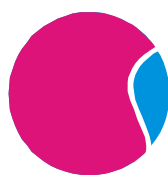


SUNSHIELD
CHEMICALS LIMITED

**24TH ANNUAL REPORT
FOR THE YEAR ENDED ON 31ST MARCH 2011**



**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
Satish M. Kelkar	Vice Chairman & Director
Shreerang R. Belgaonkar	Wholetime Director

COMPANY SECRETARY

Amit A Kumashi

REGISTERED & ADMINISTRATIVE OFFICE

N.K.M. International House,
178, Backbay Reclamation,
Babubhai Chinai Marg,
Mumbai – 400 020
Tel. No.: 022- 61457000
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

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

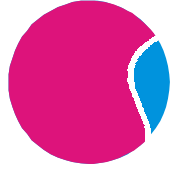
M/s. Junnarkar & Associates
Advocates, Solicitors & Notary

Contents:

Notice	1
Directors' Report	6
Corporate Governance Report	12
Auditors' Report	20
Balance Sheet	24
Profit & Loss Account	25
Notes to Accounts	31
Cash Flow Statement	38

Page No.

1
6
12
20
24
25
31
38



**SUNSHIELD
CHEMICALS LIMITED**

Persons constituting group within the definition of “group” for the purpose of Reg 3(1)(e) (i) of the Securities Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulation 1997.

- 1. Amit Champaklal Choksey**
- 2. Aeonian Investments Company Limited**
- 3. Abhiraj Trading & Investments Private Limited**
- 4. Priti Choksey**
- 5. Satish Manohar Kelkar**
- 6. Neokel Investments Private Limited**
- 7. Kelkar Chemicals Private Limited**
- 8. Mrinalini Kelkar**
- 9. Radhika Bawa**

NOTICE

NOTICE is hereby given that the Twenty Fourth Annual General Meeting of the Members of **Sunshield Chemicals Limited** will be held on **Tuesday, 26th July, 2011 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, 2011, 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 Shri Ashok R Datar, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri Manubhai G Patel, 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.

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass with or without modification(s), the following Resolution as a **Special Resolution**;

“RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310 and 317 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956 and / or any statutory modification or re-enactment thereof from time to time and subject to such approvals as may be necessary, consent of the Company be and is hereby accorded to the re-appointment of Shri Shreerang R Belgaonkar as Wholtime Director of the Company for a period of three years with effect from 24th July 2011 on terms and conditions including remuneration as set out here under:

- I. (a) Salary: ₹ 64,800/- (Rupees Sixty Four Thousand Eight Hundred Only) per month.
- (b) Perquisites: Perquisites are classified into three categories “A”, “B”, and “C” as follows:

Part “A”

House Rent Allowance: ₹ 32,400/- (Rupees Thirty Two Thousand Four Hundred only) per month.

Education Allowance: ₹ 54,000/- (Rupees Fifty Four Thousand Only) per month.

Medical Reimbursement: Reimbursement of medical expenses incurred by the Whole Time Director for self and family not exceeding ₹ 25,000/- (Rupees Twenty Five Thousand Only) per annum.

Leave Travel Concession: Reimbursement of Leave Travel Concession for Whole Time Director and his family, once in a year not exceeding ₹ 1,00,000/- (Rupees One Lakh Only) in accordance with Rules in force from time to time in the Company.

MediClaim Insurance and Personal Accident Insurance: Reimbursement of Medi-Claim insurance and Personal Accident insurance premium, not exceeding ₹ 25,000/- (Rupees Twenty Five Thousand Only) per annum.

Performance Incentive: As may be decided by Board of Directors including Committee(s) thereof, not exceeding ₹ 4,50,000/- (Rupees Four Lakhs Fifty Thousand only) per annum from year 2011-12 onwards.

Part “B”

Provident Fund: Benefits as per the scheme of the Company.

Gratuity: Benefits in accordance with rules and regulations in force in the Company

Part “C”

Car: Provision of Company's car along with chauffeur, both for official and personal use of the Wholtime Director.

