

**CORPORATE INFORMATION**

**BOARD OF DIRECTORS**

Shri Kandarp K. Amin  
Smt. Archana K. Amin  
Shri Bhupen Mehta  
Shri Haresh Shah  
Shri Dipesh Kotak  
Shri Sanjay Kothari

**BANKERS**

Union Bank of India  
Ellisbridge Branch  
Ashram Road,  
Ahmedabad - 380 014.

**AUDITORS**

G. K. Choksi & Co.  
Ahmedabad

**REGISTERED OFFICE**

Plot No. 25/9/A,  
Phase-III, G.I.D.C.,  
Naroda, Ahmedabad 382 330.

**WORKS**

Plot No. 25/9/A,  
Phase-III, G.I.D.C.,  
Naroda, Ahmedabad 382 330.

Plot No. B/18,  
Phase-II, G.I.D.C.,  
Naroda, Ahmedabad 382 330.

**NOTICE**

NOTICE is hereby given that the Annual General Meeting of the members of the Company will be held on Friday, 2nd September, 2011 at 10.30 a.m. at the Registered Office of the Company at Plot No. 25/9/A, Phase III, G.I.D.C. Naroda, Ahmedabad - 382 330, to transact the following business:

**ORDINARY BUSINESS**

- (1) To receive, consider and adopt the audited Balance Sheet as at 31st March, 2011 and Profit and Loss Account for the year ended on that day together with the Directors' Report and the Auditors' Report thereon.
- (2) To appoint a Director in place of Shri Bhupendra Mehta who retires by rotation and being eligible, offers himself for re-appointment.
- (3) To appoint a Director in place of Shri Haresh Shah who retires by rotation and being eligible, offers himself for re-appointment.
- (4) To appoint Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

**SPECIAL BUSINESS**

- (5) To consider and, if thought fit, to pass with or without modification(s), the following resolution as an **ORDINARY RESOLUTION**:

**"RESOLVED THAT** Shri Sanjay Kothari, who was appointed as an Additional Director of the Company and who holds office up to the date of the ensuing Annual General Meeting, be and is hereby appointed as a Director of the Company."

- (6) 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 the section 314 and other applicable provisions, if any, of the Companies Act, 1956, (including any amendment and/or re-enactment thereof), consent of the Company be and is hereby accorded for revision in remuneration payable to Shri Archit K. Amin, Chief Executive of the Company, who is son of Shri Kandarp K. Amin and Smt. Archana K. Amin, Whole-time Directors of the Company, with effect from 1st April, 2011 as under:

Salary:

Rs. 75,000/- per month plus other amenities and facilities applicable to other senior executives of the Company with an authority to Board of Directors to change his terms of appointment including designation. Annual increment up to Rs. 15000/- per month and first annual increment shall fall due on 01-04-2012"

- (7) 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 the section 314 and other applicable provisions, if any, of the Companies Act, 1956 including any statutory modification and re-enactment thereof, the Directors' Relative (office or place of profit) Rule, 2003 consent of the Company be and is hereby accorded for the appointment of Smt. Shimoli A. Amin, relative of Whole-Time Directors of the Company as Manager- Export and Finance w.e.f. 1st April, 2011 on the following terms & conditions:

**Remuneration :**

- (1) Total remuneration of Rupees 20,000/- per month and annual increment of an amount not exceeding Rs. 10,000/- per month as may be decided by Board of Directors of the Company from time to time subject to limit of Section 314 of the Companies Act, 1956.
- (2) other amenities and facilities as may be available to other senior employees of the Company.

**RESOLVED FURTHER THAT** any Director of the Company be and is hereby authorized to take appropriate action in this regard."

- (8) 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 the section 314 and other applicable provisions, if any, of the Companies Act, 1956 including any statutory modification and re-enactment thereof, the Directors' Relative (office or place of profit) Rule, 2003 consent of the Company be and is hereby accorded for the appointment of Shri Suchit K. Amin, who is son of Shri Kandarp K. Amin and Smt. Archana K. Amin, Whole-time Directors of the Company as Sales Executive w.e.f. 1st April, 2011 on the following terms & conditions:

**Remuneration :**

- (1) Total remuneration of Rupees 25,000/- per month and annual increment of an amount not exceeding Rs. 10,000/- per month as may be decided by Board of Directors of the Company from time to time subject to limit of Section 314 of the Companies Act, 1956.
- (2) other amenities and facilities as may be available to other senior employees of the Company.

**RESOLVED FURTHER THAT** any Director of the Company be and is hereby authorized to take appropriate action in this regard."

- (9) To consider and, if thought fit, to pass with or without modification(s), the following resolution as an **ORDINARY RESOLUTION**:

**RESOLVED THAT** pursuant to provisions of sections 198, 269, 309, 310,311, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any amendment and /or re-enactment thereof), the terms and conditions of the remuneration payable to Shri. Kandarp K. Amin, Whole-time Director be and is hereby revised with effect from 01-04-2011 as under:

**(A) Salary :**

Rs. 75,000/- per month with annual increment of maximum up to Rs. 25,000/ per month, subject to ceiling of the managerial remuneration for each year. The first annual increment will fall due on 01-04-2012 "

**"RESOLVED FURTHER THAT** all other terms and conditions of earlier appointment remains unchanged."

**"RESOLVED FURTHER THAT** in the event of inadequacy or absence of profits in any financial year, aforesaid Director is paid the above remuneration and benefits as the minimum remuneration subject to the ceiling as prescribed in Schedule XIII of the Companies Act, 1956."

**"RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorised to take all necessary and ancillary steps to give effect to this resolution."

- (10) To consider and, if thought fit, to pass with or without modification(s), the following resolution as an **ORDINARY RESOLUTION**:

**"RESOLVED THAT** pursuant to provisions of sections 198, 269, 309, 310,311, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any amendment and /or re-enactment thereof), the terms and conditions of the remuneration payable to Smt. Archana K. Amin, Whole-time Director be and is hereby revised with effect from 01-04-2011 as under:

**(A) Salary :**

Rs. 1,00,000/- per month with annual increment of maximum up to Rs. 25,000/- per month, subject to ceiling of the managerial remuneration for each year. The first annual increment will fall due on 01-04-2012 "

**"RESOLVED FURTHER THAT** all other terms and conditions of earlier appointment remains unchanged."

**"RESOLVED FURTHER THAT** in the event of inadequacy or absence of profits in any financial year, aforesaid Director be paid the above remuneration and benefits as the minimum remuneration subject to the ceiling as prescribed in Schedule XIII of the Companies Act, 1956."

**"RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorised to take all necessary and ancillary steps to give effect to this resolution."

**NOTES:**

- 1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND A PROXY NEED NOT BE A MEMBER.** Proxies in order to be valid must be delivered at the Registered Office of the Company not later than 48 hours before the commencement of the meeting.
- 2. Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of special business is annexed hereto**
- 3. Members are requested to notify the changes, if any, in their registered address.**
- 4. The Register of Members and Share Transfer Book of the Company shall remain closed from Monday, 29th August, 2011 to Friday, 2nd September, 2011 (both days inclusive) for the purpose of Annual General Meeting.**
- 5. Members are requested to bring their copy of Annual Report to the meeting.**
- 6. Members desiring to seek information on Annual Accounts to be explained at the meeting are requested to send their queries at least ten days before the date of the meeting so that the information can be made available at the meeting.**
- 7. Information required to be furnished under the Listing Agreement, as required under the Listing Agreement with the Stock Exchanges, the particulars of Directors who are proposed to be appointed, are given below:**

- I. Name : Shri Bhupendra V. Mehta**  
**Date of Birth : 31 – 07 -1957**  
**Qualification : B. Sc.**  
**Expertise : In marketing field**
- II. Name : Shri Hareesh K. Shah**  
**Date of Birth : 11 – 12 -1959**  
**Qualification : B. Com.**  
**Expertise : In Accounts, Finance related matters**
- III. Name : Shri Sanjay Kothari**  
**Date of Birth : 07-03-1963**  
**Qualification : B.A., L.L.B**  
**Expertise : In Legal Matters**

**By Order Of The Board  
For Shri Chlochem Limited.**

**Place : Registered Office**  
**Plot No. 25/9/A, Phase III,**  
**G.I.D.C. Naroda, Ahmedabad - 382 330**  
**Date : 20th May, 2011**

**(Kandarp K. Amin)**  
**Chairman**

**EXPLANATORY STATEMENT**

PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

**For Item No. 5**

Shri Sanjay Kothari has been appointed as an additional Director of the Company with effect from 1st April, 2011, under section 260 of the Companies Act, 1956. As per the provisions of the said section he will hold office up to the date of ensuing Annual General Meeting. Company has received a notice in writing pursuant to the provisions of Section 257 of the Companies Act, 1956, from a member signifying his intention to propose Shri Sanjay Kothari as a candidate for the office of Director;

The Board considered it desirable that the Company should continue to avail his services and hence recommends his appointment as a Director of the Company.

None of the directors except Shri Sanjay Kothari may be deemed to be concerned or interested in the proposed resolution.

**For Item No. 6**

This item relates to revision of remuneration of Shri Archit Amin, being relative of Shri Kandarp K. Amin and Smt. Archana K. Amin, Whole-time Directors of the Company.

Shri Archit K. Amin has done his chemical engineering. He also holds M.S. Degree in Bio Chemicals Engineering from University of Pennsylvania, USA. The Board of Directors are of view that salary payable to him should be commensurate with his experience, qualification, responsibility, expertise etc. Considering increased in responsibilities and experience, the Board has decided to revise his remuneration as sated in the proposed resolution.

Approval of shareholders by way of Special resolution is required as per the provisions of section 314 of the Companies Act, 1956 and hence necessary resolution has been proposed for approval of members.

Your Directors recommend the resolution as embodied in the notice to be passed with or without modification as Special resolution.

Shri Kandarp K. Amin and Smt. Archana K. Amin, being relatives are deemed to be concerned or interested in the proposed resolution.

**For Item No. 7**

This item relates to approval for the appointment of Smt. Shimoli A. Amin, relative of Whole-Time Directors of the Company as Manager- Export and Finance of the company.

Considering necessity to have some qualified person to look after export and finance operations of the Company, the board has appointed Smt. Shimoli A. Amin as Manager- Export and Finance subject to approval of members on remuneration as contained in the resolution. The remuneration approved by the Board is in commensurate with her qualifications and experience.

Since she being relative of whole-time Directors, approval of members by way of Special resolution is required as per the provisions of section 314 of the Companies Act, 1956 and hence necessary resolution has been proposed for approval of members.

Your Directors recommend passing of the proposed resolution.

Shri Kandarp Amin and Smt. Archana K. Amin, Whole – Time Directors of the Company are concerned or interested in the proposed resolution.

**For Item No. 8**

This item relates to approval for the appointment of Shri Suchit K. Amin, son of Shri Kandarp K. Amin and Smt. Archana K. Amin, Whole-time Directors of the Company as Sales Executive of the company.

## **Annual Report 2010-2011**

Considering necessity to manage sales operations of the company, the board has appointed Shri Suchit K. Amin as Sales Executive subject to approval of members on remuneration as contained in the resolution. The remuneration approved by the Board is in commensurate with his qualifications and experience.

Since he being relative of whole-time Directors, approval of members by way of Special resolution is required as per the provisions of section 314 of the Companies Act, 1956 and hence necessary resolution has been proposed for approval of members.

Your Directors recommend passing of the proposed resolution.

Shri Kandarp Amin and Smt. Archana K. Amin, Whole – Time Directors of the Company are concerned or interested in the proposed resolution.

### **For Item No. 9**

This item relates to the revision of the remuneration payable to Shri. Kandarp K. Amin, Whole-time Director of the Company.

