

Mr. Satish Kelkar was named as one of the Director of the Company at the time of incorporation of the Company. In the year April 1992 Mr. Satish Kelkar was appointed as Managing Director of the Company. He was working as Managing Director of the Company from April 1992 to September 30, 2007. Mr. Satish Kelkar continues to be the Vice Chairman and Director of the Company and has been appointed Advisor with effect from October 1, 2007. Mr. Satish Kelkar is due to retire by rotation at the forthcoming Annual General Meeting of the Company and being eligible, offers himself for re-appointment.

Mr. Satish Kelkar does not hold any Directorship and Committee Membership of other Public Limited Companies.

He is holding 94570 (1.29%) Equity Shares of Rs. 10/- each of the company.



SUNSHIELD CHEMICALS LIMITED

DIRECTORS' REPORT

DEAR SHAREHOLDERS,

Your Directors are pleased to submit their 22nd Annual Report and Audited Accounts for the year ended 31st March, 2009 along with Management's Discussion and Analysis of performance of your Company:

A FINANCIAL RESULTS & REMARKS

Highlights of Company's operating performance during the financial year 08-09 are compared herein below with that of the financial year 07-08. For more details please read the Management Discussion and Analysis Report herein below:

(Rs. In Lacs)

| Sr. No. | Particulars | 2007-2008 | 2008-2009 | | %Change over Previous year |
|---------|--|-----------|-----------|---|----------------------------|
| 1 | Gross Sales | 4712 | 6846 | ↑ | 45% |
| 2 | Net Sales | 4172 | 6304 | ↑ | 51% |
| 3 | Other Income | 72 | 66 | | |
| 4 | Total Income | 4244 | 6370 | ↑ | 50% |
| 5 | Operating Profit (EBITDA) | 395 | 740 | ↑ | 87% |
| 6 | Interest | 278 | 316 | | |
| 7 | Profit before Depreciation and Tax (Cash Profit) | 118 | 424 | ↑ | 259% |
| 8 | Depreciation & Amortization | 139 | 153 | ↑ | 10% |
| 9 | Net Profit / (Loss) before Tax | (22) | 271 | ↑ | 1231% |
| 10 | Deferred Tax Credit Net of FBT | (7) | 138 | | |
| 11 | Provision for Deferred Sales Tax and prior years items | (25) | (43) | | |
| 12 | Net Profit / (Loss) after Tax | (54) | 366 | ↑ | 677% |

B MANAGEMENT'S DISCUSSION AND ANALYSIS:

(Pursuant to Clause 49 of the Listing Agreement with the Stock Exchange)

a) The Company is operating in only one Segment, namely 'Specialty Chemicals'.

b) Industry Structure & Development :-

Your Company presently manufactures process chemicals that are specially made for specific industrial applications and are known as "Specialty Chemicals" (SC)

Some of these Chemicals are Ethylene Oxide (EO) based derivatives called Ethylene Oxide Condensates (EOC). For the EOC industry, EO is a vital input. EO is a product manufactured mainly for captive consumption by Petrochemical complexes to produce MEG, a vital input for Polyester fibre industry.

Based on the captive requirements and market conditions for MEG, petrochemical complexes allocate EO to EOC industry.

EOC Industry is a competitive industry with a large number of players of different sizes.



SUNSHIELD CHEMICALS LIMITED

The Ethylene Oxide Condensate Industry witnessed a steep uptrend in the prices of Ethylene Oxide and other hydro carbon input materials in the first half of the year 2008-09 and sudden, sizable fall thereafter because of slowdown of the international and national economies as well as falling prices of crude oil. Reduced buying from the customers also posed problems of increasing inventories and pressure on financial resources of the EO Industry. Carry forward losses as at 31st March 2009 stood at Rs. 560.95 lacs as compared to Rs. 926.83 lacs as at 31st March 2008. Except FBT, no other Corporate Tax liabilities is envisaged in view of carry forward losses.

To meet such sudden and volatile situation, your Company concentrated more on Niche Speciality Surfactants, Esters, Amides and a range of Antioxidants for diverse user industries like Lubricants, Plastics / Polymers, Rubber, Pesticides, Ink, Coatings, Resins etc.

Your Company has also been shifting its marketing emphasis over the last couple of years on exports of Niche Speciality Chemicals. Sizable exports of these chemicals were made to Europe and America during the year. Exports witnessed a value growth of 121%. The Company is also exploring possibility of exporting to Asian Markets.

c) Operating and Financial Performance during the year 08-09

1. Gross Sales of the Company stood at Rs. 6846 Lacs, a growth of 45% over those of the previous year. Volume Sales registered a growth of 40%. Net Sales stood at Rs. 6304 Lacs, a growth of 51% over those of the previous year.

2. Exports registered a steep growth of 121% and local sales grew at a modest rate of 11%.

3. Despite volatile market in input materials, materials consumption as a % of net sales came down from 73% to 72%.

4. The Company utilized larger quantum of exports credit giving a lower rate of interest than other bank loans. Interest cost as a % of Net Sales registered a fall of 1.65% points, even after utilizing loans for expansion of capacities.

