

ANNUAL REPORT
2008-09

SHRI CHLOCHEM LIMITED

SHRI CHLOCHEM LIMITED

BOARD OF DIRECTORS

Shri Kandarp K. Amin
Smt. Archana K. Amin
Shri Saurabh S. Patel
Shri Bhupen Mehta
Shri Haresh Shah
Shri Mahendra Pujara

BANKERS

Union Bank of India,
S.S.I. 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 Wednesday, the 30th December 2009 at 11.00 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 30th September, 2009 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 Dipesh Kotak, 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."
- (6) To consider and, if thought fit, to pass, with or without modification, the following resolution as an **Ordinary Resolution**:
"RESOLVED THAT pursuant to the provisions of section 198, 269, 309, 310, Schedule XIII and other applicable provisions of the Companies Act, 1956 as amended from time to time approval be and is hereby granted for re-appointment of Shri Kandarp K. Amin as a Whole-time Director of the Company for a period of 5 years with effect from 1st April 2009 on the terms and condition as contained in the explanatory statement thereto:
"RESOLVED FURTHER THAT in the event of inadequacy or absence of profits in any financial year, Whole-time Director of the Company be paid the remuneration and benefits as the minimum remuneration subject to the ceiling as prescribed in section II of the part II of Schedule XIII of the Companies Act, 1956.
"FURTHER RESOLVED THAT the remuneration payable to him shall be subject to limits as may be prescribed from time to time under the provisions of the Companies Act, 1956, Schedule thereof and rules thereunder as well as any other statutory provision as may be applicable, including statutory modifications thereof, if any."
- (7) To consider and, if thought fit, to pass, with or without modification, the following resolution as an **Ordinary Resolution**:
"RESOLVED THAT pursuant to the provisions of section 198, 269, 309, 310, Schedule XIII and other applicable provisions of the Companies Act, 1956 as amended from time to time approval be and is hereby granted for re-appointment of Smt. Archana K. Amin as a Whole-time Director of the Company for a period of 5 years with effect from 1st April 2009 on the terms and condition as contained in the explanatory statement thereto:
"RESOLVED FURTHER THAT in the event of inadequacy or absence of profits in any financial year, Whole-time Director of the Company be paid the remuneration and benefits as the minimum remuneration subject to the ceiling as prescribed in section II of the part II of Schedule XIII of the Companies Act, 1956.
"FURTHER RESOLVED THAT the remuneration payable to her shall be subject to limits as may be prescribed from time to time under the provisions of the Companies Act, 1956, Schedule thereof and rules thereunder as well as any other statutory provision as may be applicable, including statutory modifications thereof, if any."
- (8) To consider and, if thought fit, to pass, with or without modification, the following resolution as an **Ordinary Resolution**:

“RESOLVED THAT in partial modification of earlier resolution, the consent of the Company be and is hereby accorded under the provisions of section 293(1)(d) of the Companies Act, 1956 to the Board of Directors of the Company for borrowing from time to time all such sum of money as they may deem requisite for the purpose of the business of the Company notwithstanding that moneys to be borrowed together with moneys already borrowed by the Company (apart from temporary loans obtained from the Company’s Bankers in the ordinary course of business) will exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not so set apart for any specific purpose, provided that total amount that may be borrowed by the Board of Directors shall not, at any time exceed the sum of Rs. 50 Crores (Rupees Fifty Crores only).”

“RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take such steps as may be necessary and desirable 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. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Item No. 5 to 8 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 Saturday, 26th December, 2009 to Wednesday, 30th December, 2009 (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 Haresh K. Shah
	Date of Birth	:	11 – 12 -1959
	Qualification	:	B. Com.
	Expertise	:	Experience of Accounts, Finance related activities for last 18 years.
III.	Name	:	Shri Dipesh Kotak
	Date of Birth	:	08 – 02 –1984
	Qualification	:	B.Com.
	Expertise	:	Accounting and commercial matters.

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

By Order of the Board
For Shri Chlochem Limited

(Kandarp K. Amin)
Chairman

Date : 21st November, 2009.

Explanatory statement pursuant to section 173(2) of the Companies Act, 1956.**Item No. 5**

Shri Dipesh Kotak has been appointed as an additional Director of the Company. Pursuant to Section 260 of the Companies Act, 1956 and Articles of Association of the Company he will hold office only up to the ensuing Annual General Meeting. The Company has received notice from a member proposing candidature of Shri Dipesh Kotak for the office of a Director of the Company.

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

Shri Dipesh Kotak, himself is concerned or interested in the resolution.

Item No. 6

This item relates to the re-appointment of Shri Kandarp K. Amin as a Whole-time Director. During the tenure, he has continuously contributed to a great extent in the growth of the Company. Considering several aspects, the Board of Directors has considered it appropriate and advisable to re-appoint him for a period of 5 years with effect from 1st April, 2009 and accordingly he has been re-appointed as the Whole-time Director. The remuneration has been fixed with the approval of the Remuneration Committee. The terms and conditions of re-appointment are as under :

(A) SALARY : Rs. 35,000/- per month with annual increment of Rs. 5000/- . The first annual increment will fall due on 01-04-2010.

(B) PERQUISITES

- a) Medical Reimbursement : Expenses incurred for self and his family subject to a ceiling of one month salary per year which can be carried forward for 3 years.
- b) Leave Travel Concession : For self and family once in a year as per rules of the Company.
- c) Bonus / Ex-gratia Payments. : One month Salary per year for self and family once in a year which can be carried forward to next year.
- d) Provident Fund: The Company shall pay an amount as per the Company's Rules as when applicable.
- e) Gratuity : The Company shall pay gratuity as per the Company's rules.

The Company shall pay the residence telephone expenses, however the long distance personal call shall be billed by the Company.

As per the provision of section 198, 269 & 309 read with schedule XIII to the Companies Act, 1956, the appointment of and payment of remuneration to whole-time Director requires the approval of the Shareholders in General Meeting by way of Resolution and hence necessary resolution has been proposed for your approval.

Shri Kandarp K. Amin, himself and Smt. Archna K. Amin, being relative are concerned or interested in the resolution.

Item No. 7

This item relates to the re-appointment of Smt. Archna K. Amin as a Whole-time Director. During the tenure, she has continuously contributed to a great extent in the growth of the Company. Considering several aspects, the Board of Directors has considered it appropriate and advisable to re-appoint her for a period of 5 years with effect from 1st April, 2009 and accordingly she has been re-appointed as the Whole-time Director. The remuneration has been fixed with the approval of the Remuneration Committee. The terms and conditions of re-appointment are as under :

(A) SALARY : Rs. 75,000/- per month with annual increment of Rs. 7,500/- . The first annual increment will fall due on 01-04-2010.