The Directors are of the view that the remuneration payable to him should be commensurate with his experience, responsibility, expertise, ability etc. Considering increased responsibilities and experience, the Board has decided to revise his remuneration as stated in the proposed resolution. Remuneration committee has also recommended the revision in remuneration payable to him.

Pursuant to the provisions of section 198, 269 and Sch –XIII of the companies Act, 1956, approval of members of the company is required by way of ordinary resolution and hence necessary resolution has been proposed. Your Directors hereby declare that Company has not made any default in repayment of any of its debts.

Your Directors recommend the resolution as embodied in the notice to be passed with or without modifications as an Ordinary Resolution.

Shri. Kandarp K. Amin himself, and Smt. Archana K. Amin being relative, are deemed to be concerned or interested in the proposed resolution.

### **For Item No. 10**

This item relates to the revision of the remuneration payable to Smt. Archana K. Amin, Whole-time Director of the Company.

The Directors are of the view that the remuneration payable to her should be commensurate with her experience, responsibility, expertise, ability etc. Considering increased responsibilities and experience, the Board has decided to revise her remuneration as stated in the proposed resolution. Remuneration committee has also recommended the revision in remuneration payable to her.

Pursuant to the provisions of section 198, 269 and Sch –XIII of the companies Act, 1956, approval of members of the company is required by way of ordinary resolution and hence necessary resolution has been proposed. Your Directors hereby declare that Company has not made any default in repayment of any of its debts.

Your Directors recommend the resolution as embodied in the notice to be passed with or without modifications as an Ordinary Resolution.

Smt. Archana K. Amin herself and Shri Kandarp K. Amin being relative is deemed to be concerned or Interested in the proposed resolution.

By Order Of The Board  
For Shri Chlochem Limited.

Place : Registered Office  
Plot No. 25/9/A, Phase III,  
G.I.D.C. Naroda, Ahmedabad - 382 330  
Date : 20th May, 2011

(Kandarp K. Amin)  
Chairman

**DIRECTORS' REPORT**

To,

The Members.

Your Directors present the Annual Report together with the audited Statement of Accounts for the year ended 31st March 2011.

**FINANCIAL RESULTS :**

The operating results of the Company for the year ended 31st March 2011 are briefly indicated below:

	Year 2010-2011	(Rs.) Year 2009-2010
Profit / (loss) Before Depreciation and Taxation	85,86,564	82,25,047
Depreciation	37,00,331	17,10,135
<b>Profit / (Loss) before Taxation</b>	<b>48,86,233</b>	<b>65,14,912</b>
Provision for taxation - For Current Tax	10,20,000	20,00,000
Provision for taxation - For Deferred Tax	7,23,170	13,22,370
Provision for taxation - Frieng Benefit Tax	NIL	NIL
<b>Profit / (Loss) after Taxation</b>	<b>31,43,063</b>	<b>31,92,542</b>
Prior period adjustments	NIL	(7,73,939)
<b>Profit / (Loss) after tax and prior period adjustments</b>	<b>31,43,063</b>	<b>24,18,603</b>
Balance brought forward from previous year	(41,09,581)	(65,28,184)
<b>Profit / (Loss) carried to the balance sheet</b>	<b>(9,66,518)</b>	<b>(41,09,581)</b>

**DIVIDEND**

In view of carried forward losses, your directors do not recommend any payment of dividend for the financial year.

**PERFORMANCE OF THE COMPANY & FUTURE PROSPECTS**

During the year under review, the Company has achieved sales of Rs. 4236.01 lacs (Previous year sales of Rs. 837.14 lacs). Further details are given in management discussions and analysis report.

**DEPOSITS**

The Company has not accepted any deposits with in the meaning of Section 58 A of the Companies Act, 1956.

**DIRECTORS**

After the close of the year, Shri Sanjay Kothari has been appointed as an additional Director of the Company. Necessary resolution has been proposed at the Annual General meeting for his

## **Annual Report 2010-2011**

---

appointment as a Director of the company. Your Directors recommends his appointment as a Director of the Company.

Shri Bhupendra Mehta and Shri Haresh Shah, Directors of the Company are retiring by rotation and being eligible, offer themselves for re-appointment.

### **CORPORATE GOVERNANCE REPORT**

Your Company has complied with the Corporate Governance practice mandated by Clause 49 of the Listing Agreement. A report on the same is given separately.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to Section 217 (2AA) of the Companies Act, the Directors Confirm that:

- 1) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- 2) appropriate accounting policies have been selected and applied consistently and judgments and estimates made that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- 3) proper and sufficient care has been taken for the maintenance of adequate accounting records, in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- 4) the accounts have been prepared on going concern basis.

### **INSURANCE**

The Company has taken adequate insurance to cover its assets.

### **LISTING**

The Company's Securities are listed with the Stock Exchanges at Ahmedabad and Mumbai. The Company has paid the listing fees for the year 2011-2012 to both the Stock Exchanges.

### **EMPLOYEES**

As there are no employees drawing remuneration more than the limit prescribed under Section 217(2A) of the Companies Act, 1956, and the Companies (Particulars of Employees) Rules, 1975, as amended, from time to time, statement under section 217(2A) is not required.

### **AUDITORS' OBSERVATIONS:-**

With regard to the observation of auditors regarding:-

1. non provision of the option loss, the management is of the opinion that the said liability of contingent nature and for the same, legal matter is pending at DRT Mumbai. In view of the same provision has not been made for the option loss and interest thereon.
2. The Company is yet to initiate the process of obtaining confirmation from suppliers who have registered themselves under Micro, Small and Medium Enterprises Development Act, 2006. In the absence of relevant information, the balance due to micro, small and medium enterprises and interest paid and payable under MSMED Act, 2006 could not be complied with and disclosed.

3. The Company is in process of preparing / compiling the records of Fixed Assets including the quantitative and situation of fixed assets. Once the records have been compiled, the management would verify the fixed assets physically.

**AUDITORS:**

The Company's Auditors M/s. G. K. Choksi & Co., Chartered Accountants, will retire at the ensuing Annual General Meeting but being eligible offers themselves for re-appointment. The Members are requested to appoint auditors for the current year and fix remuneration.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:**

Particulars to be given in respect of the above activity under the Companies (Disclosure of Particulars in report of Directors) Rules, 1988 is given in the Annexure to this report.

**ACKNOWLEDGEMENT:**

The Board is thankful to its bankers for their continued support and assistance, which has played important role in progress of the Company.

Your Directors places on records the contribution of employees of the Company at all levels and other business associates for their commitment, dedication and respective contribution to the Company's operations during the year under review.

For and on behalf of the Board  
For Shri Chlochem Limited.

Place : Registered Office  
Plot No. 25/9/A, Phase III,  
G.I.D.C. Naroda, Ahmedabad - 382 330  
Date : 20th May, 2011

(Kandarp K. Amin)  
Chairman

**ANNEXURE TO THE DIRECTORS' REPORT****PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.****(A) Conservation of energy:****a) Energy conservation measures are taken:**

The Company has taken measures and applied strict control system to monitor day to day power consumption, to endeavor to ensure the optimal use of energy with minimum extent possible wastage as far as possible. The day to day consumption is monitored and various ways and means are adopted to reduce the power consumption in an effort to save energy. The office area is designed in such a way that during day time not much artificial lighting is necessary in the office.

**b) Additional investment and proposals, if any, being implemented for reduction of consumption of energy and other raw materials.**

Company is continuously monitoring and making effort for optimum utilization of equipments which ensures to conserve energy during routine operations itself. There is no specific investment plan for energy conservation.

**c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.**

Impact of the measures mentioned here in above in point (a) and (b) certainly reduces the energy consumption and consequent impact on the cost of production of services.

**d) Total energy consumption and energy consumption per unit of production as per Form A of the Annexure:****FORM A****FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY****A. POWER & FUEL CONSUMPTION**

	<u>Current year</u>	<u>Previous year</u>
1. Electricity		
a) Purchase Units KWH (in lacs)	8.37	2.64
Total amount (Rs. in Lacs)	46.02	14.05
Rate/Unit (Rs. per KWH)	5.50	5.32
b) Own Generation :		
Units (in lacs)	N.A.	N.A.
Total amount (Rs. in lacs)	N.A.	N.A.
Rate/Unit (Rs.)	N.A.	N.A.
2. Coal & Lignite	N.A.	N.A.
3. Furnace Oil	N.A.	N.A.
4. Other (integral generation)	N.A.	N.A.

**B. Consumption per unit of production**

	<u>Standards (if any)</u>	<u>Current year</u>	<u>Previous year</u>
		1	2
Products (with details) unit	—	—	—
Electricity	—	0.87	0.70
Furnace oil	—	—	—
Coal (specify quality)	—	—	—
Other (specify)	—	—	—

**(B) Technology Absorption:**

The efforts made in technology absorption are mentioned below in Form-B

**FORM – B**

Form for disclosure of particulars with respect to absorption

**RESEARCH AND DEVELOPMENT (R & D):****1. Specific areas in which (R & D) carried out by the Company.**

Company is continuously carrying out R & D activities in the areas of new product/process development, improvement in existing process.

These efforts have resulted in improvement in production process, better quality, stability and bio invisibility.

**2. Benefits derived as a result of the above R & D.**

Production processes have improved resulting in better productivity

**3. Future plan of action.**

The Company has nothing to report under this clause

**4. Details of R & D Expenditure.**

Expenditure charged to respective primary heads of accounts

**TECHNOLOGY ABSORPTION, ADAPTION AND INNOVATION.****1. Efforts, in brief, made towards technology absorption, adaptation and innovation.-:**

Company has always been making best effort towards technology absorption, adaptation and innovation to improve the quality.

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

It improves the quality of company's products being manufactured and reduces the cost of production.

**3. Details of Technology imported (during the last 5 years).**

- a. Technology imported : N.A.
- b. Year of import : N.A.
- c. Has technology been fully absorbed? : N.A.
- d. If not absorbed, areas where this has not taken place, reasons there for and future plan of action : N.A.

**FOREIGN EXCHANGE EARNINGS AND OUTGO:****1. Activities relating to exports:**

The company is concentrating on continuous quality and product improvement.

The company is also planning to increase its presence in the global market and also to explore new market and also to explore new market for its activities.

**2. Total foreign exchange used and earned.**

	<u>Current year</u>	<u>Previous year</u>
Earnings :	<b>Rs. 1,508.75 lacs</b>	Rs. 450.36 lacs
Out go :	<b>Rs. 14.10 lacs</b>	Rs. 4.54 lacs

For and on behalf of the Board  
For Shri Chlochem Limited.

Place: Registered Office

Plot No. 25/9/A, Phase III,

G.I.D.C. Naroda, Ahmedabad - 382 330

Date : 20th May, 2011

(Kandarp K. Amin)

Chairman

**SECRETARIAL COMPLIANCE CERTIFICATE**

To,  
The Members,  
**SHRI CHLOCHEM LIMITED.**  
Plot No. 25/9-A, Phase-III,  
GIDC Naroda,  
Ahmedabad - 382 330.

We have examined the registers, records, books and papers of SHRI CHLOCHEM LIMITED, (the Company) as required to be maintained under the Companies Act, 1956 (the Act), and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the year ended 31-03-2011. In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the Company, its officers and agents and to the best of our knowledge and belief, we certify that in respect of the aforesaid financial year :

1. The Company has kept and maintained all registers as stated in Annexure "A" to this certificate, as per the provisions of the Act, and the rules made thereunder and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in Annexure "B" to this certificate, with the Registrar of Companies, Gujarat.
3. The Company, being a Public Limited Company and has minimum prescribed share capital and comments on the maximum number of members during the year under review is not required.
4. The Board of Directors duly met 9 times on (1) 17-04-2010 (2) 30-05-2010 (3) 31-05-2010 (4) 17-07-2010 (5) 14-08-2010 (6) 23-09-2010 (7) 06-11-2010 (8) 30-11-2010 and (9) 14-02-2011 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.

