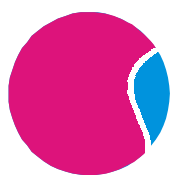


SUNSHIELD
CHEMICALS LIMITED

**25TH ANNUAL REPORT
FOR THE YEAR ENDED ON 31ST MARCH 2012**



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 & Advisor
Shrirang 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, Wave,
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, Near Famous Studio,
Mahalaxmi, Mumbai – 400 011.
Tel. 022-66568484 • Fax No. 022-66568494

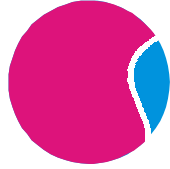
SOLICITORS

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

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**SUNSHIELD
CHEMICALS LIMITED**

Persons constituting Promoter group for the purpose of the Securities Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulation 2011.

- 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 Fifth Annual General Meeting of the Members of **Sunshield Chemicals Limited** will be held on **Tuesday, 7th August, 2012 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, 2012, 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 Satish M Kelkar, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri Dhiren P Mehta, 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, 309, 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to the approval of the Central Government if any, as may be necessary the Company hereby accords its approval for one-time special payment of ₹ 3,00,000/- (Rupees Three Lacs Only) to Shri Shrirang R Belgaonkar, Whole-time Director for meeting medical expenses incurred / to be incurred by him for treatment in India and / or aboard;

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.”

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

Amit Kumashi
Company Secretary

Mumbai, 11th May, 2012

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 / 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 **Tuesday, 31st July, 2012 to Tuesday, 7th August, 2012** (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.
8. 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 members. 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 their electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form should send letter requesting for registering/ changing their existing email ID bearing the signature of Sole/First shareholder to 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, Near Famous Studio, Mahalaxmi, Mumbai-400011.

ANNEXURE TO NOTICE

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

Item No. 5

Shri Shrirang Belgaonkar was reappointed as Wholetime Director of the Company effective from 24th July 2011 for a further period of three years by shareholders at their meeting held on 26th July 2011 on a remuneration not exceeding the limits laid down in sub-para (B) of Para 1 of Section II of Part II of Schedule XIII of the Companies Act, 1956 of the Companies Act, 1956.

The Board of Directors of the Company have at their meeting held on 11th May 2012, have, 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 make a one-time payment of ₹ 3,00,000/- to Shri Shrirang Belgaonkar for meeting medical expenses. Such payment made will be within the limits stipulated under the schedule XIII and any other provisions of the Companies Act, 1956.

Shri Shrirang 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.

As services of Shri Belgaonkar are very valuable for the Company, the Board of Directors deem it fit and proper that he be allowed payment of ₹ 3,00,000/- (Rupees Three Lacs only) of all medical expenses incurred by him.

None of the Directors, except Shri Shrirang 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.

The said payment requires the approval of members pursuant to Section 310 read with Schedule XIII of the Companies Act, 1956 and hence the Board recommend resolution for your approval.

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

Name: **Shri Satish Kelkar**

Shri Satish Kelkar (64) is a B.Sc. from Mumbai University and has Masters Degree in Management Studies (MMS). Shri 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.

Shri 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 Shri 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. Shri Satish Kelkar continues to be the Vice Chairman and Director of the Company and has been appointed Advisor with effect from October 1, 2007. Shri 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.

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

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

Name: **Shri Dhiren Mehta**

Shri Dhiren Mehta is a B.Com from Mumbai University, Fellow member of Institute of Chartered Accountant of India, Associate member of Institute of Company Secretaries of India and has Masters Degree in Financial Management (MFM) from Jamnalal Bajaj Institute of Management Studies.

Shri Dhiren Mehta is business executive with over 30 years experience in Finance, Accounts and General Management.

The Board of Directors had appointed Shri Dhiren Mehta as an Additional Director of the Company, liable to retire by rotation with effect from 29th January, 2008. Shri Dhiren Mehta 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 2012 is as follows;

COMPANY POSITION COMMITTEE

Company	Position	Committee membership
Aeonian Investments Company Limited	Director	Audit Committee (Member)
Cons Holdings Limited	Director	Nil
Resins and Plastics Limited	Director	Audit Committee (Member) Remuneration Committee (Member)
Sammelan Investments and Trading Limited	Director	Nil

He does not hold any Shares in the Company.