(B) PERQUISITES

- a) Medical Reimbursement : Expenses incurred for self and his family subject to a ceiling of one month salary per year which can be carried forward for 3 years.
- b) Leave Travel Concession : For self and family once in a year as per rules of the Company.
- c) Bonus / Ex-gratia Payments. : One month Salary per year for self and family once in a year which can be carried forward to next year.
- d) Provident Fund: The Company shall pay an amount as per the Company's Rules as when applicable.
- e) Gratuity : The Company shall pay gratuity as per the Company's rules.
- f) The Company shall pay the residence telephone expenses, however the long distance personal call shall be billed by the Company.

As per the provision of section 198, 269 & 309 read with schedule XIII to the Companies Act, 1956, the appointment of and payment of remuneration to whole-time Director requires the approval of the Shareholders in General Meeting by way of Resolution and hence necessary resolution has been proposed for your approval.

Smt. Archana K. Amin, herself and Shri Kandarp K. Amin, being relative are concerned or interested in the resolution.

Item No. 8

In view of future planning, company would need to borrow the fund to meet its financial requirement in excess of limit which has been approved by the members earlier and prescribed limit under section 293 (1) (d) of the Companies Act, 1956.

As per the provision of section 293(1)(d) of the Companies Act, 1956, a Company cannot borrow money where the moneys to be borrowed, together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business), will exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, except with the consent of the company in General Meeting.

In view of the above your Directors have thought it advisable to get the approval of members of the Company to borrow money in excess of the prescribed limit.

Your Directors recommend to pass the proposed Resolution.

None of the Directors of the Company is, in any way, concerned or interested in the said proposed resolution.

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

By Order of the Board
For Shri Chlochem Limited

(Kandarp K. Amin)
Chairman

Date : 21st November, 2009.

DIRECTORS' REPORT

TO
THE MEMBERS,

Your Directors have pleasure in presenting the Annual Report together with the audited Statement of Accounts for the year ended 31st March 2009.

FINANCIAL RESULTS

The operating results of the Company for the year ended 31st March 2009 are briefly indicated below:

	Year 2008-2009 (18 months) (Rs.)	Year 2007-2008 (12 months) (Rs.)
Profit / (loss) Before Depreciation and Taxation	(118,63,579)	94,57,816
Depreciation	38,63,369	22,72,436
Profit / (Loss) before Taxation	(80,00,210)	71,85,380
Provision for taxation - For Current Tax	NIL	6,00,000
Provision for taxation - For Deferred Tax	11,25,330	28,48,816
Provision for taxation - Frieinge Benefit Tax	1,66,683	1,34,276
Profit / (Loss) after Taxation	(92,92,223)	36,02,288
Prior period adjustments	17,41,311	Nil
Profit after tax and prior period adjustments	(75,50,912)	36,02,288
Balance brought forward from previous year	10,22,728	(25,79,562)
Profit / (Loss) carried to the balance sheet	(65,28,184)	10,22,728

DIVIDEND

In view of losses, your Directors do not recommend any payment of Dividend for the year under review.

PERFORMANCE OF THE COMPANY & FUTURE PROSPECTS

During the year under review, the Company has achieved sales of Rs. 3645.90 lacs (Previous year sales of Rs. 1993.67 lacs). Further details are given in management discussions and analysis report, which forms part of this report.

DEPOSITS

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

DIRECTORS

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

During the year, Shri Dipesh Kotak has been appointed as an additional director of the Company with effect from 16th March, 2009. He will hold office up to the date of ensuing Annual General meeting. Necessary resolution has been proposed for his re-appointment for the approval of members of the Company. Your Directors recommend his 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 loss 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 2009-2010 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:

The observations of the auditors in their report are explained in the notes to the accounts which are explanatory.

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.

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

For and on behalf of the Board

(Kandarp K. Amin)
Chairman

Date : 21st November, 2009.

ANNEXURE TO THE DIRECTORS' REPORT

PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

**FORM : A
(SEE RULE 2)**

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY**A. POWER & FUEL CONSUMPTION**

	Current year	previous year
1. Electricity		
a) Purchased Units (in lacs)	9.67	6.41
Total amount (Rs. in lacs)	59.95	32.63
Rate/Unit (Rs.)	6.20	5.09
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.

FORM : B**II. RESEARCH AND DEVELOPMENT (R&D)**

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.

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

Production processes have improved resulting in better productivity.

Expenditure on R & D :

Expenditure charged to respective primary heads of accounts.

III. TECHNOLOGY ABSORPTION, ADAPTION & INNOVATION :

The Company always keeps itself updated with all latest technological innovation by way of constant communications, consulting experts. Efforts are being made to reduce cost, improvement in performance etc.

IV. FOREIGN EXCHANGE EARNINGS AND OUTGO :

	Current year	Previous year
Earnings :	Rs. 1843.30 lacs	Rs. 1290.42 lacs
Out go :	Rs. 24.38lacs	Rs. 16.25 lacs

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

For and on behalf of the Board

Date : 21st November 2009

(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 30-09-2009. 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 14 times on (1) 30-04-2008 (2) 30-06-2008 (3) 22-07-2008 (4) 31-07-2008 (5) 08-08-2008 (6) 18-08-2008 (7) 25-10-2008 (8) 03-01-2009 (9) 31-01-2009 (10) 16-03-2009 (11) 30-04-2009 (12) 04-06-2009 (13) 09-07-2009 and (14) 30-07-2009 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) 30-06-2008 (2) 31-07-2008 (3) 25-10-2008 (4) 31-01-2009 (5) 30-04-2009 (6) 09-07-2009 and (7) 30-07-2009 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.
The Remuneration Committee duly met on (1) 16-08-2008 and (2) 14-03-2009 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 22-09-2008 to 30-09-2008 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 31-03-2008 was held on 30-09-2008 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. The Company has obtained necessary approvals from the Board of Directors and members and the Company has not obtain any approval of the Central Government, under section 314 during the year under review.
12. The Board of Directors has approved the issue of 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. The appointment of Additional Directors have been duly made and there was no appointment of Alternate Directors and Directors, to fill casual vacancies 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 has obtained necessary approval from Registrar of Companies, Gujarat for extension of financial year to 18 months from 1-4-2008 to 30-09-2009 and the Company was not required to obtain any other approval of the Central Government, Company Law Board, Regional Director and/or such other authorities prescribed under the various provisions of the Act, during the year 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.
 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 in duly convened 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**

Date : 21-11-2009
Place : Ahmedabad

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

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 30-09-2009.