The Audit Committee duly met on (1) 30-05-2010 (2) 14-08-2010 (3) 06-11-2010 and (4) 14-02-2011 in respect of which meeting proper notice was given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.

5. The Company closed its Register of Members from 27-09-2010 to 30-09-2010 and necessary compliance of section 154 of the Act has been made during the year under review.
6. The Annual General Meeting for the financial year ended on 31-03-2010 was held on 30-09-2010 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
7. No Extra Ordinary General Meeting was held during the year under review.
8. The Company has not advanced any loans to its Directors or persons or firms or Companies referred to under section 295 of the Act during the year under review.
9. The Company has complied with the provision of section 297 of the Act in respect of contracts specified in that section.
10. The Company has made necessary entries in the register maintained under section 301 of the Act.

11. There were no instances falling within the purview of section 314 of the Act, the company has not obtained any approvals from the Board of Directors, Members or Central Government, during the year under review.
12. The Company has not issued any duplicate share certificate during the year under review.
13. During the year under review :
  - (i) the Company has delivered all the certificates on lodgment there of for transfer /transmission of shares in accordance with the provisions of the Act and there was no allotment of Shares or securities.
  - (ii) the Company has not deposited any amount in a in separate Bank Account as no dividend was declared.
  - (iii) the Company was not required to post warrants to any members of the Company as no dividend was declared.
  - (iv) the Company has not transferred any amounts in unpaid dividend account, application money due for refund, matured deposits, matured debentures and interest accrued thereon, which have remained unclaimed or unpaid for a period of seven years to Investor Education and Protection Fund as there were no amounts outstanding;
  - (v) the Company has duly complied with the requirements of section 217 of the Act.
14. The Board of Directors of the Company is duly constituted. There was no appointment of Additional Directors, Alternate Directors and Directors to fill casual vacancy during the year under review.
15. The Company's Paid-up Share Capital being less than the prescribed limit of Rs. 5 Crores, it is not required to appoint any Managing Director / Whole – time Director / Manager and accordingly provisions of Section 269 of the Act, are not applicable.
16. The Company has not appointed any sole-selling agents during the year under review.
17. The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar and / or such authorities prescribed under the various provisions of the Act, during the year under review.
18. The Directors have disclosed their interest in other firms / Companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.
19. The Company has not issued any shares, debentures or other securities during the year under review.
20. The Company has not bought back any shares during the year under review.
21. As there were no preference shares or debentures issued, there was no redemption of preference shares or debentures during the year under review.
22. There were no transactions necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. The Company has not invited / accepted any deposits including any unsecured loans falling within the purview of Section 58A of the Act during the year under review.

**Annual Report 2010-2011**

---

24. The amounts borrowed by the Company from financial institutions / banks, during the period under review are within the borrowing limits of the Company and that necessary resolution as per section 293(1)(d) of the Act has been passed on 30-12-2009 in duly convened Annual General meeting.
25. The Company has not made any loans or advances or given guarantees or provided securities to other bodies corporate during the year under review and consequently no entries have been made in the register kept for the purpose.
26. The Company has not altered the provisions of the Memorandum with respect to situation of the Company's registered office from one state to another during the year under review.
27. The Company has not altered the provisions of the Memorandum with respect to the objects of the Company during the year under review.
28. The Company has not altered the provisions of the Memorandum with respect to name of the Company during the year under review.
29. The Company has not altered the provisions of the Memorandum with respect to share capital of the Company during the year under review.
30. The Company has not altered its Articles of Association during the year under review.
31. There was no prosecution initiated against or show cause notices received by the Company and no fines or penalties or any other punishment was imposed on the Company during the year under review, for offences under the Act.
32. The Company has not received any money as security from its employees during the year under review.
33. The Company has not constituted any separate provident fund of employees or any class of employees as envisaged under section 418 of the said Act.

**FOR UMESH PARIKH & ASSOCIATES**  
**COMPANY SECRETARIES**

**(UMESH PARIKH)**  
*Proprietor*  
C. P. No.: 2413

Date : 20th May, 2011  
Place : Ahmedabad

**ANNEXURE "A"****List of Registers as maintained by the Company:**

1. Register of Transfer under Section 108
2. Register of Charges under Section 143
3. Register of Members under Section 150
4. Index of Members under Section 151
5. Minutes book of General Meeting under Section 193
6. Minutes book of Board Meeting under Section 193
7. Minutes book of remuneration committee under section 193
8. Minutes book of Audit committee under section 193
9. Minutes book of Shareholders/Investors Grievances cum Share Transfer committee under section 193.
10. Books of accounts under Section 209
11. Register of Contracts under Section 301
12. Register of General notice of directors under Section 301(3)
13. Register of Directors etc. under Section 303
14. Register of Directors' Shareholding under Section 307
15. Register of renewed and duplicate Share Certificate

**ANNEXURE "B"**

Forms and Returns as filed by the Company with the Registrar of Companies, Regional Director, Central Government or other authorities for and during the financial year ended on 31-03-2011.

Sr. No.	Form No./ Return	Filed Under Section	Description	Date of Filing	Whether Filed Within Prescribed Time Yes/ No	If Delay in Filing Whether Requisite Additional Fee Paid Yes/No
1.	8	125/135	Creation/Modification of charge.	18-08-2010	Yes	N.A.
2.	8	125/135	Creation/Modification of charge.	01-02-2011	Yes	N.A.
3.	8	125/135	Creation/Modification of charge.	01-02-2011	No	Yes
4.	66	383/A	Secretarial Compliance Certificate for the year ended 31-03-2010.	29-11-2010	No	Yes
5.	23AC & 23ACA	220	Annual Report for the financial year ended 31-03-2010.	04-12-2010	No	Yes
6.	20B	159(1)	Annual Return made up to 30-09-2010.	20-12-2010	No	Yes

## CORPORATE GOVERNANCE REPORT

(As required by Clause 49 of the Listing Agreement of the Stock Exchanges)

The Securities and Exchange Board of India (SEBI) has introduced a code of corporate governance for listed companies which is implemented through the listing Agreements with the Exchanges with which the Company is listed. The Company has complied with the corporate governance requirements set out in Clause 49 of the listing Agreement.

### 1) Company's Philosophy on Code of Corporate Governance.

The Company believes that good corporate governance leads to corporate growth and long term gain in shareholders value. The Company is committed to maintain the highest standard of corporate governance in its conducts towards shareholders, employees, customers, suppliers and other stakeholders.

Our focus on sustainable growth, productivity improvement, commitment to quality and safety in operations is unrelenting.

### 2) Board of Directors

#### Composition :

The Board of directors consists of Five Directors, of whom Shri Kandarp K. Amin and Smt. Archana K. Amin are whole time Directors of the Company. The composition of Board of Directors is in compliant with the requirement of Clause 49 (IA) i.e. more than 50 % of Directors are non-executive Directors.

The detailed composition of the Board and other related information is given in the table below.

#### Board meetings:

During the year, Nine Board Meetings were held on 17-04-2010, 30-05-2010, 31-05-2010, 17-07-2010, 14-08-2010, 23-09-2010, 06-11-2010, 30-11-2010, and 14-02-2011.

The composition of Directors and their attendance at the Board Meetings during the year and at the last Annual General Meeting and also number of other directorship and committee Memberships are given below:

Sr. No.	Name of Director	Category of Directorship	No. of Board Meetings	Attendance at last AGM Attended	No. of other directorships	No. of other Committee Members
1.	Shri Kandarp Amin	Whole Time Director	9	Yes	—	—
2.	Smt. Archana Amin	Whole Time Director	9	Yes	—	—
3.	Shri Bhupendra Mehta	Director	7	Yes	—	—
4.	Shri Haresh Shah	Director	8	Yes	—	—
5.	Shri Dipesh Kotak	Director	8	Yes	—	—

Directorship in Private Companies, Foreign Companies and Associates are excluded.

The Company did not have any pecuniary relationship or transactions with the non-executive directors during the period under review. None of directors on the Board are members in more than ten committees and they do not act as Chairman of more than five committees across all companies in which they are directors.

The Board meets at least once a quarter and interval between two meetings was not more than four months.

The Board is presented with the extensive information on vital matters affecting the working of the Company and risk assessment and mitigation procedure. Among others, this includes:

1. operating plans, capital budget and updates and reviews thereof,
2. quarterly results of the company and business segments,
3. opportunities of expansion, new projects, acquisition ,
4. Proposal for diversification, investments, disinvestments, restructuring,
5. Compliance of listing requirements,
6. Minutes of committee meetings.

### **3) Audit Committee**

The Audit Committee consists of 3 (Three) independent Directors – Shri Bhupendra V. Mehta, Shri Dipesh K. Kotak and Shri Haresh K. Shah.

The composition of Committee and the qualifications are in compliance with the requirements of Clause 49 of Listing Agreement. During the year, 4 (four) Committee Meetings were held on 30-05-2010, 14-08-2010, 06-11-2010, and 14-02-2011 which were attended by all committee members.

The functions of Audit Committee are as per the listing Agreement with the Stock Exchanges. Broadly the same are (i) oversee the financial reporting process (ii) recommend the appointment of auditors, (iii) decide the audit fees, discuss the nature and scope of audit and ascertain area of concern, (iv) review the annual and quarterly financial statements, (v) review the changes in accounting policies etc (vi) review the adequacy of internal audit functions and discuss with them significant findings, (vii) review the disclosure of related party transactions, (viii) Compliance with listing and other legal requirements relating to financial statements.

The interval between two meeting convened was not more than four months. The audit committee adheres to the SEBI guidelines in terms of quorum of its meetings, functioning, role and powers as also those set out in Companies Act, 1956.

### **4) Remuneration Committee**

The Company's Remuneration Committee consists of three non-executive Directors. The members of the committee are Shri Haresh Shah, Shri Bhupendra Mehta and Shri Dipesh Kotak.

The scope / role of Remuneration Committee is to recommend to the board of Directors remuneration payable to working Directors of the Company, as and when they come for review. During the year, no Committee Meeting was held.

**Details of remuneration paid for the year ended 31-03-2011.**

<b>Name</b>	<b>Position held During the period</b>	<b>Salary and Allowances Rs. In lacs</b>	<b>Perquisites Rs. in Lacs</b>	<b>Total Remuneration Rs. In Lacs</b>
Shri. Kandarp K Amim	Chairman & Whol-time Director	4.20	NIL	4.20
Smt. Archana K. Amin	Whole -time Director	9.00	NIL	9.00

The Company has not paid sitting fees to any Directors.

### **5) Shareholders/ Investors Grievances cum Share Transfer Committee**

The Board of Directors of the Company has constituted Shareholders/ Investors Grievances cum Share Transfer Committee which looks in to investor / shareholders grievances.

The members of the committee are Shri Kandarp K. Amin, Shri Bhupendra Mehta and Shri Haresh Shah.

As a measure of good corporate governance and to focus on the Shareholders' grievances and towards strengthening investor relations and to expedite the transfer process in the physical segment, the committee deals with issue of duplicate share certificates, redressing of shareholders and investors complaints and Grievances like transfer of shares, non-receipts of Balance-sheet. All the meetings of the committee were attended by all members.

**6) Code of Conduct**

The Company's code of conduct has been complied with by all the members of the Board and select employees of the Company. The Company has in place a prevention of Insider Trading Code based on SEBI (Insider Trading) Regulation, 1992. This code is applicable to all Directors and designated employees. The code ensures prevention of dealing in shares by persons having access to the unpublished price sensitive information.