DIRECTORS' REPORT

Dear Shareholders,

Your Directors are pleased to submit their 25th Annual Report and Audited Accounts for the year ended 31st March, 2012, also 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 2011-12, is as under:

(₹ in Lacs)

	2011-2012	% to Net Sales	2010-2011	% to Net Sales	Change over Previous year
Gross Sales	10069	—	8492	—	19%
Net Sale by Volume (MT)	8062	—	7972	—	1%
Net Sales	9429	—	7914	—	19%
Other Income	93	—	65	—	
Total Income	9522	—	7979	—	19%
Less : Materials Consumed	6817	72%	5539	70%	23%
Employees Remuneration & Benefits	390	4%	327	4%	19%
Manufacturing, Administrative, Selling & Other Expenses	1458	15%	1247	16%	17%
Total Expenses	8665	19%	7112	20%	22%
Operating Profit (EBITDA)	857	9%	867	11%	(1%)
Less: Finance Cost	550	6%	410	5%	34%
Profit Before Tax & Depreciation (Cash Profit)	307	3%	457	6%	(33%)
Less: Depreciation	224	2%	193	2%	16%
Net Profit before Tax	83	—	264	—	(68%)
Less: Tax Provision					
Income Tax	(18)	—	(51)	—	
Deferred Tax	31	—	(54)	—	
Net Profit after Tax	97	—	159	—	(39%)

B. MANAGEMENT'S DISCUSSION AND ANALYSIS : F.Y. 2011-2012

(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. EO, therefore 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.



Besides, EOC based Specialty Chemicals; Company has also diversified into the manufacture of a range of Anti-Oxidants and certain other additives, which do not use EO. This range of products is also required by a diverse group of industries in the field of Lubricants, Additives, Plastics, Polymers, Rubber, Tyre, Resins and other industries.

The Company is presently catering to the requirements of both the ranges of SC, for large domestic Companies and prime MNCs operating in North and South America; Germany, France, Italy, Netherlands, Turkey etc. in Europe; and also in Asian markets like Korea, Taiwan, Malaysia, Japan etc.

III. Operating and Financial Performance of the Company

Sales / Pressures on Margins

(₹ in Lacs)

	F.Y. 2011-2012	F.Y. 2010-2011	Change over Previous year
i) Domestic	4902	4003	22%
ii) Exports	4969	4300	16%
iii) Other Processing Revenue	206	192	7%
Gross Sales	10069	8492	19%
Less: Excise Duty	640	578	
Net Sales	9429	7914	19%
Other Income	93	65	43%
Total Income	9522	7979	19%

	F.Y. 2011-2012	F.Y. 2010-2011	Change over Previous year
Volume Sales (MT)	8062	7972	1%
Net Sales Value (₹)	9429	7914	19%
Average Product Price (₹ per kg)	117	99	18%

1. During the year, Sales by Volume went up by 1% from 7972 Mt to 8062 Mt. the sales in Value terms went up by 19%. The growth was contributed by increase in average selling price of its products from ₹ 99 per kg to ₹ 117 per kg. This increase in average selling price was caused on account of steep increase in landed cost of imported input materials as also adverse foreign exchange rates.

Value of the Materials consumed as percentage of net sales increased by 2%.

- The Company could not increase selling prices of its key products for sales in the export markets to the extent of increase in the costs of input materials, partly due to earlier commitments and partly due to increase in competition from Chinese manufactures.
- In addition, one of its foreign customers slowed down its offtake from the Company of a product with good margin for major part of the year. Export of the product has restarted in the current year.
- Profit Margins were, therefore under pressure.
- EBIDTA stood at ₹ 8.57 crores in the year 2011-12 against EBIDTA of ₹ 8.67 crores in the previous year, a drop of 2% as percentage to Net Sales.
- There was a steep increase in Finance Cost to the extent of 34%. Cash profit (Profit before Tax & Depreciation) came down from ₹ 4.57 crores in the year. 2010-11 to ₹ 3.07 crores in the year 2011-12.