SR. NO.	FORM NO.	FILED UNDER SECTION No.	DESCRIPTION	DATE OF FILING	WHETHER FILED WITHIN PRESCRIBED TIME YES/ NO	IF DELAY IN FILING WHETHER REQUISITE ADDITIONAL FEE PAID YES/
1.	23	198, 310	Revision in remuneration payable to Mr. Kandrap K. Amin and Smt. Archna K. Amin as whole-time Directors of the Company.	28-08-2008	Yes	N.A.
2.	8	125/135	Creation/Modification of	19-09-2008	No	Yes
3.	8	125/135	Creation/Modification of charge.	19-09-2008	Yes	N.A.
4.	23	314	Payment of remuneration to the relative of Directors.	17-10-2008	Yes	N.A.
5.	23AC & 23ACA	220	Annual Report for the financial year ended 31-03-2008.	25-11-2008	No	Yes
6.	20B	159(1)	Annual Return made up to 30-09-2008.	25-11-2008	Yes	N.A.
7.	8	125/135	Creation / modification of charge.	26-11-2008	No	Yes
8.	32	303(2)	Cessation of directorship by Mr. Saurabh Patel.	05-01-2009	Yes	N.A.
9.	32	303	Appointment of Mr. Dipesh Kotak and Cessation of Mr. Mahendra Pujara as Directors.	23-03-2009	Yes	N.A.
10.	61	210(4)	Extending the period of annual account upto 18 months.	24-03-2009	Yes	N.A.
11.	8	125/135	Creation /Modification of charge.	10-04-2009	No	Yes
12.	8	125/135	Creation / Modification of	10-04-2009	Yes	N.A.
13.	23	269,198, 309,310 & Sch XIII	Board resolution for the re-appointment & Payment of remuneration to Shri Kandarp and Smt. Archna Amin as Whole-time Directors and as of the Company.	14-05-2009	No	Yes
14.	25C	269(2) & Sch. XIII	For re-appointment of Shri Kandarp Amin as a Whole-time Director of the Company.	14-05-2009	No	Yes
15.	25C	269(2) & Sch. XIII	For re-appointment of Smt. Archna Amin as a Whole-time Director of the Company.	14-05-2009	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, Fourteen Board Meetings were held on 30-04-2008, 30-06-2008, 22-07-2008, 31-07-2008, 08-08-2008, 18-08-2008, 25-10-2008, 03-01-2009, 31-01-2009, 16-03-2009, 30-04-2009, 04-06-2009, 09-07-2009 and 30-07-2009.

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 Attended	Attendance at last AGM	No. of other directorships	No. of other Committee Members
1.	Shri Kandarp K. Amin	Whole-time Director	14	Yes	—	—
2.	Smt. Archana Amin	Whole-time Director	14	Yes	—	—
3.	Shri Saurabh Patel (Ceased on 31-12-08)	Director	7	Yes	—	—
4.	Shri Bhupendra Mehta	Director	7	Yes	—	—
5.	Shri Haresh Shah	Director	11	Yes	—	—
6.	Shri Mahendra J. Pujara (Ceased on 16-03-09)	Director	14	No	—	—
7.	Shri Dipesh Kotak (Appointed on 16-03-09)	Director	15	No	—	—

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 Bhupen V. Mehta, Shri Dipesh K. Kotak and Shri Haresh K. Shah.

During the year under review the committee has been reconstituted on 16-03-2009 and thereby Shri Mahendra Pujara has ceased to be committee member and shri Dipesh Kotak has been appointed as a member of the committee.

The composition of Committee and the qualifications are in compliance with the requirements of Clause 49 of Listing Agreement. During the year, 7 (Seven) Committee Meetings were held on 30-06-2008, 31-07-2008, 25-10-2008, 31-01-2009, 30-04-2009, 09-07-2009 and 30-07-2009 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.

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 Bhupen Mehta and Shri Dipesh Kotak.

During the year under review the committee has been reconstituted on 16-03-2009 and thereby Shri Mahendra Pujara has ceased to be committee member and Shri Dipesh Kotak has been appointed as a member of the committee.

During the year, 2 (two) Committee Meetings were held on 16-08-2008 and 14-03-2009 which were attended by all committee members.

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, one Committee Meeting was held on 16-08-2008, which was attended by all committee members.

Details of remuneration paid for the year ended 30-09-2009.

Name	Position held During the period	Salary and Allowances Rs. in lacs	Perquisites Rs. in Lacs	Total Remuneration Rs. in Lacs
Shri Kandarp K. Amin	Chairman & Whole-time Director	4.50	NIL	4.50
Smt. Archana K. Amin	Whole-time Director	8.90	NIL	8.90

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 Bhupen Mehta and Shri Haresh Shah. During the year under review the committee has been reconstituted on 01-2009 and thereby Shri Saurabh Shah has ceased to be committee member and shri Haresh Shah has been appointed as a member of the committee.

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
31-03-2008	30-09-2008	11.00 a.m.	25/9/A, Phase III, GIDC Industrial Estate, Naroda, Ahmedabad – 382 330.
31-03-2007	28-09-2007	11.00 a.m.	25/9/A, Phase III, GIDC Industrial Estate, Naroda, Ahmedabad – 382 330.
31-03-2006	15-09-2006	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	Wednesday, the 30 th December 2009 at 11.00 a.m. at 25/9/A, Phase III, GIDC Industrial Estate, Naroda, Ahmedabad-382 330.
Dates of Book Closure	Saturday, 26 th November, 2009 to Wednesday, 30 th December, 2009 (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	N.A.
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 permitted to trade from March-09 and shares have been thinly traded and details of high low are given as under :

Sr. No.	Month	High (Rs.)	Low (Rs.)
1.	March '09	50.00	10.00
2.	May '09	45.15	45.15
3.	September '09	42.90	42.90

Financial Calendar 2009-2010 (tentative)

Annual General Meeting	Last week of September 2010
Results for quarter ending December 31, 2009	By last week of January 2010
Results for year ending March 31, 2010 (un-Audited)	3 rd /4 th week of April 2010

Distribution of Shareholding as on 30-09-2009

No. of Shares	No. of Shareholders	% of holders	No. of Shares	% of Shares
Upto 500	3054	82.07	1021600	33.49
501 – 1000	509	13.68	406300	13.32
1001 – 2000	130	3.49	190200	6.24
2001 – 3000	7	0.19	18200	0.60
3001 – 4000	1	0.03	3400	0.11
4001 – 5000	11	0.30	54300	1.78
5001 – 10000	4	0.11	25200	0.83
10001 and above	5	0.13	1330800	43.63
Total	3,721	100.00	30,50,000	100.00

Pattern of Shareholding as on 30-11-2009

Sr.No.	Category	No. of Shares	(%)
1.	NRI	70,300	2.30
2.	Financial Institutions/Banks	Nil	N.A.
3.	Mutual Funds	Nil	N.A.
4.	Promoters group	12,37,000	40.56
5.	Body Corporate	1,00,000	3.28
6.	Others	16,42,700	53.96
	Total	30,50,000	100.00

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 dematerialised shares are directly transferred to the beneficiaries through the depositories. 13,27,700 equity shares comprising of 43.53 %of the total equity shares of the Company are in dematerialised form as on 30-09-2009.

The dematerialised 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 be 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

(Kandarp K. Amin)
Chairman & Whole-time Director

Place : Ahmedabad
Date : 21st November, 2009.