**7) General Body Meetings**

The last three Annual General Meetings and Extra Ordinary General Meeting were held as under :-

Financial Year ended	Date	Time	Venue
31-03-2010	30-09-2010	10.30 a.m.	25/9/A, Phase III, GIDC Industrial Estate, Naroda, Ahmedabad – 382 330
30-09-2009	30-12-2009	11.00 a.m.	25/9/A, Phase III, GIDC Industrial Estate, Naroda, Ahmedabad – 382 330
31-03-2008	30-09-2008	11.00 a.m.	25/9/A, Phase III, GIDC Industrial Estate, Naroda, Ahmedabad – 382 330

No Special Resolution was put through postal ballot. At the forthcoming AGM, there is no item on the agenda that needs approval by postal ballot.

**8) Disclosures**

In preparation of financial statements, the Company has followed the applicable Accounting Standards. The significant accounting policies that are consistently applied have been set out in the Notes to the Accounts.

Related party transactions during the year have been disclosed as required under applicable Accounting Standard. Details of related party transactions were periodically placed before the Audit Committee. These transactions are not likely to have any conflict with the Company's interest.

Business risk evaluation and managing such risk is an ongoing process within the organization. The Board is regularly briefed of risks assessed and the measures adopted by the company to mitigate the risks.

No strictures / penalties have been imposed on the Company by the Stock Exchange or SEBI or any statutory authority on any matters related to the capital market during last 3 years.

The Company's code of conduct has clearly laid down procedures for reporting unethical behavior, actual or suspected fraud or violation of the ethics policies. No employee of the company was denied access to the Audit Committee.

Of the non-mandatory requirements relevant to the Company, training of the Board members and mechanism for evaluation non-executive Board members have not been put in place.

**9) Means of Communication**

1. The Company has published its quarterly results in Western Times, Gujarati and English Edition.
2. The Management Discussion & Analysis forms part of the Annual Report, which is posted to all the members of the Company.

**10) General Shareholder Information**

Date, time and venue of AGM	Friday, the 2nd September 2011 at 11.30 a.m. at 25/9/A, Phase III, GIDC Industrial Estate, Naroda, Ahmedabad – 382 330
Dates of Book Closure	Monday, 29th August, 2011 to Friday, 02nd September, 2011 (both days inclusive)
Listing on Stock Exchanges	The Stock Exchanges at Mumbai & Ahmedabad.
Listing Fees	Company has paid fees to both Stock Exchanges as per listing agreement.
ISIN No.	INE078101011
Stock Exchange's Script Code	Mumbai Stock Exchange : No. 524640 Ahmedabad Stock Exchange : No. 53641
Registered Office	25/9/A, Phase III, GIDC Industrial Estate, Naroda, Ahmedabad – 382 330.
Dividend Payment Date	Not Applicable
Compliance Officer	Mr. Mahesh J .Shah
Registrar and Share Transfer Agent	LINK INTIME INDIA PVT. LTD. 211, Sudarshan Complex, Navrangpura, Ahmedabad – 380 009.

**Share price on stock exchanges****11) Share price on The Stock Exchange, Mumbai**

The equity shares of the company were been thinly traded and details of high low are given as under:

Sr. No.	Month	High (Rs.)	Low (Rs.)
1.	April '10	38.80	38.80
2.	June '10	36.90	36.90
3.	September '10	35.10	33.35
4.	February '11	31.70	21.20
5.	March '11	20.15	10.55

For rest of months shares have not been traded.

**Financial Calendar 2011-2012 (tentative)**

Annual General Meeting	Last week of September 2011
Results for quarter ending June 30, 2011	on or before 14th August, 2011
Results for quarter ending September 30, 2011	on or before 14th November, 2011
Results for quarter ending December 31, 2011	on or before 14th February, 2012
Results for year ending March 31, 2012 (un-Audited)	on or before 14th May, 2012

**Distribution of Shareholding as on 31-03-2011**

No. of Shares	No. of	% of holders	No. of	% of Shares
	Shareholders		Shares	
Up to 500	2931	82.10	972300	31.88
501 - 1000	470	13.17	365700	11.99
1001 - 2000	132	3.70	192600	6.32
2001 - 3000	13	0.36	33000	1.08
3001 - 4000	2	0.06	6700	0.22
4001 - 5000	13	0.36	63900	2.10
5001 - 10000	4	0.11	26900	0.88
10001 and above	5	0.14	1388900	45.53
<b>Total</b>	<b>3,570</b>	<b>100.00</b>	<b>30,50,000</b>	<b>100.00</b>

**Pattern of Shareholding as on 31-03-2011**

Sr.No	Category	No. of Shares	(%)
1.	NRI	61,600	2.02
2.	Financial Institutions/Banks	Nil	N.A.
3.	Mutual Funds	Nil	N.A.
4.	Promoters group	12,95,100	42.46
5.	Body Corporate	1,01,300	3.32
6.	Others	15,92,000	52.20
	<b>Total</b>	<b>30,50,000</b>	<b>100.00</b>

**Dematerialisation of Shares, Registrar & Transfer Agent & Share Transfer System.**

**(i) Share Transfer System**

The process of transfer / transmission / transposition etc. of equity shares in physical form including dispatch of the share certificates is completed within a period of 30 days if the documents are in order in all respects.

**(ii) Dematerialisation of shares, Registrar & Transfer system:**

The equity shares of the Company are available for dematerialization through National securities depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

LINK INTIME INDIA PVT. LTD., having its office at 211, Sudarshan Complex, Navrangpura, Ahmedabad-380009 as Registrar and Share Transfer Agents being a Common Agency for Physical and Electronic modes.

The dematerialized shares are directly transferred to the beneficiaries through the depositories. 16,34,100 equity shares comprising of 53.58 % of the total equity shares of the Company are in dematerialised form as on 31-03-2011.

The dematerialized equity shares are directly transferred to the beneficiaries by the depositories. The process of transfer / transmission / transposition etc. of equity shares in physical form including dispatch of the share certificates is completed within a period of 30 days if the documents are in order in all respects.

The Shareholders Grievance Committee specifically looks into the redressal of shareholders complaints like transfer of equity share and related matters.

**(iii) Registrar for Demat and Share Transfer:**

**LINK INTIME INDIA PVT. LTD.**

211, Sudarshan Complex, Navrangpura, Ahmedabad – 380 009

**(iv) Investors Correspondence:**

All shareholders queries are sent to the Company at its Registered office at Plot No. 25/9/A, Phase III, G.I.D.C. Naroda, Ahmedabad - 382 330 or to the Registrar & Transfer Agent as aforementioned address.

**(v) Secretarial Audit for Reconciliation of Capital:**

As stipulated by SEBI, Practising Company Secretaries carry out Secretarial Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. This audit is carried out every quarter and report thereon is submitted to the Stock Exchange(s) where shares of the Company are listed. The audit confirms that the total listed and paid-up capital is in agreement with the aggregate of the total number of shares in dematerialised form (held with NSDL and CDSL) and total number of shares in physical form.

**Location**

The Company's plant is located at 25/9/A, Phase III, GIDC Industrial Estate, Naroda, Ahmedabad – 382 330.

**DECLARATION FOR COMPLIANCE OF CODE OF CONDUCT**

Code of conduct for Board members and Senior Management personnel was approved at the Board meeting in the month of January 2006.

Company has obtained confirmation for the compliance of code of conduct from all the Board members and senior Management Personnel of the Company on an annual basis. The senior Management Personnel covers all the employees in the cadre of General Manager.

This is a declaration as required by Circular No. SEBI / CFD/DIL/CG/1/2004/12/10 dated 29th October 2004 – annexure – I – Clause I (D) (II).

**FOR AND ON BEHALF OF THE BOARD  
FOR SHRI CHLOCHEM LIMITED**

Place : Ahmedabad  
Date : 20th May, 2011.

**Kandarp K. Amin**  
*Chairmn & Whole-Time Director*

---

## **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

---

### **Industry Structure and Developments**

The Company is primarily engaged in the business of manufacturing and sale of various chemical products. Apart from this the company has also acquired the business of Archit Polymers Pvt Ltd, which is involved in business of chemical trading since 30 years. It is associated with Jubilant Life science and has authorized dealership for Ahmedabad market, taking annual sales higher by 40% on year basis.

The Company has capacity to withstand in the market and face the stiff competition prevailing in the chemical business market. The financial year 2010-11 has been good for our Company and has achieved growth of more than 200 % in sales turnover as compared to previous financial year because Archit Polymers Pvt Ltd business was taken over by Shri Chlochem Ltd.

### **Opportunities and Outlook**

The Company is optimistic about its growth prospectus in the future. The Company has been concentrating on building brand image in the market.

The Company is facing stiff competition from various chemicals companies in domestic market. However, Company is well positioned to leverage the opportunities to manage the challenges that have arisen in domestic market.

### **Outlook**

The Company expects to increase its market share in the existing market by increasing its product range through new product launches, especially in pharma industry, expanding its geographical coverage in more regions and undertaking large job contracts. We are cautiously optimistic of our prospects in 2008-09 and believe that the year will go a long way in stabilizing our growth path. The Company also concentrates on adding new products to its existing product range. The Company also puts more efforts in R & D activities, reduction in process cycles, and improvement in existing process etc. The company is also diversifying in to pharma line, by importing bulk drugs and marketing in local market, apart from that the company is also looking to acquire a new unit of pharma formulation which will help the company to diversify its wings in the ever growing pharmaceutical industry. This would also help the Company to perform better in coming years.

### **Risk and Concerns**

Company is facing competition from various small-scale manufacturers in certain products. Manufacturing cost and administrative costs are also increasing day by day. But Company is equipped to meet the challenges by better marketing tactics, and effective management of cost and expenses.

The Company is also required to follow and maintain the norms laid down by Gujarat Pollution Control Board (GPCB) for discharge of its effluents. The Company is adhering to the norms laid down by GPCB and has spent a large amount of funds on changing the old machinery and erecting new machines which adhere to the new stringent laws of GPCB.

### **Internal Control Systems and their adequacy**

The Company has an adequate system of Internal Control relating to purchase of stores, raw materials, plant & machineries, equipments & various components and for the sale of goods commensurate with the size and nature of business of the Company.

The system of Internal Control of the Company is adequate keeping in mind the size and complexity of your Company's business. Systems are regularly reviewed to ensure effectiveness.

**Financial Performance**

Financial Performance with respect to Operational Performance is discussed in the main part of the Report. In spite of increase in sales, the profit of the Company is lower due to steep hike in the cost of raw materials. Operational expenditures have also increased because of the increased financial commitments.

**Material Developments in Human Resources / Industrial Relations**

The Chemical industry is knowledge driven, considering this aspect we continue to build our team with high quality talent. The Company is putting thrust on providing training both in-house and outside. The key personnel are technically qualified and fully trained to run chemical plants.

The Company maintains cordial & harmonious relation with its employees.

**AUDITORS' CERTIFICATE**

To,  
The Members,  
**Shri Chlochem Limited.**

We have examined the compliance of conditions of Corporate Governance by **Shri Chlochem Limited** for the year ended 31st March 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchange(s).

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, the Company has partly complied with the corporate Governance and it is in process of complying the corporate governance and gradually will implement the same.

We state that no investor grievance(s) is/are pending for a period exceeding for one month against the Company as per the records maintained by the Shareholders/Investors Grievance cum Share Transfer Committee.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For G. K. Choksi & Co.**  
Chartered Accountants

**(SANDIP PARIKH)**

Partner

Membership No. 40727

Place : Ahmedabad  
Date : 20th May, 2011

**AUDITORS' REPORT**

The Members, Shri Chlochem Limited Ammedabad.