IV. Outlook

Your Company is already recognized globally, as a reliable supplier of quality Specialty Chemicals, for a variety of end use applications. Company is reasonably optimistic to improve its performance in the current year.

This outlook is on account of sustained sales to globally renowned customers and acceptance of Antioxidants of



V. Risks and Concerns:

- i. Slow down in world economies, coupled with weakening of rupee, will bring severe pressure on cost of input materials including those based on Naphtha / Crude, which will translate into pressure on profit margins during the current year.
- ii. Uncertainties in global economies may affect demand, from some of the overseas customers.
- iii. During the year, the Company converted a part of its long term rupee borrowings into FCNR(B) borrowings for achieving interest cost reduction. Volatility of \$:₹ exchange rate may nullify the benefit that would have accrued in interest costs.

VI. Internal Control System and its adequacy:

During the year, no significant internal control issue was identified. Internal checks and controls appropriate to growing size of Company's business, are being introduced. An independent firm of Chartered Accountants is entrusted with the Internal Audit of the Company.

VII. Human Resources:

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

D. DIRECTORS

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

E. 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, 2012, 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, 2012 on a 'going concern' basis.

F. FIXED DEPOSITS

During the year, the Company has accepted fixed deposits. Fixed deposits from Public and the shareholders stood at ₹ 110 Lakhs at the end of the year. There has been no default in payment of interest on or repayment of these deposits.

G. AUDITORS

M/s. Tembe & 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.

H. 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.

I. 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.

J. 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.

K. 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.

L. 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

Shrirang Belgaonkar
Wholetime Director

Mumbai, 11th May, 2012

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, 2012.

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) Independent electrical metering and connected load
- ii) Substitution of use of electricity to the extent possible by steam
- iii) Co-ordination to optimize batch schedule & iv) Use of wood and briquette as fuel.

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.

As the production tonnage will go up with improved utilization of capacity of newly installed Boiler as also specialty chemicals tonnages. This will reduce effective cost of oil and fuel per kg of products.

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	2011-12	2010-11
1 Electricity		
a) Purchased:		
Units (KWH)	23,06,632	17,83,551
Total Amount ₹	1,44,17,749	99,49,430
Average Rate/ Unit (₹ /KWH)	6.25	5.58
Average cost of purchased electricity consumed per unit of production ₹ / MT	1845.26	1318.82

b) Own Generation:		
FO/LDO/HSD consumed (Ltr.)	1,86,349	1,79,000
Total Cost ₹	82,19,345	65,14,605
Average Rate (₹ / Ltr.)	44.11	36.39
Average cost of own generation electricity consumed per unit of production ₹ / MT	1051.95	863.52
2 Coal	NIL	NIL
3 Others/ Internal generations		
a) Briquette Consumed (MT)	1309.91	886.689
Total Cost ₹	72,53,935	41,92,542
Average Rate of Briquette (₹/ MT)	5537.74	4728.31
Average Briquette Consumed per unit of production	0.168	0.117
Average cost of Briquette consumed per unit of production ₹/ MT	928.39	555.73
b) Firewood Consumed (MT)	3634.00	3189.213
Total Cost ₹	1,02,75,545	91,26,075
Average Rate of Firewood (₹/ MT)	2827.79	2861.54
Average Firewood Consumed per unit of production	0.465	0.423
Average cost of Firewood consumed per unit of production ₹ / MT	1315.12	1209.68

b) Consumption per unit of Production

Particulars	2011-12	2010-11
Production Units (Mt.)	7813.12	7544.21
Electricity (Units/Mt.)	295.23	236.41
FO/LDO/HSD (Ltr. /Mt).	23.85	23.73
Briquette (Mt/Mt)	0.168	0.117
Firewood (Mt/Mt)	0.465	0.423
Total Cost of Power and Fuel ₹	401.67	297.83
Average Rate of Power and Fuel Consumption per MT of Production	5140.72	3947.75