AUDITORS' CERTIFICATE

To,
The Members of
Shri Chlochem Limited

We have examined the compliance of conditions of Corporate Governance by **Shri Chlochem Limited** for the year ended 30th September 2009, 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

Place : Ahmedabad.
Date : 21st November, 2009.

SANDIP A. PARIKH
Partner
Membership No. 40727

CERTIFICATE ON CORPORATE GOVERNANCE

We have examined the compliance of conditions of Corporate Governance by **SHRI CHLOCHEM LIMITED** for the year ended 30th September 2009, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

In our opinion and to the best of our information and according to the explanations given to us:

We certify that the except to the expressly mentioned in report on Corporate Governance, Company has complied in all material respect with the conditions of Corporate Governance as stipulated in the above mentioned listing Agreement.

For UMESH PARIKH & ASSOCIATES
COMPANY SECRETARIES

Place : Ahmedabad.
Date : 21st November, 2009.

(UMESH G. PARIKH)
Proprietor
Membership No. FCS 4152
CP No. 2413

AUDITORS' REPORT

To
The Members,
Shri Chlochem Limited
Ahmedabad.

1. We have audited the attached Balance Sheet of Shri Chlochem Limited as at 30th September, 2009 and the related Profit and Loss Account and Cash Flow Statement of the company for the period 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. Those 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 the 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 the 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 '16' regarding non provision of option loss, though considered as contingent liability by management, amounting to Rs. 142.45 lacs and interest amounting to Rs. 15.42 lacs in respect of concluded derivative contracts resulting into understatement of loss by Rs. 157.87 lacs and understatement of current liabilities by like amount.*
 - (ii) *Note no. 3 of Schedule '16' regarding non confirmation of Fixed Deposits amounting to Rs. 8,00,000/- lacs and Rs. 9,00,000/- lacs aggregating Rs. 17,00,000/- already matured on 19/01/2009 and 03/06/2009 respectively, and non provision of interest thereon till the date of maturity amounting to Rs. 1.94 lacs.*Had the observations made by us in Para 4 above been considered, the loss for the year would have been Rs. 231.44 lacs as against reported loss of Rs. 75.51 lacs, current liabilities would have been Rs. 493.14 lacs as against reported current liabilities of Rs. 335.27 lacs and current assets would have been Rs. 1484.94 lacs against reported current assets of Rs. 1483.00 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 auditors' 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 (3C) of Section 211 of the Companies Act, 1956.
 - e. On the basis of written representation received from the directors of the company as at 30th September, 2009 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, 1956.
 - 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, 1956 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 30th September, 2009
 - b. in the case of the Profit and Loss Account, of the loss for the period ended on that date
and
 - c. in the case of Cash Flow Statement, of the Cash Flow for the period ended on that date.

FOR G. K. CHOKSI & CO.
Chartered Accountants

SANDIP A. PARIKH
Partner

Place : Ahmedabad.
Date : 21st November, 2009

Membership No. 40727

ANNEXURE TO THE AUDITORS' REPORT

Re : Shri Chlochem 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 period 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 period 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) (i) *As per the information and explanations given to us, the Company has granted interest free unsecured loan to two parties covered in the register maintained under section 301 of the Companies Act, 1956. The balance outstanding on account of this loan as at the end of the period was Rs. NIL lacs and the maximum balance outstanding during the period was Rs. 86.45 lacs.*
- (ii) *In our opinion, the other terms and conditions of the above loan are prima facie, not prejudicial to the interest of the company.*
- (iii) *As per the information and explanations given to us, there is no overdue amount as on the Balance Sheet date.*
- (b) (i) *The Company has taken interest free unsecured loans from one party covered in the register maintained u/s 301 of the Companies Act, 1956. The balance outstanding on account of these loans as at the end of the period was Rs. NIL and the maximum balance outstanding during the period were Rs. 135.39 lacs.*
- (ii) *The terms and conditions of the above loans (which is interest free) 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 major weakness in the internal controls system.*
- 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 been 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.*
- 6 *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, 1956 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 30th September, 2009 for 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 30th September, 2009.*
- 10 *The company have accumulated losses exceeding fifty percent of its net worth. The company has incurred cash losses to the tune of Rs. 192.81 lacs during the period under review after considering the effect of qualifications referred to at para 4 of the Auditor's Report. However, it has not incurred cash losses in the immediate preceding year.*
- 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 institution 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 and 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 period.*
- 16 *In our opinion and according to the information and explanations given to us, the term loan 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 period under review.*
- 20 *The company has not raised any money by public issues during the period 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 period under review.*

FOR G. K. CHOKSI & CO.
Chartered Accountants
SANDIP A. PARIKH
Partner
Membership No. 40727

Place : Ahmedabad.
Date : 21st November, 2009

BALANCE SHEET AS AT 31ST SEPTEMBER, 2009

Particulars	Schedule	As at 30th September, 2009		AS AT
		Amount (Rs.)	Amount (Rs.)	31-03-2008 Amount (Rs.)
Sources of Funds :				
<u>Shareholders' Funds :</u>				
Share Capital	1		3 03 46 350	3 03 46 350
Reserve and Surplus	2		0	11 72 728
<u>Loan Funds :</u>				
Secured Loans	3	13 72 34 767		5 15 31 997
Unsecured Loans		0		1 30 39 117
			13 72 34 767	6 45 71 114
Deferred Tax Liability			39 74 146	28 48 816
	Total :		<u>17 15 55 263</u>	<u>9 89 39 008</u>
Application of Funds :				
<u>Fixed Assets :</u>				
Gross Block	4	7 07 89 729		4 69 12 818
Less : Depreciation		2 06 76 484		1 69 04 104
		5 01 13 245		3 00 08 714
Add : Capital Work in Progress (inclusive of Capital Advance)		2 90 562		2 48 537
			5 04 03 807	3 02 57 251
Investments	5		0	12 61 425
<u>Current Assets, Loans & Advances :</u>				
Inventories	6	96 06 212		1 76 02 932
Sundry Debtors		5 80 21 280		5 79 32 440
Cash and Bank Balances		6 51 97 338		54 77 140
Loans and Advances		1 54 75 618		2 16 87 725
		14 83 00 448		10 27 00 237
Less : <u>Current Liabilities and Provisions</u>	7			
Current Liabilities		3 28 12 176		3 45 57 785
Provisions		7 15 000		7 22 120
		3 35 27 176		3 52 79 905
Net Current Assets :			11 47 73 272	6 74 20 332
Profit and Loss Account	8		63 78 184	0
	Total :		<u>17 15 55 263</u>	<u>9 89 39 008</u>
Significant Accounting Policies	15			
Notes forming part of accounts	16			

As per our attached report of even date.