1. We have audited the attached Balance Sheet of Shri Chlochem Limited as at 31st March, 2011 and the related Profit and Loss Account and Cash Flow Statement of the company for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies Auditors Report Order, 2003 issued by the Central Government of India in terms of sub-section 4A) of section 227 of the Companies Act, 1956, and on to basis of such checks as we considered appropriate and according to information and explanations given to us, we enclose in the Annexure a statement on to matters specified in paragraph 4 and 5 of the said order.
4. Particular attention is drawn to the following.
  - (i) Note no. 2 of Schedule 14 regarding non provision of option loss, though considered as contingent liability by management, amounting to Rs. 142.45 lacs and interest amounting to Rs. 45.21 lacs in respect of concluded derivative contracts resulting into understatement of loss by Rs. 187.66 lacs and understatement of current liabilities by like amount
  - (ii) The company has not yet complied the requisite information, related to suppliers who have registered themselves under the Micro, Small And Medium Enterprises Development Act 2006. In the absence of relevant information the requisite disclosures are not made in the financial statements.

Had the observations made by us in Para 4(i) above been considered, the loss for would have been Rs. 156.23 lacs as against reported profit of Rs. 31.43 lacs current liabilities would have been Rs. 897.17 lacs as against reported current liabilities Rs. 709.51 lacs.

5. Further to our comments in the Annexure referred at para 3 above, we report that:
  - a. We have obtained all the information and explanations, which, to the best of our knowledge and belief were necessary for the purposes of our audit.
  - b. In our opinion, subject to matters stated 1(a) and 1(b) of annexure to the auditor's report below, proper books of account have been kept by the Company as required by law so far as appears from our examination of those books.
  - c. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
  - d. In our opinion the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the accounting standards referred to in sub-section (30) of Section 211 of the Companies Act, 1956.
  - e. On the basis of Mitten representation received from the directors of the company as at 31st March, 2011 and taken on record by the board of directors, we report that none of the directors is disqualified from being appointed as director of company under clause (g) of sub-section (1) of Section 274 of the Companies Act, 1950.
  - f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, subject to para 4 and 5(b) above, give the information required by the

Companies Act, 1950 in the manner so required and give a true and fair view; in conformity with the accounting principles generally accepted in India:

- a. in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011
- b. in the case of the Profit and Loss Account, of the profit for the year ended on that date and
- c. in the case of Cash Flow Statement, of the Cash Flow for the year ended on that date

For G. K. Choksi & Co.  
Chartered Accountants  
Firm Registration No. 101895W

(SANDIP PARIKH)  
Partner

Place : Ahmedabad  
Date : 20th May, 2011

Membership No. 40727

### **ANNEXURE TO THE AUDITORS' REPORT**

As: Shri Chiochem Limited

Referred to in paragraph 3 of our report of even date,

1. (a) The Company has not compiled Fixed assets records to show full particulars including quantitative details and situation of fixed assets.  
(b) We were informed that the fixed assets were not physically verified by the Management at the end of the year however the company has a regular programme of verification which in our opinion is reasonable having regard to the size of the company and nature of its business. Since the fixed assets records are still under compilation no comparison with the book records have yet been made. In the absence of such comparison opinion as to discrepancies if any can not be given.  
(c) The Company has not disposed of any substantial part of its fixed assets during the year as would affect its going concern status.
2. (a) In our opinion, physical verification of inventory (excluding inventory lying with third parties) has been conducted by the management at reasonable intervals.  
(b) In our opinion and according to the information and explanations given to us the procedure of physical verification of inventory followed by the management needs to be strengthened in relation to the size of the Company and the nature of its business.  
(c) On the basis of our examination of records of inventory, in our opinion, the Company is maintaining proper records of inventory. No material discrepancy was noticed on physical verification of the inventory.
3. (a) The Company has not granted any loans, secured or unsecured to any companies, firms or other parties covered in the register maintained u/s.301 of the Companies Act, 1956. Accordingly clause 4(iii)(b), 4(iii)(c) and 4(iii)(d) of the order are not applicable.  
(b) (i) The Company has taken interest free unsecured loans from three parties covered in the register maintained u/s301 of the Companies Act, 1956. The balance outstanding on account of these loans as at the end of the year was Rs. 147.70 lacs and the maximum balance outstanding during the year was Rs. 25950 lacs.  
(ii) The terms and conditions of the above loans are prima facie not prejudicial to the interest of the Company.  
(iii) As per the information and explanations given to us, principal amount and interest thereon has been repaid whenever they fall due for payment.
4. In our opinion and according to information and explanation given to us; the internal control system needs to be strengthened so as to commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets, and with regard to the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct weakness in the internal controls.

**SHRI CHLOCHEM LIMITED**

- 5 a) According to information and explanations provided by the management, the particulars of contracts or arrangements referred to in section 301 of the act have entered in the register required to be maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (c) In our opinion and according to the information and explanations given to us The Company has not accepted any deposits from the public within the meaning of Section 58A, 58AA or other relevant provisions of the act.
- 7 In our opinion, the company has an adequate internal audit system commensurate with the size and the nature of its business;
8. According to information and explanation given to us, the central government has not prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1958 in respect of activities carried out by the company
- 9 (a) In our opinion, the Company is regular in depositing with appropriate authorities undisputed statutory dues and the company had no arrears of such outstanding dues as at 31st March, 2011 or a period more than six months from the date they became payable.
- (b) According to the information and explanations given to us, the Company does not have any disputed outstanding statutory dues as at 31st March, 2011
- 10 The company does not have accumulated losses exceeding fifty percent of its net worth. The company has incurred cash losses to the tune of Rs. 101.79 lacs during the year under review after considering the effect of qualifications referred to at para 4 of the Auditors Report. It has incurred cash losses to the tune of Rs. 96.06 in the immediate preceding period.
- 11 According to the records of the company examined by us and on the basis of information and explanations given to us, the company has not defaulted in repayment of dues to financial institutions or bank.
- 12 As per the information and explanations given to us, the Company has not granted any loan or advance on the basis of security by way of pledge of shares, debentures and other securities.
- 13 The provisions of any special statute applicable to Chit fund, Nidhi or Mutual Benefit Funds/ Societies are not applicable to the company.
- 14 According to the Information explanation given to us, the company does not deal or trade in shares, securities, debentures and other Investments.
- 15 In our opinion and according to the information and explanation given to us, the company has not given any guarantee for loans taken by others from banks and financial institutions during the year.
- 16 In our opinion and according to the information and explanations given to us, the term bRA has been applied for the purpose for which it was obtained
- 17 On the basis of an overall examination of the balance sheet of the company in our opinion and according to the information and explanations given to us, there are no funds raised on short term basis which have been used for long term investment.
- 18 The company has not made any preferential allotment to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- 19 The Company has not issued any debentures during the year under review,
20. The company has not raised any money by public issues during the year under review.
21. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year under review.

**For G. K. Choksi & Co.**  
Chartered Accountants  
Firm Registration No. 101895W  
**(SANDIP PARIKH)**  
Partner  
Membership No. 40727

Place : Ahmedabad  
Date : 20th May, 2011

**BALANCE SHEET AS ON 31ST MARCH, 2011**

Particulars	Schedule	As at 31st March, 2011 Amount (Rs.)	As at 31/03/2010 Amount (Rs.)
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	3 03 46 850	3 03 46 850
<b>Loan Funds</b>	2		
Secured Loans		7 24 05 752	6 01 26 383
Unsecured Loans		1 47 69 919	50 00 000
		<u>8 71 75 671</u>	<u>6 51 26 383</u>
Deferred Tax Liability		60 19 686	52 96 516
<b>Total :</b>		<u>12 35 42 207</u>	<u>10 07 69 749</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>	3		
Gross Block		8 32 24 860	7 45 48 697
Less : Depreciation		2 52 04 471	2 23 53 883
Net Block :		<u>5 80 20 389</u>	<u>5 21 94 814</u>
<b>Current Assets, Loans &amp; Advances</b>	4		
Inventories		1 69 13 744	97 55 884
Sundry Debtors		9 84 90 410	5 04 35 756
Cash and Bank Balances		86 78 459	57 33 177
Loans and Advances		1 45 93 247	2 40 59 019
		<u>13 86 75 860</u>	<u>8 99 83 836</u>
<b>Less : Current Liabilities and Provisions</b>	5		
Current Liabilities		7 09 50 560	4 26 53 482
Provisions		30 20 000	27 15 000
		<u>7 39 70 560</u>	<u>4 53 68 482</u>
Net Current Assets :		<u>6 47 05 300</u>	<u>4 46 15 354</u>
Profit and Loss Account	6	8 16 518	39 59 581
<b>Total :</b>		<u>12 35 42 207</u>	<u>10 07 69 749</u>
Significant Accounting Policies	13		
Notes forming part of accounts	14		

As per our attached report of even date

**FOR G. K. CHOKSI & CO.**

Firm Registration No. 101895W

Chartered Accountants

**FOR AND ON BEHALF OF THE BOARD****SANDIP A. PARIKH**

Partner

**KANDARP K. AMIN**

Chairman

**ARCHANA K. AMIN**

Director

Place : Ahmedabad

Date : 20th May, 2011

Place : Ahmedabad

Date : 20th May, 2011

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011**

Particulars	Schedule	For the year ended 31st March, 2011 Amount (Rs.)	For the Period ended 31/03/2010 Amount (Rs.)
<b>INCOME</b>			
Sales and Services		43 40 62 056	8 66 69 829
Less : Excise Duty & Cess		1 04 61 257	29 55 750
		<u>42 36 00 799</u>	<u>8 37 14 079</u>
Other Income	7	90 54 951	72 52 473
Increase/(Decrease) in Stock	8	<u>60 39 665</u>	<u>( 11 35 840)</u>
		<b>43 86 95 415</b>	<b>8 98 30 712</b>
<b>EXPENDITURE</b>			
Cost of Materials / Products	9	36 46 11 394	5 75 82 254
Employees' Remuneration & Benefits	10	86 94 773	32 99 332
Manufacturing and Other Expenses	11	4 41 45 646	1 49 41 409
Interest and Financial Charges	12	1 26 57 038	57 82 670
Depreciation		<u>37 00 331</u>	<u>17 10 135</u>
		<b>43 38 09 182</b>	<b>8 33 15 800</b>
Profit/(Loss) before tax		<b>48 86 233</b>	<b>65 14 912</b>
Provision for taxation :			
Current tax		10 20 000	20 00 000
Deferred Tax		7 23 170	13 22 370
Frieng Benefit Tax		<u>0</u>	<u>0</u>
		<b>17 43 170</b>	<b>33 22 370</b>
Profit / (Loss) after Tax		<b>31 43 063</b>	<b>31 92 542</b>
Add / (Less) :Prior period adjustments		<b>0</b>	<b>( 7 73 939)</b>
Profit after tax and prior period adjustment		<b>31 43 063</b>	<b>24 18 603</b>
Balance brought forward from previous year		<b>( 41 09 581)</b>	<b>( 65 28 184)</b>
Profit/(Loss) Carried to Balance Sheet		<b>( 9 66 518)</b>	<b>( 41 09 581)</b>
Basic, as well as, diluted earnings per equity share (Refer Note No. 6 of Schedule - '14')		<b>1.03</b>	<b>0.79</b>
Significant Accounting Policies	13		
Notes forming part of accounts	14		

As per our attached report of even date

**FOR G. K. CHOKSI & CO.**

Firm Registration No. 101895W

Chartered Accountants

**FOR AND ON BEHALF OF THE BOARD****SANDIP A. PARIKH**

Partner

Place : Ahmedabad

Date : 20th May, 2011

**KANDARP K. AMIN**

Chairman

Place : Ahmedabad

Date : 20th May, 2011

**ARCHANA K. AMIN**

Director

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011**

[Amount in Rs.]