Mobile: Mobile bills will be reimbursed by the Company.

(c) OTHER BENEFITS

Leave: Leave with full pay and allowance in accordance with rules and regulations in the Company in force from time to time.

Leave encashment: In accordance with the rules and regulations in the Company in force from time to time, permitted at the end of the tenure.

Benefits under loan and other schemes in accordance with practices, rules and regulations in force in the Company for time to time. Such other benefits and amenities as may be provided by the Company from time to time to other officers and managers of the Company.

- II. Board of Directors, including Committee(s) thereof may determine annual increment, effective from 1st July every year not exceeding 8% of Basic pay, House Rent Allowance and Education Allowance subject to the Schedule XIII limits and other applicable provisions of the Act



RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year during the aforesaid period, the Company shall pay to Shri Shreerang Belgaonkar, Wholetime Director, remuneration by way of salary, perquisites and allowances, not exceeding the limits laid down in Schedule XIII of the Companies Act, 1956, as may be decided by the Board of Directors, after obtaining recommendation of their Remuneration Committee;

RESOLVED FURTHER THAT the Board be and is hereby authorised to alter, amend, vary, enhance or modify the scope and quantum of remuneration including salary, commission, perquisites, allowances etc. of Shri Shreerang Belgaonkar within the limits prescribed under Schedule XIII of the Companies Act 1956 or any amendment thereto or re-enactment thereof for the time being in force;

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to do all such acts, deeds, matters and things in their absolute discretion as they may consider necessary or expedient to give effect to this resolution and also to revise the remuneration of the Whole Time Director upward within the limits stipulated in the Companies Act, 1956, read with its schedules and rules.”

By Order of the Board of Directors
For SUNSHIELD CHEMICALS LIMITED

Amit Kumashi
Company Secretary

Mumbai, 10th May, 2011

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 a Proxy to attend and, on a poll, vote instead of himself/herself. A Proxy need not be a Member of the Company. 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 are requested to bring their attendance slip along with their copy of annual report to 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 **Tuesday, 19th July, 2011 to Tuesday, 26th July, 2011** (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. having its Office at 6-10, Haji Moosa Patrawala Industrial Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai-400011.

Important Communication to Members

The Ministry of Corporate Affairs has taken a “Green Initiative in the Corporate Governance” by allowing paperless compliances by the companies and has issued circulars stating that service of notice/ documents including Annual Report can be sent by e-mail to its member. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants.

Members who hold shares in physical form should send a scanned copy of their letter requesting for registering/ changing their existing email ID bearing the signature of Sole/First shareholder on csg-green@tsrdarashaw.com or write to Registrar and Share Transfer Agents of the Company at their following address and inform their email ID quoting their folio number. The letter should be signed by Sole/First holder as per the specimen signature recorded with Registrar and Share Transfer Agents:

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

Annexure to Notice

I. Explanatory Statement under Section 173 of the Companies Act, 1956

Item No. 5

The Board of Directors of the Company at their meeting held on 10th May 2011, have, in accordance with the provisions of Articles of Association of the Company and subject to the approval of the shareholders in the General Meeting and that of the Central Government, if required under the provisions of the Companies Act, 1956, sought to reappoint Shri Shreerang Belgaonkar as Wholetime Director, for a further period of 3 (Three) years, effective from 24th July 2011 on terms and conditions as stated in the resolution.

Shri Shreerang Belgaonkar has been the Wholetime Director of the Company since 24th July, 2006 and the last appointment as approved by the shareholders was valid from 24th July, 2006 upto 23rd July, 2011.

Shri Shreerang Belgaonkar holds a Bachelors Degree in Chemical Engineering and has more than 25 years of experience in Specialty Chemical business. Shri Belgaonkar has rich experience and deep knowledge about Specialty Chemicals and has immensely contributed to the growth of the Company by his incisive and broad based knowledge of Specialty Chemicals by user Industries requirements.