FOR AND ON BEHALF OF THE BOARD

FOR G. K. CHOKSI & CO.
Chartered Accountants

Kandarp K. Amin **Archana K. Amin**
Chairman Director

SANDIP A. PARIKH
Partner

Place : Ahmedabad
Date : 21st November, 2009

Place : Ahmedabad
Date : 21st November, 2009

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30th SEPTEMBER, 2009

Particulars	Schedule	For the period ended 30.09.2009		For the
		Amount (Rs.)	Amount (Rs.)	yearended 31.03.2008 Amount (Rs.)
Income :				
Sales and Services		37 54 05 486		20 65 13 883
Less : Excise Duty & Cess		1 08 16 330		71 47 641
		<u>36 45 89 156</u>		<u>19 93 66 242</u>
Other Income	9	1 59 77 937		89 42 894
Increase/(Decrease) in Stock	10	4 33 671		5 63 423
			38 10 00 764	<u>20 88 72 559</u>
Expenditure :				
Cost of Materials / Products	11	28 04 48 749		15 35 05 209
Employees' Remuneration and Benefits	12	89 07 992		37 98 418
Operating and Other Expenses	13	8 04 56 879		3 70 32 076
Interest and Financial Charges	14	1 53 23 985		50 79 040
Depreciation		38 63 369		22 72 436
			38 90 00 974	<u>20 16 87 179</u>
Profit/(Loss) before tax			(80 00 210)	71 85 380
Provision for taxation :				
Current Tax		0		6 00 000
Deferred Tax		11 25 330		28 48 816
Fringe Benefit Tax		1 66 683		1 34 276
			12 92 013	<u>35 83 092</u>
Profit / (Loss) after Tax			(92 92 223)	36 02 288
Add / (Less) : Prior period adjustments			17 41 311	0
Profit after tax and prior period adjustment			(75 50 912)	36 02 288
Balance Brought Forward from previous year			10 22 728	(25 79 560)
Profit/(Loss) Carried to Balance Sheet			<u>(65 28 184)</u>	<u>10 22 728</u>
Basic, as well as, diluted Earnings Per Equity Share (Refer Note No.7 of Sechedule - 16)			(2.48)	1.18
Significant Accounting Policies	15			
Notes forming part of accounts	16			

As per our attached report of even date.

FOR AND ON BEHALF OF THE BOARD

FOR G. K. CHOKSI & CO.
Chartered Accountants

Kandarp K. Amin **Archana K. Amin**
Chairman Director

SANDIP A. PARIKH
Partner

Place : Ahmedabad
Date : 21st November, 2009

Place : Ahmedabad
Date : 21st November, 2009

Cash Flow Statement for the year ended 30th September, 2009

Particulars	For the period 30.09.2009 Amount (Rs.)	For the year ended 31.03.2008 Amount (Rs.)
A. Cash flow from operating activities:		
Profit/(Loss) for the year before taxation and exceptional items	(62 58 899)	71 85 380
Adjustments for :		
Depreciation and Amortization	38 63 369	22 72 436
Excess depreciation Written back	(90 990)	0
Investment Discarded	12 61 425	0
Profit on sale of machinery	0	(80 000)
Interest Income	(57 52 216)	(57 110)
Interest Expenses	1 02 70 982	35 62 719
Operating profit before working capital changes	32 93 671	1 28 83 425
Adjustments for :		
Trade and other receivables	82 59 524	(2 26 44 355)
Inventories	79 96 720	(86 96 290)
Trade payables	(17 45 609)	2 138
Cash generated from operations	1 78 04 306	(1 84 55 082)
Direct taxes Refund/(paid)	(23 10 061)	(6 15 136)
Net cash from operating activities (a)	1 54 94 246	(1 90 70 218)
B. Cash flow from investing activities:		
Purchase of fixed assets	(2 39 18 934)	(35 66 933)
Sale of fixed assets	0	80 000
Interest received	11 74 923	59 870
Net cash used in investing activities (b)	(2 27 44 011)	(34 27 063)
C. Cash flow from financing activities:		
Procurement/(Repayment) of long/ short term borrowings	7 26 63 653	2 93 34 458
Interest paid	(1 02 70 982)	(35 62 719)
Net cash flow from financial activities (c)	6 23 92 671	2 57 71 739
Net Increase/(Decrease) in cash and cash equivalents (a)+(b)+(c)	5 51 42 905	32 74 458
Cash and cash equivalents opening	54 77 140	22 02 682
Cash and cash equivalents closing	6 06 20 045	54 77 140

Explanatory Notes to Cash Flow Statement

- The Cash Flow Statement is prepared in accordance with the format prescribed by Securites 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 AND ON BEHALF OF THE BOARD

FOR G. K. CHOKSI & CO.
Chartered Accountants

Kandarp K. Amin **Archana K. Amin**
Chairman Director

SANDIP A. PARIKH
Partner

Place : Ahmedabad
Date : 21st November, 2009

Place : Ahmedabad
Date : 21st November, 2009

SCHEDULES FORMING PART OF THE BALANCE SHEET

Particulars	As at 30th September, 2009 Amount (Rs.)	As at 31.03.2008 Amount (Rs.)
Schedule - '1' : Share Capital		
Authorised Capital :		
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>
Issued, Subscribed and Paid up :		
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 53 650	1 53 650
Total :	<u>3 03 46 350</u>	<u>3 03 46 350</u>
Schedule - '2' : Reserves and Surplus		
Profit and Loss	0	10 22 728
General Reserve	0	1 50 000
Total :	<u>0</u>	<u>11 72 728</u>
Schedule - '3' : Loan Funds		
Secured Loans :		
Various Working Capital, Term Loans and Buyer's credit from Union Bank of India (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		
	13 67 45 675	5 04 43 696
HDFC Bank (Secured against vehicle)	4 89 092	10 86 301
	<u>13 72 34 767</u>	<u>5 15 31 997</u>
Unsecured Loans		
From Intercompany Deposit	0	1 30 39 117
	0	<u>1 30 39 117</u>
Total :	<u>13 72 34 767</u>	<u>6 45 71 114</u>

