SUNSHIELD
CHEMICALS LTD.

20TH ANNUAL REPORT
FOR THE YEAR ENDED ON 31ST MARCH 2007

SUNSHIELD
CHEMICALS LTD.

BOARD OF DIRECTORS

Shri Amit C. Choksey	*Chairman*
Shri Ashok R. Datar	
Shri Bipin V. Jhaveri	
Shri Kaushik C. Shanghvi	
Shri Manubhai G. Patel	
Shri Sandeep H. Junnarkar	
Shri Shreerang R. Belgaonkar	
Shri Satish M. Kelkar	Vice *Chairman and Managing Director*

COMPLIANCE OFFICER

Mr. Rajeev R. Gupte
Manager - Finance

REGISTERED OFFICE

"Yudhishthir", 1st floor, Ganesh Peth
Lane, Dadar (W), Mumbai - 400 028
Tel No.:2430 1454, 2430 1057, 2430 8261
Fax No.:2430 7094

AUDITORS

M/s. Tembey & Mhatre
Chartered Accountants

ADMINISTRATIVE OFFICE

N.K.M. International House, 178, Backbay
Reclamation, Babubhai Chinai Marg,
Mumbai - 400 020
Tel No.: 2283 8293, 2283 8294, 2283 8294
Fax No. : 2283 8291

BANKERS

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

FACTORY / R & D CENTRE

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

SOLICITORS

M/s. Junnarkar & Associates

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AMIT CHOKSEY GROUP COMPANY

SUNSHIELD
CHEMICALS LTD.

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

DIRECTORS' REPORT

Dear Shareholders,

Your Directors are pleased to submit their 20th Annual Report and Audited Accounts for the year ended 31st March, 2007 along with management's discussion & analysis of performance of your Company:

A) FINANCIAL RESULTS & REMARKS

Highlights of Company's operating performance during the financial year 06-07 is compared herein below with that of the financial year 05-06. For more detail please read Management Discussion and analysis report.

(Rs. In Lacs)

Sr. No.	Particulars	Previous.Year 31.03.2006	Current Year 31.03.2007		% Change over pre.Year
	1	2	3		4
1.	**Gross Sales including taxes, duties/ etc.**	**3,196**	**3,875**		**21%**
2.	a) Net Domestic Sales excluding taxes, duties,etc.	2,115	2,440	↑	15%
	b) Exports Sale	618	907		47%
	Net Total Sales excluding taxes, duties, etc.	**2,733**	**3,347**	↑	**22%**
3.	Production cost incl. Material Consump.	2,109	2,827		34%
4.	**Gross Margin (2-3)** **Gross Margin as % on Net Sales**	**624** **23%**	**520** **16%**	↑	**(17%)**
5.	Employee Cost	208	265		27%
6.	Other Administrative Costs	118	156	↑	32%
7.	Total Fixed costs Total Fixed Cost as % on Net Sales	326 12%	421 13%		29%
8.	**Operating Profit (PBIDAT) (4-7)**	**298**	**100**	↓	**(67%)**
9.	**Interest** **Interest Cost as % on Net Sates**	**116** **4%**	**263** **8%**		**118%**
10.	Other Income	1	18	↓	
11.	**Cash Profit / (Loss) (8-9=10)**	**183**	**(146)**		**(180%)**
12.	Depreciation	92	119	↓	
13.	Ammortisation	14	9		
14.	**Net Profit / (Loss) - PBT**	**78**	**(274)**	↓	**(248%)**

Dividend

In view of the carry forward losses the Board of Directors of your Company does not recommend payment of dividend for the year ending 31st March 07.

Action taken under Section 23(1) of Sick Industrial Companies (Special Provisions) Act, 1985 (ACT)

The Company continues to be potentially sick under Section 23(1) of the Act. The Company had carried out the necessary formalities required under the Act in the year 05-06. The Company is of the view that no fresh intimation to the concerned authorities needs to be given under the Act.

B) MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT:

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

Attention is invited to the Management discussion and Analysis Report incorporated in the Directors Report forming part of 18th & 19th Annual Reports. The Reports contained in detail the state of the Commodity Ethylene Oxide Condensate Business (EOC Business), which has continued during the year.

Industry Structure & Development :-

Your Company produces Ethylene Oxide (EO) based derivatives called Ethylene Oxide Condensates (EOC). For EOC industry, EO is a vital input. EO is a product manufactured by Petrochemical complexes manufacturing MEG - one of the key inputs of Polyester fiber. Major use of EO, is for captive consumption to manufacture MEG for Polyester fiber.