The remuneration will be payable effective from 1st July 2011 onwards to Shri Belgaonkar in the event of inadequate or no profits of the Company. The proposed resolution which seeks the approval of the Shareholders in general meeting is to be passed as a Special Resolution.

As the revised remuneration, computed based on the 'effective capital' of the Company as on 31st March 2011, will be payable to Shri Belgaonkar on account of inadequate or no profits of the Company, in compliance with sub-para (B) of Para 1 of Section II of Part II of Schedule XIII of the Companies Act, 1956, the following disclosures are made:

I. GENERAL INFORMATION:

- (1) Nature of Industry : Specialty Chemicals
- (2) Date of Commencement of Commercial Production :- 1986
- (3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus: Not Applicable.

(4) Financial performance based on given indicators

(₹ in lakhs)

Particulars	Financial year 2008-09	Financial year 2009-10	Financial year 2010-11
Total Income	6370.26	6451.09	7982.07
Total Expenses	5946.01	5887.33	7523.63
Net Profit/ loss	365.88	294.16	150.10
Basic EPS	4.98	4.00	2.04

- (5) Export performance and foreign exchange collaborations: Export performance in the financial year 2010-11 was ₹ 4300.15 lakhs as compared to ₹ 3107.58 lakhs in 2009-10. Company does not have any foreign collaboration.

II. INFORMATION ABOUT THE APPOINTEE

(1) Background details:

Shri Shreerang Belgaonkar holds a Bachelors Degree in Chemical Engineering and has more than 25 years of experience in Specialty Chemical business. Shri Belgaonkar has rich experience and deep knowledge about Specialty Chemicals and has immensely contributed to the growth of the Company by his incisive and broad based knowledge of Specialty Chemicals by user Industries requirements.

(2) Past Remuneration:

The remuneration for 2010-11 as per the earlier agreement dated 6th August, 2010 made between Company and the Whole Time Director, is as follows:

- I. (a) Salary: ₹ 60,000/- (Rupees Sixty Thousand Only) per month.

- (b) Perquisites: Perquisites are classified into three categories "A", "B", and "C" as follows:

Part "A"

House Rent Allowance: ₹ 30,000/- (Rupees Thirty Thousand only) per month.

Education Allowance: ₹ 50,000/- (Rupees Fifty Thousand Only) per month.

Medical Reimbursement: Reimbursement of medical expenses incurred by the Whole Time Director for self and family not exceeding ₹ 25,000/- (Rupees Twenty Five Thousand Only) per annum.

Leave Travel Concession: Reimbursement of Leave Travel Concession for Whole Time Director and his family, once in a year not exceeding ₹ 1,00,000/- (Rupees One Lakh Only) in accordance with Rules in force from time to time in the Company.



MediClaim Insurance and Personal Accident Insurance: Reimbursement of Medi-Claim insurance and Personal Accident insurance premium, not exceeding ₹ 25,000/- (Rupees Twenty Five Thousand Only) per annum.

Performance Incentive: As may be decided by Board of Directors including Committee(s) thereof, not exceeding ₹ 4,50,000/- (Rupees Four Lakhs Fifty Thousand only) per annum from year 2010-11 onwards.

Part "B"

Provident Fund: Benefits as per the scheme of the Company.

Gratuity: Benefits in accordance with rules and regulations in force in the Company

Part "C"

Car: Provision of Company's car along with chauffeur, both for official and personal use of the Wholetime Director.

Mobile: Mobile bills will be reimbursed by the Company.

(c) OTHER BENEFITS

Leave: Leave with full pay and allowance in accordance with rules and regulations in the Company in force from time to time.

Leave encashment: In accordance with the rules and regulations in the Company in force from time to time, permitted at the end of the tenure.

Benefits under loan and other schemes in accordance with practices, rules and regulations in force in the Company for time to time. Such other benefits and amenities as may be provided by the Company from time to time to other officers and managers of the Company.