5. With better export volumes, favorable foreign exchange rates and relatively low dependence on imports, profit margins could be improved and stood as under:

| (Rs. In Lacs) | | | |
|--|-----------|-----------|--------|
| Particulars | 2007-2008 | 2008-2009 | Growth |
| Profit before Depreciation and Tax (Cash Profit) | 118 | 424 | 259% |
| Net Profit after Tax | (54) | 366 | 677% |

7. At the reduced level of accumulated losses at 31st March 2009, your Company has ceased to be a 'potentially Sick Company' under the concerned regulations.

8. To meet the increased demands from Overseas Customers, your Company upgraded its production processes; installed balancing equipments for increased production requirements; and developed new products. These also increased capacity utilization. New products introduced by the Company include Non EO / PO Condensates. The Company has by the year end started initial dispatches of the product range to potential customers and made a beginning to enlarge its product range for export markets.

9. The Company had requested the concerned Sales Tax authorities to grant facility of installments for the payment of the balance overdue amount of Sales Tax Deferrals of Rs. 306 lacs. The matter is under their active consideration. On payment in installments being sanctioned by the authorities, the Company will become compliant in repayment of Sales Tax deferrals.

d) Outlook

Despite the economic slowdown, your Company is reasonably confident of improving the performance during the current year.

e) Risks and Concerns

i. Slow down of world economies may bring in severe competition for the Company from imported Speciality chemicals in the Indian Market.

Slow down of international economies may affect the demand from some of the overseas customers. Export Sales may register small or no growth.

Export earning may be affected if rupee strengthens against foreign currencies.

f) Internal Control System and their adequacy:

During the year, no significant internal control issue was identified. Increased requirements of internal checks and controls appropriate to increasing size of company's business are being put in place. Recently, an independent firm of Chartered Accountants has been appointed for internal audit of Company's operations and has started the audit.



SUNSHIELD CHEMICALS LIMITED

g) Material developments in HR:

Employee relationships at all levels continued to be satisfactory. The management would like to record its appreciation of dedicated and strong support provided to your Company, by its employees, at all levels.

(The statement in this report including Management's Discussions & Analysis Report reflect Company's projections, estimates, expectations or predictions. These may be forward looking statements within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied, since your Company's operations are influenced by many external and internal factors beyond the control of the Company.)

C Dividend

In view of the accumulated losses, the Board of Directors do not recommend payment of any dividend.

D Company's Status under Section 23(1) of Sick Industrial Companies (Special Provisions) Act, 1985 (ACT)

In view of reduced carry forward losses, your company has ceased to be a potentially sick Company under the Act.

E Directors:

In accordance with the provision of the Companies Act, 1956 read with Article 166 of the Articles of Association of the Company, Mr. Amit C. Choksey and Mr. Satish M. Kelkar, Directors of the Company, retire by rotation and being eligible, offer themselves, for re-appointment.

F Directors' Responsibility Statement:

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, it is hereby confirmed:

- (i), that in the preparation of the accounts for the financial year ended 31st March, 2009, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgment and estimates that were reasonable and prudent so as to give a true and fair view of the profit or loss of the Company for the year under review;
- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provision of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the Directors have prepared the accounts for the financial year ended 31st March, 2009 on a 'going concern' basis.

G Fixed Deposits

During the year, the Company has accepted fixed

deposits from shareholder. Fixed deposits from a shareholder stood at Rs. 45 Lacs at the end of the year. There is no default in payment of interest on, or repayment of, any fixed deposits.

H Auditors

M/s. Tembey & Mhatre, Chartered Accountants, Mumbai, hold office upto the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. They have issued necessary certificate as required under Section 224 (1B) of the Companies Act, 1956. The Board recommends their appointment.

I Particulars of Employees

During the year under review there were no employees, whose particulars are to be given under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 in this report.

J CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

As required by Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, relevant data pertaining to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo, are given as Annexure to this Report.

K CORPORATE GOVERNANCE REPORT

The Corporate Governance Report is set out as a separate Annexure to this Report. Certificate from the Auditors of the Company, certifying, compliance with Clause 49 of the Listing Agreement with the Stock Exchange in respect of Corporate Governance is annexed to the Report on Corporate Governance.

L ENVIRONMENT, HEALTH AND SAFETY

Your Company has adopted a Health, Safety and Environment (HSE) Policy, which applies to all employees and activities. Policy is being continuously updated.

M APPRECIATION

Your Directors place on record their sincere appreciation of the wholehearted support extended by the Company's bankers, business associates, employees' union, shareholders, auditors and various statutory authorities, both, central and state Government. The Directors also place on record their sincere appreciation of the support and cooperation rendered by the employees of the Company at all levels.