Based on the captive requirements and market conditions for MEG, petrochemical complexes allocate EO to EOC industry. Prices of EO for EOC industry in India, continued to rule high during the year under review. The industry however, could not fully absorb these increases and had to sacrifice its operating margins.

Further high crude oil prices continued during the year affecting adversely prices of other petrochemical feed stocks and down line products, required by EOC industry.

Against this, reduced import duties on EOC made imports of EOC more economical for the user industries.

Under the circumstances, the Company had no other alternative but to continue to shift its business to Niche Specialty Surfactants, Esters, Amides and a range of Antioxidants for diverse user industries like Lubricants, Plastics / Polymers, Rubber / Latex, Agro, Pesticides, Ink, Coatings, Resins etc.

Product-wise performances Value Vs Volume:

During the year, value and volume sales of the Company's products registered growth of 22.0% and 18.6% respectively, over these of the previous year.

Job Processing Income earned by the Company is from processing of WFC and certain specialty products and registered a negative growth of 36.5% in terms of quantity processed and 16.5% in terms of job income, over the previous year. Negative growth was due to build up of the stocks at the customer's end and stoppage of customers factory production in July, 05 for more than a year and restarting of operations post mid half of 2006, which adversely affected quantities of WFC available for processing.

Operating and Financial Performance of the Company during the year 06-07:-

(The Company is operating in only one Segment)

1. Domestic sales registered a growth of 15% and exports registered a growth of 47% during the year under review.
2. There was uncertainty in the business of one of the important products of the Company during the last nine months of the year with exports of the material registering lower growth than what was planned.
3. Cost of Material consumption was higher by about 4% than what was in the previous year. This was on account of price rise in raw materials which could not be passed on to the selling prices.
4. Due to lower growth and increased fixed overheads that could not be brought down in short period, operating margins came down sharply and resulted in a cash loss of over Rs.1.46 crore as compared to a cash profit of Rs.1.83 crore in the previous year.
5. Though in the early phase of the year, good export sales of the product referred to in 2 above could be registered, dispatches for the product were affected from July, 06 onwards
   a. On account of change of applicable Law in United States in respect of wood used for pallets in containers used for exporting the goods and
   b. Overstocking of the material at the Customer's end from alternate sources. Pressures of lesser demand continued till the end of the year.

   This resulted in the lower utilization of the newly created capacities and operating with disproportionately higher cost structures in terms of interest and other overheads.
6. Margins were severely affected and the operations resulted in cash loss as above.
7. Your Company had, during the financial year 2005-06, taken up project to increase production capacities of certain Specialty Chemicals to meet increased demand from overseas customers. The Company had also planned for backward integration for some of the input materials and to increase the production capacity for Antioxidants and Surfactant. To raise resources to implement the said plan, the Company also made a Right Issue of equity shares during the year 06-07 in the proportion of 1:1. The Company has however kept in abeyance backward integration in terms of setting up capacity for the manufacture of input material that goes in the manufacture of one of the key products.

8. During the year 06-07, your Company faced pressures on cash flow for repayment of term loans taken from the Banks etc. and Sales Tax deferrals of the State Government. This continued to bring pressure on its working capital.

Outlook

Export of the material referred to in Para 2 above, has resumed during the early part of the calendar year 2007. The Company hopes to register sizable exports in the current year.

More recently, Exports have started with increased vigor and new products have been added

The Company has on the other hand initiated certain cost cutting measures which will bring down certain costs.

Your Company will continue to face competition in the domestic and export markets as earlier, but being key producer in the country of the certain products, your Directors view the prospects with cautious optimism.

Risks and Concerns:

The Company transports its goods to customers in India and abroad through various modes including containers. Several problems like packaging being ruptured or containers not sealed or type of packing material etc may occur while the goods are in transit. Hence the Company may face a situation where a customer may desire to return goods already supplied fully or partly or may put up claims of reimbursement from the Company in respect of the cost that may have to be incurred by the Customer on account of transportation of the Company's goods back to the Company.

For reasons including obstruction that may be imposable or imposed by any Government / Statutory Authorities in India or abroad, the Company can face a demand, legally tenable or otherwise, from its customers in India or abroad. This may involve additional expenses towards the goods sold.