- II. Shri Shreerang Belgaonkar will be entitled to Performance Incentive of ₹ 3.50 lakhs as per Company's Performance Incentive Scheme for managers and managerial personnel for the year 2009-10.
- III. Board of Directors, including Committee(s) thereof may determine annual increment, effective from 1st April every year not exceeding 8% of Basic pay, House Rent Allowance and Education Allowance subject to the Schedule XIII limits and other applicable provisions of the Act.

(3) Job Profile and his suitability:

To manage the affairs of the Company under superintendence and control of Board of Directors.

Shri Shreerang Belgaonkar has rich experience and deep knowledge about Specialty Chemicals and has immensely contributed to the growth of the Company by his incisive and broad based knowledge of Specialty Chemicals industry.

(4) Remuneration proposed: As stated in the resolution.

(5) Comparative remuneration, profile with respect to industry, size of the company, profile of the position and persons

Shri Shreerang Belgaonkar has contributed immensely to the growth of the Company. The Remuneration Committee and Board after taking into account financial position, trend in the industry, his qualification and experience find the proposed remuneration to the Whole Time Director to be comparable to the remuneration profile with respect to Specialty Chemical Industry, size of our Company and the profile of the Whole Time Director.

(6) Pecuniary Relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any:

Shri Shreerang Belgaonkar jointly owns 0.19% stake in the Company as of date. He does not have any pecuniary relationship with the Company other than the remuneration drawn as a Whole Time Director of the Company. He is not related to any managerial persons in the Company.

III. OTHER INFORMATION

(1) Reasons of loss or inadequate profits:

There were number of increases in key Raw Material Prices and changes in landed costs, caused by adverse foreign exchange rates but the selling prices of finished products could not be raised without some time lag and thus there has been increased Raw Material Consumption cost. Similarly Power & Fuel cost increases were also material during the year, which could not be immediately transferred fully, to higher selling prices with internationally competitive markets.

In addition, the Company had to absorb higher interest cost to fund Capex and higher sales. As also, Company had to discharge its responsibility to pay off Interest free, Delayed Sales Tax deferrals, as per approved installment schedule, and this, in addition to current deferral dues.

(2) Steps taken or proposed to be taken for improvement:

Company has signed new extensions of sales arrangements, for increased sales, commissioned



increased capacity of production of THEIC & plans to strengthen its Anti-Oxidant range.

With higher production, Company expects to lower per unit production cost including economy in Oil & Fuel costs and achieve better economy of scale in general. Further, with higher use of Export credits, Company expects to have lower interest cost to sales ratio.

- (3) Expected increase in productivity and profits in measurable terms:

Company expects a growth in Specialty Chemicals tonnage because of increased capacity, and efficiency and reduced energy cost.

IV. DISCLOSURES

1. The remuneration package of the Managerial Person is as disclosed in the resolution.
2. The disclosures regarding remuneration package of the members of Board of Directors are also made in the section on "Corporate Governance Section" in the Annual Report.

In terms of the ceiling limits set out in Para B of Section II of Part II of Schedule XIII of the Companies Act, the approval of the members is sought for re-appointment and payment of remuneration to Shri Shreerang Belgaonkar through a Special Resolution.

The draft of the Agreement to be entered into by the Company with Shri Shreerang Belgaonkar is available for inspection by the members at the Registered Office of the Company between 11 A.M. and 1 P.M. on all days except Saturdays, Sundays and Public Holidays, till the conclusion of the ensuing General Meeting.

Your Directors recommend his appointment.

None of the Directors, except Shri Shreerang Belgaonkar, is in any way, concerned or interested in the proposed Special Resolution.

This Explanatory Statement together with accompanying Notice may also be regarded as an abstract of the terms of variation under Section 302 of the Companies Act, 1956.

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

Name: **Shri Ashok Datar**

Shri Ashok Datar (70) is B.A., M.A.(Economics) from Stanford University.