Particulars	For the year ended 31/03/2011	For the period ended 31/03/2010
<b>A. Cash flow from operating activities:</b>		
Profit/(Loss) for the year before taxation and exceptional items	48 86 233	57 40 973
Adjustments for		
Depreciation and Amortization	37 00 331	17 10 135
Profit on sale of Fixed Assets	( 17 173)	0
Excess depreciation written back	0	( 32 736)
Interest Income	( 3 38 454)	( 7 59 418)
Interest Expenses	99 82 564	41 34 141
Operating profit before working capital changes	1 82 13 501	1 07 93 095
Adjustments for :		
Trade and other receivables	(3 92 15 720)	( 8 78 088)
Inventories	( 71 57 860)	( 1 49 672)
Trade payables	2 67 98 777	98 41 306
Cash generated from operations	( 13 61 301)	1 96 06 641
Direct taxes Refund/(paid)	6 26 837	( 1 19 788)
Net cash from operating activities <b>[A]</b>	( 7 34 464)	1 94 86 853
<b>B. Cash flow from investing activities</b>		
Purchase of fixed assets	( 95 58 732)	( 34 68 406)
Sale of Fixed Assets	50 000	0
Interest received	1 69 866	52 81 487
Net cash used in investing activities <b>[B]</b>	( 93 38 866)	18 13 081
<b>C. Cash flow from financing activities</b>		
Procurement/(Repayment) of long/ short term borrowings	2 20 49 287	(7 21 08 385)
Calls in arrears realised	0	500
Interest paid	( 99 82 564)	( 41 34 141)
Net cash flow from financial activities <b>[C]</b>	1 20 66 723	(7 62 42 026)
Net Increase/(Decrease) in cash & cash equivalents <b>Total : [A+B+C]</b>	19 93 393	(5 49 42 092)
Cash and cash equivalents opening	56 77 953	6 06 20 045
Cash and cash equivalents closing	76 71 346	56 77 953

**Explanatory Notes to Cash Flow Statement**

- The Cash Flow Statement is prepared in accordance with the format prescribed by Securities and Exchange Board of India & as Accounting Standard 3 as Prescribed by the Institute of Chartered Accountants of India.
- In Part A of the Cash Flow Statements, figures in brackets indicates deductions made from the net profit for deriving the cash flow from operating activities. In part B & part C, figures in brackets indicates cash outflows.
- Figures of the previous year have been regrouped wherever necessary, to confirm to current years presentation.

As per our attached report of even date

**FOR G. K. CHOKSI & CO.**

Firm Registration No. 101895W

Chartered Accountants

**FOR AND ON BEHALF OF THE BOARD****SANDIP A. PARIKH**

Partner

Place : Ahmedabad

Date : 20th May, 2011

**KANDARP K. AMIN**

Chairman

Place : Ahmedabad

Date : 20th May, 2011

**ARCHANA K. AMIN**

Director

**SCHEDULES FORMING PART OF THE BALANCE SHEET**

Particulars	As at 31st March, 2011		As at 31/03/2010
	Amount (Rs.)	Amount (Rs.)	Amount (Rs.)
<b>Schedule - '1' : Share Capital</b>			
<b>Authorised Capital</b>			
33,00,000 (P.Y. 33,00,000) Equity Shares of Rs.10/- each		3 30 00 000	3 30 00 000
		<u>3 30 00 000</u>	<u>3 30 00 000</u>
<b>Issued, Subscribed and Paid up</b>			
30,50,000 (P.Y. 30,50,000) Equity Shares of Rs.10/- each fully paid up		3 05 00 000	3 05 00 000
Less : Call in Arrears		1 53 150	1 53 150
<b>Total :</b>		<u>3 03 46 850</u>	<u>3 03 46 850</u>

**Schedule - '2' : Loan Funds****Secured Loans**

Working Capital and Term Loans from Union Bank of India	7 08 12 846	5 98 56 778
(Secured against hypothecation of Raw Material, Semi-Finished, Finished Goods, Book Debts, Export Bills, Bills under Inland LC and further secured against all Tangible Movable Machineries)		
Kotak Mahindra Bank	15 92 906	0
HDFC Bank (Secured against vehicles)	0	2 69 605
	<u>7 24 05 752</u>	<u>6 01 26 383</u>

**Unsecured Loans**

From Directors	64 15 000	0
From Intercompany Deposit	83 54 919	50 00 000
	<u>1 47 69 919</u>	<u>50 00 000</u>
<b>Total :</b>	<u>8 71 75 671</u>	<u>6 51 26 383</u>

**Note :** Due for payment within 12 months Rs. 618777 (P.Y. Rs. 269605)

32 Schedule - '3' : Fixed Assets

Name of Assets	GROSS BLOCK (At cost)				DEPRECIATION / AMORTISATION				NET BLOCK	
	As at 01/04/2010 Rs.	Additions/ Adjustments Rs.	Deductions/ Adjustments Rs.	As at 31/03/2011 Rs.	Up to 31/03/2010 Rs.	For the period Rs.	Deductions/ Adjustments Rs.	Up to 31/03/2011 Rs.	As at 31/03/2011 Rs.	As at 31/03/2010 Rs.
<b>Tangible Assets</b>										
Freehold Land	0	60 89 590	0	60 89 590	0	0	0	0	60 89 590	0
Leasehold Land	51 61 221	0	0	51 61 221	6 21 953	52 133	0	6 74 086	44 87 135	45 39 268
Buildings	1 53 65 391	0	0	1 53 65 391	24 03 785	5 13 204	0	29 16 989	1 24 48 402	1 29 61 606
Plant and Machinery	4 62 38 370	5 87 355	0	4 68 25 725	1 55 55 240	24 60 750	0	1 80 15 990	2 88 09 735	3 06 83 130
Office Equipments	6 45 007	48 500	0	6 93 507	2 05 227	43 325	0	2 48 552	4 44 955	4 39 780
Computers	8 90 960	80 250	0	9 71 210	7 03 044	49 293	0	7 52 337	2 18 873	1 87 916
Furniture & Fixtures	13 80 430	0	0	13 80 430	4 79 264	62 627	0	5 41 891	8 38 539	9 01 166
Vehicles	47 50 922	27 40 537	8 82 569	66 08 890	22 79 360	5 09 327	8 49 743	19 38 944	46 69 946	24 71 562
	7 44 32 301	95 46 232	8 82 569	8 30 95 964	2 22 47 873	36 90 659	8 49 743	2 50 88 789	5 80 07 175	5 21 84 428
<b>Intangible Assets</b>										
Accounting Software	1 16 396	12 500	0	1 28 896	1 06 010	9 672	0	1 15 682	13 214	10 386
<b>Total :</b>	7 45 48 697	95 58 732	8 82 569	8 32 24 860	2 23 53 883	37 00 331	8 49 743	2 52 04 471	5 80 20 389	5 21 94 814
<b>Previous Period :</b>	7 07 89 729	39 09 303	1 50 335	7 45 48 697	2 06 76 484	17 10 135	32 736	2 23 53 883	5 21 94 814	

**SHRI CHLOCHEM LIMITED**

Particulars	As at 31st March, 2011 Amount (Rs.)	As at 31/03/2010 Amount (Rs.)
<b>Schedule - '4' : Current Assets, Loans &amp; Advances</b>		
<b>Inventories</b>		
(As taken, valued and certified by Management)		
Raw Materials (Incl. of Stock with Job Worker)	47 66 628	37 93 281
Packing Materials	2 06 455	99 615
Work In Process	59 46 547	37 15 200
Finished Goods	9 18 601	19 26 606
Traded goods	49 36 023	1 19 700
Consumable Stores	1 39 490	1 01 482
	<b>1 69 13 744</b>	<b>97 55 884</b>
<b>Sundry Debtors</b>		
Unsecured, Considered Doubtful		
Outstanding for the period exceeding six months	2 31 000	0
Less : provision for doubtful debts	2 31 000	0
	<b>0</b>	<b>0</b>
Unsecured, Considered Good		
Outstanding for the period exceeding six months	64 69 884	22 53 913
Others	9 20 20 526	4 81 81 843
	<b>9 84 90 410</b>	<b>5 04 35 756</b>
<b>Cash and Bank Balances</b>		
Cash on hand	6 89 585	1 39 527
Balances with Schedule Banks		
- Current Accounts [Includes Cheques in hand Rs. NIL (P.Y. Rs. 10,00,000/-)]	28 37 400	26 82 100
- Fixed Deposits	51 51 474	29 11 550
	<b>79 88 874</b>	<b>55 93 650</b>
	<b>86 78 459</b>	<b>57 33 177</b>
<b>Loans and Advances</b>		
(Un secured, Considered good)		
Advance recoverable in cash or in kind or for value to be received	1 42 42 601	2 37 13 373
Deposits	3 50 646	3 45 646
	<b>1 45 93 247</b>	<b>2 40 59 019</b>
<b>Total :</b>	<b>13 86 75 860</b>	<b>8 99 83 836</b>

**Annual Report 2010-2011**

Particulars	As at 31st March, 2011 Amount (Rs.)	As at 31/03/2010 Amount (Rs.)
<b>Schedule - '5' : Current Liabilities &amp; Provisions</b>		
<b>Current Liabilities</b>		
Sundry Creditors	6 96 80 157	4 14 05 674
Other Liabilities	12 70 403	12 47 808
	<b>7 09 50 560</b>	<b>4 26 53 482</b>
<b>Provisions</b>		
For Income Tax	30 20 000	27 15 000
<b>Total :</b>	<b>7 39 70 560</b>	<b>4 53 68 482</b>

**Schedule - '6' : Profit and Loss Account**

Balance of Profit and Loss Account	9 66 518	41 09 581
Less: Adjusted to the extent of Balance in General Reserve	1 50 000	1 50 000
<b>Total :</b>	<b>8 16 518</b>	<b>39 59 581</b>

**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNTS**

Particulars	For the year ended 31st March, 2011 Amount (Rs.)	For the Period ended 31/03/2010 Amount (Rs.)
<b>Schedule - '7' : Other Income</b>		
Export Benefits	51 90 957	44 28 000
Interest Income [TDS Rs. 27,339/- (P.Y.55,855/-)]	3 38 454	14 57 041
Foreign Foreign Fluctuation (Net)	23 18 279	7 61 669
Commission	4 92 160	0
Miscellaneous Income	7 15 101	1 72 609
Excess Depreciation Written Back	0	32 736
Sundry Balances Written Back	0	4 00 418
<b>Total :</b>	<b>90 54 951</b>	<b>72 52 473</b>

**SHRI CHLOCHEM LIMITED**

Particulars	For the year ended 31st March, 2011	For the Period ended 31/03/2010
	Amount (Rs.)	Amount (Rs.)
<b>Schedule - '8' : Increase/Decrease in Stock</b>		
<b>Closing Stocks</b>		
Finished Goods	9 18 601	19 26 606
Work in Process	59 46 547	37 15 200
Traded Goods	49 36 023	1 19 700
	<u>1 18 01 171</u>	<u>57 61 506</u>
<b>Opening Stock</b>		
Finished Goods	19 26 606	31 37 723
Work in Process	37 15 200	36 39 923
Traded Goods	1 19 700	1 19 700
	<u>57 61 506</u>	<u>68 97 346</u>
<b>Increase/(Decrease) in stock :</b>	<u>60 39 665</u>	<u>( 11 35 840)</u>

**Schedule - '9' : Cost of Materials / Products**

Raw Materials Consumed	14 67 73 884	5 19 97 211
Stores and Consumables	61 19 392	20 69 000
Purchase of Trading Goods	19 97 46 725	71 101
Freight and Octroi	1 19 71 393	34 44 942
<b>Total :</b>	<u>36 46 11 394</u>	<u>5 75 82 254</u>