Globalization has increased import of low-cost input materials for manufacture of finished goods, into India. Simultaneously internally hiked, crude-based petroleum feed stock can squeeze margin of domestic sales considerably. Better infrastructure and lower transportation cost, outside India, on hydrocarbons, reduces profitability of some range of Company's products as foreign suppliers sometimes offer very low prices for their end products which compete with Company's products in India and abroad. Any reduction in price of the products of the Company may put a pressure on the margins.

During the year 2006-07 the Company has earned over 20% of its revenues in foreign currency. The export earnings as percentage to total domestic revenue is expected to rise further in future. Thus any fluctuation in the foreign exchange rates is likely to impact the profitability of the Company. Similarly the percentage of Company's import is low, as large quantity of input materials is procured locally and paid for in Rupees. Rupee is becoming stronger vis-à-vis Dollar. This may have adverse impact on the profitability.

European Union (EU) has, to ensure high level of human health & environment, prescribed "Registration, Evaluation, Authorization and Restriction of Chemicals (REACH), with Authorities there. The Company has provided to its clients in EU details required by them for pre-registration etc. If for any reason, the required registration is not made by the dates that may be prescribed by the concerned authorities in EU, the Company may not be able to export to EU countries after the said date till registration with them.

Though all installments of term loans of bankers along with interest due there on have been paid fully in time, there has been a default in payment of installment to Development Corporation of Konkan Ltd. (DCKL) of Rs.1,29,91,246/- towards sales tax deferral unsecured loan as mentioned in para 7(e) of the notes to accounts in Schedule 22. The Directors are hopeful to pay the installment in due course.

Rights Issue and utilization of the proceeds thereof

To meet its financial requirement, your Company made a rights issue of equity share in the proportion of 1:1 at the premium of Rs. 20 per equity share.

The details of the utilization of proceeds of Rights Issue is as under :-

Particulars	Actuals as on 31.03.07 (Rs. In Lacs)
Capital Expenditure	389
Redemption of Preference Shares	500
Funding of Additional Working capital Margin	167
Issue Expenses	47
TOTAL	1103

Internal Control System and their adequacy:

System of internal controls and checks appropriate for your Company's operations is in place. In addition Internal Audit is carried out periodically.

During the year under review no significant internal control issues were identified. The Audit Committee has initiated a study for reassessment of checks and controls and bring these closer to the operations.

Material developments in HR:

The existing agreement with respect to workmen at factory at village Rasal has expired on 31st March, 2007 and Company is confident that fresh agreement will be renegotiated peacefully in due course.

Employee relationship at all levels continued to be healthy. 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.)

DIRECTORS:

The Board of Directors at its meeting held on 30th Jan, 2007 reappointed Shri Satish M. kelkar as Managing Director on revised remuneration effective from 1st April, 2007 and confirmed on 29th May, 2007

Company's Head of Research and Development Shri S.R. Belgaonkar was appointed as Whole Time Director of the Company during the year.

In accordance with the provision of the Companies Act, 1956 read with Article 166 of the Articles of Association of the Company, Shri Kaushik C. Shanghvi and Shri Bipin V. Jhaveri, Directors of the Company, retire by rotation and being eligible, offer themselves, for re-appointment.

DIRECTOR'S RESPONSIBILITY STATEMENT:

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

(i) That in the preparation of the accounts for the financial year ended 31st March, 2007, 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 judgement 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, 2007 on `going concern' basis.

FIXED DEPOSITS

Your Company has not accepted any fixed deposits from general public and shareholders within the meaning of Section 58A of the Companies Act, 1956 and the Rules made thereunder.

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.

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 along with the Companies (Particulars of Employees) Rules, 1975.

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 the relevant data pertaining to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo are given in the prescribed format as Annexure to this Report.

CORPORATE GOVERNANCE REPORT:

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

ENVIRONMENT, HEALTH AND SAFETY:

Your Company has adopted a Health, Safety and Environment (HSE) Policy, which applies to all employees and activities. Sunshield strives to be a responsible corporate member of society committed to continuous improvement in HSE and to provide a healthy work environment for its employees. Your Company continuously strives to develop a culture, which encourages all employees to take personal responsibility for HSE.

APPRECIATION:

Your Directors also place on record their sincere appreciation of the wholehearted support extended by the Company's bankers, business associates, employee's 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

sd/-	sd/-
Satish Kelkar	**Amit Choksey**
Vice Chairman and Mg. Director	Chairman

Place: Mumbai
Date : 29th May, 2007

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, 2007.

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:

Efforts continue to further reduce the consumption of energy by optimizing batch sizes. The appropriate sizing of reactor/s along with the required balancing equipments have been installed / under installation.