For and On Behalf of the Board of Directors

Amit Choksey
Chairman

Shreerang Belgaonkar
Wholtime Director

Date: 12th May, 2009

Place: Mumbai



SUNSHIELD CHEMICALS LIMITED

ANNEXURE TO THE DIRECTORS' REPORT

Additional information as required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 2009.

CONSERVATION OF ENERGY:

The Company has always been conscious of the need to conserve energy. The Company is continuously identifying areas where energy can be saved and appropriate measures have been taken for optimizing energy conservation.

a) Energy Conservation measures taken:

- i) Use of fuel additive for LDO used in Boiler ii) Independent electrical metering and connected load
- iii) Substitution of use of electricity to the extent possible by steam &; iv) Co-ordination to optimize batch schedule.

b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:

The company has undertaken a project to reduce its dependence on "Non renewable " energy like FO,LDO with alternate fuels such as Agro waste, Fire wood, coal and other "Renewable energy" sources .This will reduce the effective fuel costs and simultaneously reduce its dependence on fossil fuel and also make available more effective energy input. The company will obtain saving in per kg cost of fuel from 2009-10.

c) Total energy consumption and energy consumption per unit of production as per Form A.

FORM A

Disclosure of particulars with respect to conservation of energy.

a) Power and Fuel Consumption

| Particulars | 2008-09 | 2007-08 |
|---------------------------------------|-------------|-------------|
| 1 Electricity | | |
| a) Purchased: | | |
| Units (KW/H) | 11,52,998 | 8,94,799 |
| Total Amount Rs. | 54,78,900 | 49,50,560. |
| Rate/ Unit (Rs.) | 4.75 | 5.53 |
| b) Own Generation: | | |
| FO/LDO/HSD consumed (Ltrs.) | 8,61,493 | 5,83,978 |
| Total Cost | 2,36,81,398 | 1,42,63,851 |
| Average Rate/Ltr. | 27.49 | 24.43 |
| 2 Coal | N.A. | N.A. |
| 3 Others/ internal generations | NIL | NIL |

b) Consumption per unit of Production

| Particulars | 2008-09 | 2007-08 |
|-------------------------|----------|----------|
| Production Units (Mt.) | 5,554.35 | 4,588.24 |
| Electricity (Units)/Mt. | 207.58 | 195.02 |
| FO/LDO/HSD (Ltr.)/Mt. | 155.10 | 127.28* |

- * On account of self generation of electricity through generator to meet gap between and demand of electricity supplied by MSEB.

FORM B

Disclosure of particulars with respect to Technology Absorption, Research and Development: (R & D)

Research & Development (R & D)

1) Specific areas in which R & D carried out by the Company:

- New Product Development.
- Development and evolution of alternate raw materials / solvents.
- Improvement in quality of existing products / process.
- Cost reduction.
- Energy efficient processes.
- New process development for safe and improved handling and recycling of waste to obtain a useful product for a prime customer.
- New business opportunities.

2) Benefits Derived as a result of the above R & D :

- Improvement in the quality of products to meet the requirements of highly competitive market.
- Introduction of new products/processes.
- Increased productivity.
- Improved market acceptability of products.
- Cost economy and efficiency.
- Development of new applications of the finished products.
- Availability of alternative sources of raw materials.
- New business opportunities.


SUNSHIELD CHEMICALS LIMITED
3) Future plan of action:

- Anti Oxidant for Plastics, Polymer, Greases and Oil and Rubber / Latex Industries.
- Develop newer products in the field of Speciality Chemicals for paper, Ink, Polymer, Plastic, perfumery, Resin, Adhesive Industry, Refineries & Lubes and automotive fuel additives.
- Improve production capacity.
- Reduce material handling and improve its efficiency.
- Reduce fuel costs.

4) Expenditure on R & D: (In Rs.)

- a) Capital
- b) Recurring
- c) Total
- d) Total R & D Expenditure as percentage of turnover

NIL

FOREIGN EXCHANGE EARNINGS AND OUTGO:

On account of activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services; and new export plans, the total foreign exchange used and earned:-

(Rs. in Lacs)

| | 2008-09 | 2007-08 |
|------------------------------------|---------|---------|
| i) Total foreign exchange used | 1254.74 | 618.21 |
| ii) Total foreign exchange earned. | 3359.33 | 1520.51 |

For and On Behalf of the Board of Directors

Amit Choksey
Chairman

Shreerang Belgaonkar
Wholetime Director

Technology absorption, adaptation and innovation:

Date : 12th May, 2009

1. Efforts, in brief, made towards technology absorption, adaptation and innovation: N.A.

Place: Mumbai

2. Benefits derived as a result of the above efforts: e.g. product improvement, cost reduction, product development, import substitution, etc.: N. A.

3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished :

- a) Technology imported
 - b) Year of Import
 - c) Has the technology been fully absorbed?
 - d) If not fully absorbed, areas where this has not taken place, reasons there of, and future plans of action.
- Not Applicable as no Imported technology is put to use.