**Schedule - '10' : Employees' Remuneration and Benefits**

Salary, Wages and Bonus	82 84 630	31 77 042
Contribution to Provident Fund & Other Funds	1 57 682	51 359
Staff Welfare & Training	2 52 461	70 931
<b>Total :</b>	<u>86 94 773</u>	<u>32 99 332</u>

**Annual Report 2010-2011**

Particulars	For the year ended 31st March, 2011		For the Period ended 31/03/2010
	Amount (Rs.)	Amount (Rs.)	Amount (Rs.)
<b>Schedule - '11' : Manufacturing and Other Expenses</b>			
Power, Fuel and Water Charges		64 26 470	25 43 990
Laboratory Expenses		1 20 855	60 386
Job work Charges		2 500	1 58 545
Pollution Control Expenses		15 600	7 800
Excise Duty on Finished Goods		( 94 129)	( 58 956)
Repairs to			
Plant and Machinery	12 10 765		4 84 856
Factory Building	16 87 381		2 00 294
Other	1 82 393		27 098
		30 80 539	7 12 248
Rent , Rates and Taxes		10 98 754	30 453
Insurance	8 24 140		2 12 509
Fees and Legal Expense	17 15 173		3 63 084
Auditors' Remuneration	1 50 000		47 500
Travelling Expense	12 70 144		4 02 821
Selling and Distribution Expenses	2 36 30 401		91 56 312
Other Expenses	36 26 099		13 01 716
Sundry Balances Written off (Net)	14 88 663		0
Donation	1 14 072		3 001
Provision for Doubtful Debts	2 31 000		0
Income Tax Expenses	4 45 365		0
<b>Total :</b>		<b>4 41 45 646</b>	<b>1 49 41 409</b>
<b>Schedule - '12' : Interest and Financial Charges</b>			
Interest			
to bank	70 05 605		37 25 128
on unsecured loans	13 61 291		0
other	29 76 959		4 02 813
		1 13 43 855	41 27 941
Bank Charges & Commission		13 13 183	16 54 729
<b>Total :</b>		<b>1 26 57 038</b>	<b>57 82 670</b>

**SCHEDULE: '13' SIGNIFICANT ACCOUNTING POLICIES****(a) Basis of preparation of financial statements**

These financial statements have been prepared on the accrual basis of accounting, under the historical cost convention, in accordance with the Companies Act, 1956, the applicable accounting standards notified by The Companies Accounting Standard Rules, 2006 and the Guidance note issued by the Institute of Chartered Accountants of India.

**(b) Use of estimates**

The presentation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reported period. Differences between the actual result and estimates are recognised in the period in which the results are known/determined.

**(c) Fixed Assets**

Fixed Assets are stated at their original cost net of cenvat including incidental expenses related to acquisition and installation, less accumulated depreciation. Cost comprises of the purchase price and any other attributable cost of bringing the assets to its working condition for its intended use.

At the balance sheet date, an assessment is done to determine whether there is any indication of impairment in the carrying amount of Company's fixed assets. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

After recognition of impairment loss, the depreciation charge for the assets is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on straight line basis over its remaining useful life.

**(d) Borrowing Costs**

Borrowing Costs that are directly attributable to acquisition of qualifying assets are capitalized for the period until the asset is ready for intended use. A qualifying asset is an asset that necessarily takes substantial period of time to get ready for its intended use.

Other borrowing costs are recognised as an expense in the period in which they are incurred.

**(e) Depreciation**

- (i) Depreciation on Fixed Assets is provided on Straight Line Method at rates and in the manner specified in Schedule XIV of the Companies Act, 1956
- (ii) Depreciation on additions/deletion is provided on pro rata basis.
- (iii) Lease hold land is amortised over the period of lease.
- (iv) Intangible assets being Computer and Laboratory Software are amortized over a period of its useful life i.e. three years estimated by the Management.

**(f) Inventories**

- (i) Stock in trade comprising of raw materials (including goods in transit) and finished goods are valued at the lower of cost or net realizable value after making such provisions as required on account of damage, unserviceable and obsolete stocks. Value of raw material does not include excise duty, countervailing duty paid to the extent of which CENVAT credit is available. Excise duty on goods manufactured by the company and remaining in inventory is included as a part of valuation of finished goods.
- (ii) Work-in-process is valued at cost to the extent of stage of completion.

- (iii) Stores, spares, consumable and packing materials are charged to profit and loss account as and when they are procured and stock of such items as at the end of the year is accounted at cost.

**(g) Revenue Recognition**

- (i) Revenue in respect of domestic sale of products is recognised when the risks and rewards of ownership are passed on to the customers, which is upon dispatch of products. Sales are stated at contractual realizable values, net of excise duty, sales tax and trade discount.
- (ii) Export Sales are recognised on the date of dispatch of products from the factory and shown on C.I.F. basis.
- (iii) Revenue from services is recognised upon rendition of the services.
- (iv) Export Incentives are accounted for on accrual basis.

**(h) Foreign Currency Transactions**

- (i) Transactions in foreign currency are recorded at the exchange rates prevailing on the date of the transactions.
- (ii) In respect of monetary items denominated in foreign currencies, exchange differences arising out of settlement or on conversion at the closing rate are recognized in the Profit and Loss Account.

The difference in translation and realised gains and losses on foreign exchange transactions, other than those relating to imported fixed assets are recognised in the Profit and Loss Account. Further in respect of transaction covered by forward exchange contract, the difference between the contract rate and the spot rate on the date of the transaction is charged to the Profit and Loss account over the period of the contract

**(i) Retirement Benefits**

- (i) Contributions to provident fund are made at predetermined rates to Government Authority and charged to profit and loss account.
- (ii) Gratuity liabilities is accounted for on the basis of actuarial valuation.

**(j) Excise/Custom Duty**

Excise duty has been accounted based on both payments made in respect of goods cleared from factory premises and provision made for manufactured goods lying unsold at year-end in factory premises.

**(k) Taxation**

- (i) Current year tax is provided based on taxable income computed in accordance with the provisions of the Income-tax Act, 1961.
- (ii) Deferred tax is recognized, subject to the consideration of prudence, on timing differences, being the difference between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent period. Deferred tax assets are recognized on unabsorbed depreciation and carry forward of losses based on virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

**(l) Provisions, Contingent Liabilities and Contingent Assets**

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the Notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

**SCHEDULE: '14' NOTES FORMING PART OF ACCOUNTS****1. Capital commitment**

[Amount in lacs]

Particulars	As at 31/03/2011	As at 30/09/2010
Estimated Liabilities on Capital commitments	NIL	NIL

2. The company had entered in to derivatives contracts (for sale of foreign currency) which have been concluded by the previous period. The company had incurred the loss on such contracts to the tune of Rs. 242.73 lacs and against the same the sum of Rs. 55.07 lacs have already been paid. The company had also received summons /show cause notice from Mumbai Debt Recovery Tribunal in the month of May, 2009. In respect to the same, based on legal advise, the company had filed its reply with appropriate authority. Pending final outcome and as in the opinion of the management the aforesaid liability is of contingent nature, the company has not provided for the balance loss of Rs.142.45 lacs and interest amounting to Rs. 45.21 lacs aggregating to Rs. 187.66 lacs.

**3. Employee Benefits**

- (a) Defined contribution to Provident fund and Employee state insurance

The company makes contribution towards employees' provident fund and employees' state insurance plan scheme. Under the rules of these schemes, the Company is required to contribute a specified percentage of payroll costs. The Company during the year recognized Rs.1,57,682/- (P.Y. Rs. 51,359/-) as expense towards contributions to these plans.

- (b) Defined Contribution Benefit Plans(Gratuity)

The following table sets out the status of the gratuity scheme non funded plan as at 31st March, 2011.

[Amount in Rs.]

Particulars	For the year ended on 31/03/2011	For the period ended on 31/03/2010
<b>Changes in the present value of obligation</b>		
Present value of obligation (Opening)	4,57,365	4,35,812
Interest cost	36,818	11,775
Past service cost	NIL	NIL
Current service cost	94,858	64,016
Curtailment Cost / (Gain)	NIL	NIL
Settlement Cost / (Gain)	NIL	NIL
Benefits paid	NIL	NIL
Actuarial (Gain) / Loss	(25,528)	(54,238)
Present value of obligation (Closing)	5,63,513	4,57,365
<b>Changes in the fair value of plan assets</b>	NIL	NIL
<b>Percentage of each category of plan assets to total fair value of plan assets at the year end</b>	NIL	NIL
<b>Reconciliation of the present value of defined benefit obligation and the fair value of assets</b>	NIL	NIL

Particulars	[Amount in Rs.]	
	For the year ended on 31/03/2011	For the period ended on 31/03/2010
<b>Amount recognized in the balance sheet</b>		
Present value of obligation as at the year end	5,63,513	4,57,365
Fair value of plan assets as at the year end	NIL	NIL
(Asset) / Liability recognized in the balance sheet	5,63,513	4,57,365
<b>Expenses recognized in the profit &amp; loss account</b>		
Current service cost	94,858	64,016
Past service cost	NIL	NIL
Interest cost	36,818	11,775
Expected return on plan assets	NIL	NIL
Curtailment Cost / (Credit)	NIL	NIL
Settlement Cost / (Credit)	NIL	NIL
Net Actuarial (Gain) / Loss	(25,528)	(54,238)
Employee's Contribution	NIL	NIL
Total expenses recognized in the profit and loss A/c.	1,06,148	21553
<b>Principal actuarial assumption (Rate of Discounting)</b>		
Rate of discounting	8.05%	8.14%
Expected return on plan assets	NIL	NIL
Rate of increase in salaries	6.00%	6.00%
Attrition Rate (Employees opting for early retirement)	—	—

The estimates of future salary increases take account of inflation, seniority, promotion and mortality assumption and other relevant factors such as demand and supply in the employment market, considered in actuarial valuation.

4. The Company operates within a solitary business segment i.e. dealing & manufacturing of chemicals, the disclosure requirements of Accounting Standard – 17 "Segment Reporting" issued by the Institute of Chartered Accountants of India is not applicable.

**5. Related Party Disclosures**

As per Accounting Standard 18, issued by the Institute of Chartered Accountants of India, the disclosures of transactions with the related parties as defined in the Accounting Standard are given below:

- (a) List of related parties with whom transactions have taken place during the year and relationship:

Sr.No.	Name of related party	Relationship
1	Krishna Orgochem	Enterprise over which key management personnel exercise significant influence
2	Archit Polymers Pvt. Ltd.	
3	Kandarp K. Amin	Key Management Personnel
4	Archana K. Amin	Key Management Personnel
5	Archit K. Amin	Relative of Key Management Personnel

**SHRI CHLOCHEM LIMITED****(b) Transactions with related parties****[Amount in Rs.]**

<b>Sr.No.</b>	<b>Nature of transaction</b>	<b>For the year ended on 31/03/2011</b>	<b>For the period ended on 31/03/2010</b>
(i)	Managerial Remuneration		
	- Key Management personnel	13,20,000	6,60,000
	- Relative of Key management Personnel	2,34,000	1,17,000
(ii)	Purchase / Sales of materials		
	Purchase		
	- Enterprise over which key management personnel exercise significant influence	24,23,145	3,67,342
(iii)	Interest Expenses		
	- Enterprise over which key management personnel exercise significant influence	12,80,620	—
(iv)	Rendering or Receiving of services		
	- Key Management personnel	16,20,000	—
(v)	Unsecured Loans (Taken During the year)		
	- Enterprise over which key management personnel exercise significant influence	3,70,40,993	54,68,932
	- Key Management Personnel	1,11,95,000	
(vi)	Unsecured Loans (Repayment during the year)		
	- Enterprise over which key management personnel exercise significant influence	3,36,86,074	4,68,932
	- Key Management Personnel	47,80,000	
(vii)	Loans and Advances (Given during the year)		
	- Enterprise over which key management personnel exercise significant influence	—	59,48,925
(viii)	Loans and Advances (Received back during the year)		
	- Enterprise over which key management personnel exercise significant influence	—	59,48,925
(ix)	Outstanding Balances as at March, 31, 2011		
	Key Management Personnel and Relatives		
	- Due by company	—	1,10,668
	- Due to company		
	As Unsecured Loans	64,15,000	
	Enterprise over which key management personnel exercise significant influence		
	- Due by company		
	As Unsecured loans	83,54,919	50,00,000

**6. Particulars of Earning per Share:**

Particulars	For the year ended on 31/03/2011	For the period ended on 31/03/2010
Profit/(Loss) after tax and prior period items (Rs.)	31,43,063	24,18,603
Weighted average Number of equity shares	30,50,000	30,50,000
Nominal value of the share (Rs.)	10	10
Basic and diluted earning per share (Rs.)	1.03	0.79

There is no change in the number of equity shares during the period.