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

(Rs. In Lakhs)

Particulars	Current Year Ended 31-03-2007	Previous Year Ended 31-03-2006
1 Electricity		
a) Purchased		
Units (KW/H)	6,49,278	5,12,540
Total Amount Rs.	36,29,273	23,70,040
Rate/ Unit (Rs.)	5.58	4.62
b) Own Generation	N.A.	N.A.
2 Coal	N.A.	N.A.
3 FO/ LDO/HHC/HSD		
Qty. (Ltr.)	4,89,639	4,05,336
Total Cost	1,28,80,252	98,80,428
Average Rate	26.30	24.38
4 Others/ internal generations	NIL	NIL

b) Consumption per unit of Production

Particulars	Current Year Ended 31-03-2007	Previous Year Ended 31-03-2006
Production Units (Mt.)	4,475.56	3,775.77
Electricity (Units)/Mt.	145.07	135.74
FO/LDO/HHC/HSD (Ltr.)/Mt.	109.40*	107.35 *

* On account of self generation of electricity through generator to meet gap between demand of electricity and supply from 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 Products 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 opportunity obtained.

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 alternate sources of raw materials.
- New business opportunity

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 and reduce material handling and improve its efficiency.

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

a)	Capital	NIL
b)	Recurring	50,894
c)	Total	50,894
d)	Total R & D Expenditure as percentage of turnover	0.02 %

Technology absorption, adaptation and innovation:

1. Efforts, in brief, made towards technology absorption, adaptation and innovation: N.A.
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	Not Applicable as no imported technology is put to use.
b)	Year of Import	
c)	Has the technology been fully absorbed ?	
d)	If not fully absorbed, areas where this has not taken place, reasons therefor, and future plans of action.	

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)

	Current Year Ended 31-03-2007	Previous Year Ended 31-03-2006
i) Total foreign exchange used	637.56	428.87
Ii) Total foreign exchange earned.	906.44	591.05

For and On Behalf of the Board of Directors

sd/-	sd/-
Satish Kelkar	**Amit Choksey**
Vice Chairman and Mg. Director	Chairman

Place: Mumbai
Date : 29th May, 2007

REPORT ON CORPORATE GOVERNANCE

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

1. Company Vision & Business principles

The Company's philosophy on Code of Governance:

The Company is committed to produce and deliver quality products and services that meet or exceed its customers' needs.

The Company is committed to adopt the best global practices in the area of Corporate Governance endeavors to ensure transparency in its operations to protect the interest of its shareholders. The Company will continuously strive to bring about improvement in productivity, cost effectiveness in its operations and quality improvements in its products, ensuring highest standards of safety for environment and employees.

2. Board of Directors and their attendance of the Meeting of the Board and Company.

Name of the Director & Designation	Promoter/ Executive/ Non-executive/ Independent	No. of Board Meetings attended	Attendance at the last AGM 22/05/2006	Directorships in other Companies Incorporated In India.	No. of other Board Committees of which member / Chairman
Shri Amit C. Choksey, Chairman	Promoter & Non-executive	5	Yes	14	1
Shri Ashok Datar, Director	Non-executive & Independent	4	No	2	5
Shri Manubhai G. Patel Director	Non-executive & Independent	4	Yes	3	7
Shri Sandeep Junnarkar, Director	Non-executive	3	No	10	9
Shri Satish Kelkar, Vice Chairman & Mg. Director	Promoter & Executive	5	Yes	2	1
Shri Bipin V. Jhaveri, Director	Non-executive & Independent	5	Yes	8	6
Shri Kaushik Shanghvi Director	Non-executive & Independent	4	Yes	5	2
Shri Shreerang Belgaonkar* Director	Executive	3	Yes**	0	0

* Appointed as Additional Director w.e.f. 24th July, 2007

** Present as a member of the Company.

None of the Directors on the Board holds the office of Director in more than 15 Companies or membership of Committees of the Board in more than 10 Committees or Chairmanship of more than 5 Committees of the Board across all Companies.

Board meetings held during the year

Five Board meetings were held during the year ended 31st March 2007 i.e on 4th April 2006, 22nd April, 2006, 24th July 2006, 31st October 2006, and 30th Jan 2007.

Details of Directors being appointed / re-appointed.

Shri Bipin Jhaveri and Shri Kaushik Shanghvi retire by rotation at the ensuing Annual General Meeting. Shri Bipin Jhaveri being eligible offers himself for re-appointment. Shri Kaushik Shanghvi also being eligible offers himself for re-appointment.