Schedule - '4' : Fixed Assets

Name of Assets	GROSS BLOCK (At cost)				DEPRECIATION / AMORTISATION					NET BLOCK	
	As at 01/04/2008 Rs.	Additions/ Adjustments Rs.	Deductions/ Adjustments Rs.	As at 31/03/2009 Rs.	Up to 31/03/2008 Rs.	For the period Rs.	Deductions/ Adjustments Rs.	Up to 31/03/2009 Rs.	As at 31/03/2009 Rs.	As at 31/03/2008 Rs.	
Tangible Assets											
Leasehold Land	51 61 221	0	0	51 61 221	5 17 686	78 272	0	5 95 958	45 65 263	46 43 535	
Buildings	61 44 007	70 13 396	0	1 31 57 403	17 83 572	3 92 045	0	21 75 617	1 09 81 786	43 60 435	
Plant and Machinery	2 90 88 148	1 58 55 992	0	4 49 44 140	1 18 13 247	25 46 132	0	1 43 59 379	3 05 84 761	1 72 74 901	
Office Equipments	3 13 660	1 72 722	0	4 86 382	1 49 832	38 696	0	1 88 528	2 97 854	1 63 828	
Computers	7 95 166	46 400	0	8 41 566	7 37 452	38 695	90 990	6 85 157	1 56 409	57 714	
Furniture & Fixtures	5 66 699	7 65 000	0	13 31 699	3 60 093	82 779	0	4 42 872	8 88 827	2 06 606	
Vehicles	47 50 922	0	0	47 50 922	14 49 227	6 77 625	0	21 26 852	26 24 070	33 01 695	
	4 68 19 823	2 38 53 510	0	7 06 73 333	1 68 11 109	38 54 244	90 990	2 05 74 363	5 00 98 970	3 00 08 714	
Intangible Assets											
Accounting Software	92 996	23 400	0	1 16 396	92 996	9 125	0	1 02 121	14 275	0	
Total :	4 69 12 819	2 38 76 910	0	7 07 89 729	1 69 04 105	38 63 369	90 990	2 06 76 484	5 01 13 245	3 00 08 714	
Previous Year :	4 35 94 422	33 18 396	0	4 69 12 818	1 46 31 668	22 72 436	0	1 69 04 104	3 00 08 714		

SHRI CHLOCHEM LIMITED

Particulars	As at	
	As at 30th September, 2009 Amount (Rs.)	31.03.2008 Amount (Rs.)
Schedule - '5' : Investments		
Long Term Investment at cost		
Investment in 100% Subsidiary Company Shri Chlochem Globle FZE (100000 Shares of 1 AED each fully paid up)	0	12 61 425
Other Investments		
<i>Quoted :</i>		
Punjab Communication Ltd.	0	14 500
[NIL (P.Y. 500) Equity Shares each fully paid up Siris Ltd.	0	51 200
[NIL (P.Y. 400) Equity Shares each fully paid up		
	0	65 700
Less :Provision for Diminution in value of Investment (Market value Rs. NIL)	0	13 27 125
Total :	0	12 61 425

Schedule - '6' : Current Assets, Loans and Advances**Inventories :**

(As taken, valued and certified by Management)

Raw Material (Inclusive of Stock with Job Worker)	25 38 462	1 07 76 420
Packing Material	68 760	1 36 787
Work In Progress	36 39 923	39 15 420
Finished Goods	31 37 723	25 48 255
Traded Goods	1 19 700	0
Consumable Stores	1 01 644	2 26 050
	96 06 212	1 76 02 932

Sundry Debtors*Unsecured, Considered Good**Outstanding for the period exceeding six months*

Others	1 02 87 861	72 668
	4 77 33 419	5 78 59 772
	5 80 21 280	5 79 32 440

Cash and Bank Balances :

Cash on hand	1 47 075	6 283
Balances with Schedule Banks :		
- Current Accounts	1 30 92 970	21 93 390
- Fixed Deposits	5 19 57 293	32 77 467
	6 50 50 263	54 70 857
	6 51 97 338	54 77 140

Loans and Advances :

(Un secured, Considered Good)

Advance recoverable in cash or in kind or
for value to be received

Deposits	1 51 29 972	2 14 72 719
	3 45 646	2 15 006
	1 54 75 618	2 16 87 725
Total :	14 83 00 448	10 27 00 237

SHRI CHLOCHEM LIMITED

Particulars	As at	
	As at 30th September, 2009 Amount (Rs.)	31.03.2008 Amount (Rs.)
Schedule - '7' : Current Liabilities and Provisions		
Current Liabilities :		
Sundry Creditors	3 24 28 843	2 82 79 785
Other Liabilities	3 83 333	62 78 000
	3 28 12 176	3 45 57 785
Provisions :		
For Income Tax	7 15 000	7 15 000
For Fringe Benefit Tax	0	7 120
	7 15 000	7 22 120
Total :	3 35 27 176	3 52 79 905
Schedule - '8' : Profit and Loss Account		
Balance in Profit and Loss Account as at 30th September, 2009	65 28 184	0
Less : Adjusted to the extent of Balance in General Reserve	1 50 000	0
Total :	63 78 184	0
Schedule - '9' : Other Income		
Export Benefits	35 23 756	6 61 902
Interest Income	97 29 325	8 68 510
Profit on Sale of Machinery	0	80 000
Gain on Foreign Exchange Fluctuation	0	28 77 283
Profit/Premium on Forward Contract	0	37 96 850
Commission	10 05 285	0
Miscellaneous Income	7 51 490	6 58 349
Excess Provision of Gratuity	90 990	0
Sundry Balances Written Back	8 77 091	0
Total :	1 59 77 937	89 42 894
Schedule - '10' : Increase/(Decrease) in Stock		
Closing Stocks		
Finished Goods	31 37 723	25 48 255
Work in Process	36 39 923	39 15 420
Traded Goods	1 19 700	0
	68 97 346	64 63 675
Opening Stock		
Finished Goods	25 48 255	24 30 702
Work in Process	39 15 420	30 92 800
Traded Goods	0	3 76 750
	64 63 675	59 00 252
Increase/(Decrease) in stock	4 33 671	5 63 423
Schedule - '11' : Cost of Materials / Products		
Raw Materials Consumed	18 51 00 535	13 03 73 151
Stores and Consumables	69 24 282	36 02 294
Purchase of Trading Goods	7 56 57 693	1 46 37 868
Freight and Octroi	1 27 66 239	48 91 896
Total :	28 04 48 749	15 35 05 209

SHRI CHLOCHEM LIMITED

Particulars	For the period ended 31.03.2009		For the year ended 31.03.2008
	Amount (Rs.)	Amount (Rs.)	Amount (Rs.)
Schedule - '12' : Employees' Remuneration and Benefits			
Salary, Wages and Bonus		86 64 002	36 37 696
Contribution to Provident Fund & Other Funds		1 07 237	64 908
Staff Welfare & Training		1 36 753	95 814
Total :		<u>89 07 992</u>	<u>37 98 418</u>
Schedule - '13' : Manufacturing and Other Expenses			
Power, Fuel & Water Charges		79 07 013	47 49 515
Laboratory Expenses		1 14 527	44 499
Job work Charges		15 738	1 11 800
Pollution Control Expenses		36 895	48 000
Excise Duty on Finished Goods		(82 283)	(22 755)
<u>Repairs to</u>			
Plant and Machinery	9 81 623		6 53 467
Factory Building	6 34 727		2 90 992
Other	1 22 479		1 01 638
		<u>17 38 829</u>	<u>10 46 097</u>
Rates and Taxes		82 494	51 795
Insurance		5 97 669	3 98 452
Fees and Legal Expense		13 11 639	7 27 496
Auditors' Remuneration		1 42 500	95 000
Travelling Expense		17 46 826	8 36 100
Selling and Distribution Expenses		2 74 23 489	2 51 74 424
Donation		19 501	5 00 201
Sundry Balance written off		0	7 82 565
Foreign Exchange Fluctuation		2 90 35 168	0
Loss on Derivative Contract		55 06 598	0
Investment Discarded		12 61 425	0
Other Expenses		35 98 851	24 88 887
Total :		<u>8 04 56 879</u>	<u>3 70 32 076</u>
Schedule - '14' : Interest and Financial Charges			
Interest :			
To Bank	1 02 66 267		35 76 592
On others	4 715		17 227
		<u>1 02 70 982</u>	<u>35 93 819</u>
Bank Charges & Commission		50 53 003	14 85 221
Total :		<u>1 53 23 985</u>	<u>50 79 040</u>