7. The Company estimates deferred tax/(charge) using the applicable rate of taxation based on the impact of timing difference between financial statements and estimated taxable income for the current year.

The components of the deferred tax balances are as follows: [Amount in Rs.]

Particulars	As at 31/03/2011		As at 31/03/2010	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Timing difference on account of:				
Difference between book depreciation and depreciation under Income Tax Act, 1961		60,54,948		53,03,176
Expenditure u/s.43B of Income Tax Act, 1961	35,262	—	6,660	—
<b>Total :</b>	<b>35,262</b>	<b>60,54,948</b>	<b>6,660</b>	<b>53,03,176</b>
<b>Net Deferred Tax Liability</b>		<b>60,19,686</b>		<b>52,96,516</b>

8. Pursuant to Accounting Standard-29, Provisions, Contingent Liabilities and Contingent Assets, the disclosure relating to provisions made in the accounts for the year ended 31st March, 2011 is as follows :

**Contingent Liabilities** [Amount in Rs.]

Particulars	As at 31/03/2011	As at 30/09/2010
Claims not acknowledge by the company (See Note No. 2 above)	187.66	170.57

**Provisions** [Amount in Rs.]

Particulars	Provision for Excise duty and other Expenses
Opening Balance	7,35,220
Additions	4,65,195
Payments	5,55,310
Reversals	1,79,910
Closing Balance	4,65,195

9. Balances of unsecured loans, sundry creditors, sundry debtors, loans and advances and amounts due to sundry debtors are subject to confirmations and reconciliation if any, by the respective parties. '
10. In the opinion of the Board of Directors, Current Assets, Loans and Advances have a value on realisation in the ordinary course of business equal to the amount at which they are stated in the Balance Sheet. Provision for all known liabilities has been made and is not in excess of amount reasonably necessary.

11. Auditor's Remuneration is made up of: [Amount in Rs.]

Particulars	For the year ended on 31/03/2011	For the period ended on 31/03/2010
Audit Fees	1,28,000	40,833
Tax Audit Fees	22,000	6,667
<b>Total:</b>	<b>1,50,000</b>	<b>47,500</b>

12. Directors' Remuneration is made up of: [Amount in Rs.]

Particulars	For the year ended on 31/03/2011	For the period ended on 31/03/2010
Salary	13,20,000	6,60,000
<b>Total:</b>	<b>13,20,000</b>	<b>6,60,000</b>

13. The company is yet to initiate the process of obtaining the confirmation from suppliers who have registered them selves under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act, 2006). In the absence of relevant information relating to the suppliers registered under the Micro, Small and Medium Enterprises (Development) Act, 2006, the balance due to Micro, Small and Medium Enterprises at year end and interest paid or payable under MSMED Act, 2006 during the year could not be compiled and disclosed.
16. Additional information pursuant to provision of para 3, 4C and 4D of Part-II of Schedule-VI of the Companies Act, 1956:

**(A) Raw Material Consumption:**

Sr. Particulars No.	For the year ended 31/03/2011		For the period ended 31/03/2010	
	Qty. (M.T.)	Value (Rs.)	Qty. (M.T.)	Value (Rs.)
(a) Acetic Acid	3346421	2,87,67,276	1183401	3,73,73,524
(b) Chlorine	4395950	2,65,63,068	1569950	27,91,942
(e) Others		9,37,87,360		1,32,12,494
		<b>14,91,17,704</b>		<b>5,33,77,960</b>
(f) Less:				
Discount & Rate Difference		22,45,644		13,80,749
<b>Total:</b>		<b>14,68,72,060</b>		<b>5,19,97,211</b>

**(B) Composition of Raw Materials Consumption:**

Raw Material consumption	For the year ended 31/03/2011		For the period ended 31/03/2010	
	Value (Rs.)	Percentage (%)	Value (Rs.)	Percentage (%)
Imported	4,81,59,942	32.79	1,34,56,948	25.88
Indigenous	9,87,12,118	67.21	3,85,40,263	74.12
Total :	14,68,72,060	100.00	5,19,97,211	100.00

**(C) Turnover :**

Sr. Particulars No.	For the year ended 31/03/2011		For the period ended 31/03/2010	
	Qty. (M.T.)	Value (Rs.)	Qty. (M.T.)	Value (Rs.)
<b>(a) Sale of Chemicals :</b>				
Finished Goods	13150530	21,53,63,541	4646190	8,39,72,192
Traded Goods	3283776	21,33,31,738	1428	71,114
	16434306	42,86,95,279	4647618	8,40,43,306
Less : Rate difference & returns	27500	50,94,480		3,29,228
	16406806	42,36,00,799	4647618	8,37,14,078
<b>(b) Purchase of Traded Goods</b>				
- Local	3363651	19,97,46,725	1428	71,101
- Import	NIL	NIL	NIL	NIL
Total :	3363651	19,97,46,725	1428	71,101

**(D) Stock of Finished Goods :**

Particulars	For the year ended 31/03/2011		For the period ended 31/03/2010	
	Qty. (Kgs.)	Value (Rs.)	Qty. (Kgs.)	Value (Rs.)
Opening Stock				
Finished Goods	76050	19,26,606	107419	31,37,723
Traded Goods	855	1,19,700	855	1,19,700
Closing Stock				
Finished Goods	104725	9,18,601	76050	19,26,606
Traded Goods	80730	49,36,023	855	1,19,700

## (E) Licensed and Installed Capacity and Production as certified by the management.

		[Qty. in Kgs.]	
Sr. No.	Particulars	For the year ended on 31/03/2011	For the period ended on 31/03/2010
(a)	Licensed Capacity – Chemicals	Not Applicable	Not Applicable
(b)	Installed Capacity - Chemicals	3900000	3900000
(c)	Production – Chemicals (Inclusive of production on job work and By products)	13648280	4971035
(d)	Captive Consumption	496575	356214

**Note :** Installed capacity is based on a three shift working as certified by management and has not been verified by the auditors, this being a technical matter.

## (F) Value of Imports on CIF Basis:

[Rupees in lacs]

Particulars	For the year ended on 31/03/2011	For the period ended on 31/03/2010
Raw Materials	498.10	143.72
Traded Goods	NIL	NIL

## (G) Earning in Foreign Currency:

[Rupees in lacs]

Particulars	For the year ended on 31/03/2011	For the period ended on 31/03/2010
F.O.B. Value of Export	1,508.75	450.36

## (H) Expenditure in Foreign Currency (on payment basis):

[Rupees in lacs]

Particulars	For the year ended on 31/03/2011	For the period ended on 31/03/2010
Traveling	4.14	1.27
Commission	9.96	3.39
<b>Total :</b>	<b>14.10</b>	<b>4.54</b>

17. The previous year's figures have been reworked, regrouped and reclassified wherever necessary so as to make them comparable with those of the current year.

As per our attached report of even date

**FOR G. K. CHOKSI & CO.**

Firm Registration No. 101895W

Chartered Accountants

**FOR AND ON BEHALF OF THE BOARD**

**SANDIP A. PARIKH**

Partner

Place : Ahmedabad

Date : 20th May, 2011

**KANDARP K. AMIN**

Chairman

Place : Ahmedabad

Date : 20th May, 2011

**ARCHANA K. AMIN**

Director

## BALANCE SHEET ABSTRACTS AND COMPANY'S GENERAL BUSINESS PROFILE:

**I. Registration Details:**

Registration No. 19941 State Code 04

Balance Sheet Date 31st March, 2011

**II. Capital Raised during the year (Amount in Rs. Thousand)**

Public Issue — Right Issue —

Bonus Issue — Private Placement —

**III. Position of mobilisation and Deployment of Funds (Amount in Rs. Thousand)**

Total Liabilities 123542 Total Assets 123542

Sources of Funds Application of Funds

Paid-up Capital 30347 Net Fixed Assets 58020

Reserve and Surplus — Investments —

Secured Loan 72405 Net Current Assets 64705

Unsecured Loan 14770 Misc. Expenditure —

Deferred Tax Liability 6020 Accumulated Losses 817

**IV. Performance of Company (Amount in Rs. Thousand)**

Turnover and Other Income 438695 Total Expenditure 433809

(+) Profit/(Loss) before tax 4886 (+) Profit/(Loss) after tax 3143

Earning per share Rs. 1.03 Dividend Rate (%) —

**V. Generic names of three principal products services of company (as per monetary terms)**

Product/Service Description Item code No.

Trading and Manufacturing of Chemicals Not Applicable

FOR AND ON BEHALF OF THE BOARD

KANDARP K. AMIN  
Chairman

ARCHANA K. AMIN  
Director

Place : Ahmedabad  
Date : 20th May, 2011

**SHRI CHLOCHEM LIMITED**

Registered Office : Plot No. 25/9/A, Phase III, G.I.D.C. Naroda, Ahmedabad - 382 330

**PROXY FORM**

DP Id\* \_\_\_\_\_ Regd. Folio No. \_\_\_\_\_  
Client Id\* \_\_\_\_\_  
I/We \_\_\_\_\_  
of \_\_\_\_\_ in the district of \_\_\_\_\_  
being a member/members of the above named Company, hereby appoint  
Mr./Mrs. \_\_\_\_\_ of \_\_\_\_\_ in the  
district of \_\_\_\_\_ or failing him/her Mr./Mrs. \_\_\_\_\_ of  
\_\_\_\_\_ in the district of \_\_\_\_\_  
as my/our Proxy to vote for me/our behalf at the at the Annual General Meeting of the Company to  
be held on Friday, the 2nd September, 2011.

Signed the \_\_\_\_\_ day of \_\_\_\_\_ 2011

Signature \_\_\_\_\_

Affix  
Signature  
Revenue  
Stamp

\* Applicable for members holding shares in dematerialised form.

1. The Proxy Form signed across revenue stamp should reach the Company's Registered Office at least 48 hours before the scheduled time of meeting.

**SHRI CHLOCHEM LIMITED**

Registered Office : Plot No. 25/9/A, Phase III, G.I.D.C. Naroda, Ahmedabad - 382 330

**ATTENDANCE SLIP**

Full name of the Member attending : \_\_\_\_\_

Name of Proxy : \_\_\_\_\_

I hereby record my presence at the Annual General Meeting being held at the Registered Office of the Company on Friday, the 2nd September, 2011.

Regd. Folio No. \_\_\_\_\_

DP Id\* \_\_\_\_\_

Client Id\* \_\_\_\_\_

No. of Share held \_\_\_\_\_

Member's/Proxy's Signature

(To be signed at the time of handling over the slip)

\* Applicable for members holding shares in dematerialised form.

Note : Persons attending the Annual General Meeting are requested to bring their copies of Annual Report.