Shri Ashok Datar has over 30 years of Experience in Finance and Economics.

Shri Ashok Datar is a Director of the Company since 27th February, 1992. Shri Ashok Datar is due to retire by rotation at the forthcoming Annual General Meeting of the Company and being eligible, offers himself for re-appointment.

He does not hold any Directorship and Committee Membership of other Public Limited Companies, as at 31st March 2011.

He is holding 500 (0.07%) Equity Shares of Rs. 10/- each of the company.

Name: **Shri Manubhai Patel**

Shri Manubhai Patel (76) is a Commerce Graduate and a Fellow Member of Institute of Chartered Accountant of India as also a Graduate in Law.

Shri Manubhai Patel has more than four decades of experience in the field of accounts, finance and taxation. He was a member of the Central Council of the Institute of Chartered Accountants of India (ICAI), New Delhi from 1980 to 1988 and active member of various Standing and Non-Standing Committees of the ICAI. He was the President of Income Tax Appellate Tribunal Bar Association, Ahmedabad for the years 1997-98 to 2000-01 and was a Member of Central Direct Tax Advisory Committee of the Government of India, New Delhi for the years 1986-90.

The Board of Directors had appointed Mr. Manubhai Patel as an Additional Director of the Company, liable to retire by rotation with effect from 21st April 2005. Shri Manubhai Patel 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 2011 is as follows;

Company	Position	Committee membership
Apcotex Industries Ltd	Director	Audit Committee (Chairman) Remuneration Committee (Member) Investor Grievance Committee (Chairman)
Aeonian Investment Company Limited	Director	Audit Committee (Chairman)
Banco Products (India) Limited	Director	—
Gujarat State Financial Services Limited	Director	Audit Committee (Chairman) Investment Committee (Member)

He is presently Chairman of the Audit Committee of the Board of Directors of the Company.

He does not hold any Shares in the Company.

DIRECTORS' REPORT

Dear Shareholders,

Your Directors are pleased to submit their 24th Annual Report and Audited Accounts for the year ended 31st March, 2011 incorporating Management's Discussion and Analysis of performance of your Company:

A. OVERVIEW OF FINANCIAL RESULTS

Highlights of Company's performance during the financial year 2010-11, is as under:

(₹ in Lakhs)

		2010-2011	2009-2010
Gross Sales	₹	8479	6800
Net Sales	₹	7901	6450
Net Sale by Volume	MT	7230	6661
Other Income	₹	81	1
Total Income	₹	7982	6451
Less : Materials Consumed	₹	5539	4271
Employees Remuneration & Benefits	₹	327	272
Manufacturing, Administrative, Selling & Other Expenses	₹	1248	989
Total Expenses	₹	7114	5532
Operating Profit (EBITDA)	₹	868	919
Less: Interest	₹	410	355
Profit Before Tax & Depreciation (Cash Profit)	₹	458	564
Less: Depreciation	₹	193	181
Net Profit before Tax	₹	265	383
Less: Tax Provision	₹	105	78
Net Profit after Tax	₹	160	305

B. MANAGEMENT'S DISCUSSION AND ANALYSIS : F.Y. 2010-2011

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

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

II. Industry Structure & Development :-

Your Company manufactures process chemicals that are formulated to meet requirements of industries and are known as "Specialty Chemicals" (SC)

Specialty Chemicals manufactured by the Company find extensive use in diverse range of Industries such as Wire Insulation Enamel, PVC stabilizers, Inks, Colours, Coatings, Textiles, Agro-chemicals, Plastics, Rubber and Latex, Tyre and Tubes, Lubricant and additives, and many more.

Some of these SC 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, petrochemical complexes allocate EO to EOC industry. EO is non importable by sea /air on account of transportation hazards because of its characteristics of low boiling point and explosive nature. Therefore, EO needs to be transported at controlled temperatures and under Nitrogen pressure, in specially designed road tankers. EOC Industry therefore depends entirely on domestic EO availability and Prices.