SCHEDULE: '15' 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 and the applicable accounting standards 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: '16' NOTES FORMING PART OF ACCOUNTS

1. Capital commitment

[Rs. In lacs]

Particulars	As at 30/09/2009	2007-2008
Estimated Liabilities on Capital commitments	3.00	0.50

2. The company had entered in to derivatives contracts (for sale of foreign currency) which have been concluded during the period under review. The company has incurred the loss on such contracts to the tune of Rs. 212.94 lacs and against the same the sum of Rs. 55.07 lacs have already been paid. The company has 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 has 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. 15.42 lacs aggregating to Rs. 157.87 lacs.

3. The company has placed two fixed deposits amounting to Rs. 8,00,000/- and Rs. 9,00,000/- aggregating to Rs. 17,00,000/- with HDFC Bank Limited as margin money towards derivative contracts entered into by the company. The aforesaid fixed deposits have been matured during the period under review. However the Bank has neither repaid the matured amount to company for confirmed the balance with them in fixed deposits since the liability on account of option loss under derivative contracts is under dispute and pending for recovery with Mumbai Debt Recovery Tribunal. In the absence of any confirmation, the company has neither provided for interest amounting to Rs. 1.94 lacs accrued thereon till maturity date nor adjusted the amount of fixed deposits against option loss.

4. 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.1,07,237 /- (P.Y. Rs. 64,908/-) 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 30th September, 2009.

[Amount in Rs.]

Particulars	For the period on 30/09/2009	2007-2008
Changes in the present value of obligation		
Present value of obligation (Opening)	85,412	56,983
Interest cost	16,038	4929
Past service cost	NIL	NIL
Current service cost	79,424	23,500
Curtailment Cost / (Gain)	NIL	NIL
Settlement Cost / (Gain)	NIL	NIL
Benefits paid	NIL	NIL
Actuarial (Gain) / Loss	2,54,938	NIL
Present value of obligation (Closing)	4,35,812	85,412
Changes in the fair value of plan assets	NIL	NIL
Percentage of each category of plan assets to total fair value of plan assets at the year end	NIL	NIL
Reconciliation of the present value of defined benefit obligation and the fair value of assets	NIL	NIL

Particulars	For the period on 30/09/2009	2007-2008
Amount recognised in the balance sheet		
Present value of obligation as at the year end	4,35,812	85,412
Fair value of plan assets as at the year end	NIL	NIL
(Asset) / Liability recognised in the balance sheet	4,35,812	85,412
Expenses recognised in the profit & loss account		
Current service cost	79,424	23,500
Past service cost	NIL	NIL
Interest cost	16,038	4,929
Expected return on plan assets	NIL	NIL
Curtailment Cost / (Credit)	NIL	NIL
Settlement Cost / (Credit)	NIL	NIL
Net Actuarial (Gain) / Loss	2,54,938	NIL
Employee's Contribution	NIL	NIL
Total expenses recognised in the profit and loss A/c.	3,50,400	28,429
Principal actuarial assumption (Rate of Discounting)		
Rate of discounting	7.30%	8.65 %
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, considered in actuarial valuation, take account of inflation, seniority, promotion and mortality assumption and other relevant factors such as demand and supply in the employment market.

5. 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.

6. 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
2	Archit Polymers Pvt. Ltd.	personnel exercise significant influence
3	Kandarp K. Amin	Key Management Personnel
4	Archana K. Amin	Key Management Personnel
5	Archit K. Amin	Relative of Key Management Personnel
6	Shri Chlochem Globle FZE	100% Subsidiary Company

(b) Transactions with related parties

[Amount in Rs.]

Sr. No.	Nature of transaction	For the period ended on 30/09/2009	2007-2008
(i)	Managerial Remuneration		
	- Key Management personnel	13,40,000	2,40,000
	- Relative of Key management Personnel	3,51,000	2,10,000
(ii)	Purchase / Sales of materials		
	Purchase		
	- Enterprise over which key management personnel exercise significant influence	3,48,27,841	3,79,57,287
	Sales		
	- Enterprise over which key management personnel exercise significant influence	15,00,043	8,09,260
(iii)	Rendering or Receiving of services		
	- Enterprise over which key management personnel exercise significant influence	—	8,12,986
(iv)	Unsecured Loans (Taken During the year)		
	- Enterprise over which key management personnel exercise significant influence	5,00,000	2,36,55,217
(v)	Unsecured Loans (Repayment during the year)		
	- Enterprise over which key management personnel exercise significant influence	1,35,39,117	1,79,79,084
(vi)	Loans and Advances (Given during the year)		
	- Enterprise over which key management personnel exercise significant influence	1,24,73,791	—
(vii)	Loans & Advances (Received back during the year)		
	- Enterprise over which key management personnel exercise significant influence	1,24,73,791	—
(vii)	Investment in 100% Subsidiary	—	12,61,425
(viii)	Outstanding Balances as at September, 30, 2009		
	Key Management Personnel and Relatives		
	- Due to company	1,10,668	36,127
	Enterprise over which key management personnel exercise significant influence		
	- Due by company		
	As Unsecured loans	—	1,72,39,117
	As Creditors	—	42,00,000
	- Due to company		
	As Debtors	—	1,30,940
	As Advance for Raw Material	—	—

7. Particulars of Earning per Share:

Particulars	For the period ended on 30/09/2009	2007-2008
Profit/(Loss) after tax and prior period items but before extra ordinary items (Rs.)	(75,50,912)	36,02,288
Number of equity shares	30,50,000	30,50,000
Nominal value of the share (Rs.)	10	10
Basic & diluted earning per share before extra ordinary items (Rs.)	(2.48)	1.18
There is no change in the number of equity shares during the year.		

8. 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 30/09/2009		2007-2008	
	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		39,74,145		37,34,213
Expenditure u/s.43B of Income Tax Act, 1961	—	—		4,54,995
Expenditure u/s.40a of Income Tax Act, 1961	—	—	10,877	
Unabsorbed depreciation	—	—	13,29,515	
Total	—	39,74,145	13,40,392	41,89,207
Net Deferred Tax Liability		39,74,145		28,48,816

9. The company had invested the sum of Rs. 12.61 lacs by way of share capital in subsidiary company Shri Chlochem Global FZE, Dubai. The subsidiary company has discontinued it's operations and therefore consolidation of financial statements of subsidiary company is not warranted.
10. Pursuant to Accounting Standard-29, Provisions, Contingent Liabilities and Contingent Assets, the disclosure relating to provisions made in the accounts for the year ended 30th September, 2009 is as follows :

Contingent Liabilities

[Amount in Rs.]

Particulars	As at 30/09/2009	2007-2008
Claims not acknowledge by the company-Excise Duty	—	Not Determined
Provisions		[Amount in Rs.]
Particulars		
Provision for Gratuity		
Opening Balance		85,412
Additions		3,50,400
Utilisation		—
Reversals		—
Closing Balance		4,35,812

11. 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.
12. 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.
13. Auditor's Remuneration is made up of:

[Amount in Rs.]

Particulars	For the period ended on 30/09/2009	2007-2008
Audit Fees	1,22,500	75,000
Tax Audit Fees	20,000	20,000
Total:	1,42,500	95,000

14. Directors' Remuneration is made up of:

Particulars	For the period ended on 30/09/2009	
	2007-2008	
Salary	13,40,000	2,40,000
Total:	13,40,000	2,40,000

15. The company is yet to initiate the process of obtaining the confirmation from suppliers who have registered themselves 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.No. Particulars	For the period ended on 30/09/2009		2007-2008	
	Qty. (M.T.)	Value	Qty. (M.T.)	Value
(a) Acetic Acid	4271570	127378811	2577790	78892993
(b) Chlorine	5619422	24906975	3391339	20142048
(e) Others		38880794		32803092
		191166580		131838133
(f) Less:Discount and Rate Difference		6066045		1464982
Total:		185100535		130373151

(B) Composition of Raw Materials Consumption

Raw Material consumption	For the period ended on 30/09/2009		2007-2008	
	Value (Rs.)	Percentage (%)	Value (Rs.)	Percentage (%)
Imported	26047651	13.82	21277874	16.07
Indigenous	159052884	86.18	109095277	83.93
Total:	185100535	100.00	130373151	100.00

(C) Turnover:

Particulars	For the period ended on 30/09/2009		2007-2008	
	Qty.(Kgs.)	Value	Qty.(Kgs.)	Value
(a) Sale of Chemicals :				
Finished Goods	15382893	295818826	10149320	182840058
Traded Goods	1890995	73644555	299430	16821217
	17273888	369463381	10448750	199661275
Less : Rate difference and returns		48 74 225		2 95 033
	17273888	364589156	10448750	199366242
(c) Purchase of Traded Goods				
- Local	391850	28416093	89430	14637868
- Import	1500000	47241600	0	0
Total:	1891850	75657693	89430	14637868

(D) Stock of Finished Goods:

Particulars	For the period ended on 30/09/2009		2007-2008	
	Qty.(Kgs.)	Value	Qty.(Kgs.)	Value
Opening Stock				
- Finished Goods	76683	2548255	75035	2430702
- Traded Goods	—	—	11000	376750
Closing Stock				
- Finished Goods	107419	3137723	76683	2548255
- Traded Goods	855	119700	—	—

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

Sr. No.	Particulars	For the period(Kgs.) ended on 30/09/2009	2007-2008(Kgs.)
(a)	Licensed Capacity – Chemicals	Not Applicable	Not Applicable
(b)	Installed Capacity - Chemicals	7800000	6000000
(c)	Production - Chemicals (Inclusive of production on job work & By products)	15413629	10150968
(d)	Captive Consumption	1387690	342932

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:

Particulars	For the period ended on 30/09/2009	2007-2008
Raw Materials	17639463	5319841
Traded Goods	47241600	NIL

(G) Earning in Foreign Currency:

[Rs. in lacs]

Particulars	For the period ended on 30/09/2009	2007-2008
F.O.B. Value of Export	1843.30	1290.42

(H) Expenditure in Foreign Currency (on payment basis):		
Travelling	7.18	4.00
Commission	17.20	12.25
Total :	24.38	16.25

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 AND ON BEHALF OF THE BOARD

FOR G. K. CHOKSI & CO.

Chartered Accountants

SANDIP A. PARIKH

Partner

Kandarp K. Amin Archana K. Amin

Chairman

Director

Place : Ahmedabad

Date : 21st November, 2009

Place : Ahmedabad

Date : 21st November, 2009

15. Balance Sheet Abstracts and Company's General Business Profile :

I. Registration Details

Registration No.	19941	State Code	04
Balance Sheet Date :	30.09.2009		

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

Public Issue	NIL	Right Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

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

Total Liabilities	171555	Total Assets	171555
Source of Funds		Application of Funds	
Paid-up Capital	30346	Net Fixed Asset	50404
Reserves and Surplus	—	Investments	—
Secured Loans	137235	Net Current Assets	114773
Unsecured Loans	—	Misc. Expenditure	—
Deferred Tax Liability	3974	Accumulated Losses	6378

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

Turnover and Other Income	382928	Total Expenditure	389001
(+)Profit/(Loss) Before Tax	(6073)	(+)Profit/(Loss) After Tax	(7551)
Earnings per share Rs.	(2.48)	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	N.A.

FOR AND ON BEHALF OF THE BOARD

Kandarp K. Amin	Archana K. Amin
Chairman	Director

Place : Ahmedabad
Date : 21st November, 2009

FORM OF PROXY
SHRI CHLOCHEM LIMITED

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

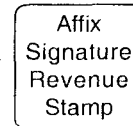
DF ID*	
Client ID*	

Registered Folio No.	
----------------------	--

I/We _____
of _____ in the district of _____
being member/s 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/us on my/our behalf at the Annual General Meeting of the Company to be held on Wednesday, the 30th December, 2009.

Signed the _____ day of _____ 2009.

Signature _____



* Applicable for members holding shares in dematerialised form.

1. This proxy form must be deposited at the Registered Office of the Company, not less than 48 hours before the time for holding the Meeting. Unless otherwise instructed, the proxy will vote as he/she thinks fit.
2. Members who hold shares in the dematerialised form are requested to quote their DP ID and Client ID for Identification.

Tear here

SHRI CHLOCHEM LIMITED

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

ATTENDANCE SLIP

To be handed over at the entrance of the Meeting Hall

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 Wednesday, the 30th December, 2009.

Registered Folio No.	
DP ID*	
Client ID*	
No. of Shares held	

Member's/Proxy's Signature
(To be signed at the time of handing over this 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.

Book - Post

To

If undelivered, please return to

SHRI CHLOCHEM LIMITED

REGISTERED OFFICE:

Plot No. 25/9/A, Phase III, G.I.D.C. Naroda,

Ahmedabad - 382 330

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