

POLYCHEM LIMITED



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44TH ANNUAL REPORT
2000-2001

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POLYCHEM LIMITED**(INCORPORATED UNDER THE INDIAN COMPANIES ACT, VII OF 1913)****BOARD OF DIRECTORS**

SHRI TANIL KILACHAND
Chairman & Managing Director
 SHRI M. Ct. MUTHIAH
 SHRI H.C. SHAH
 SHRI R. A. SHAH
(Alternate Director to Shri M. Ct. Muthiah)
 SHRI M. R. B. PUNJA
 SHRI P.T. KILACHAND
(Whole-time Director)

COMPANY SECRETARY

SHRI A. H. MEHTA

BANKERS

STATE BANK OF INDIA
 BANK OF BARODA
 DENA BANK

AUDITORS

MESSRS C. C. CHOKSHI & COMPANY
Chartered Accountants

LEGAL ADVISERS

MESSRS DAPHTARY, FERREIRA & DIVAN

REGISTERED OFFICE

7, Jamshedji Tata Road
 Churchgate Reclamation
 Mumbai 400 020.

WORKS	CORPORATE MANAGEMENT TEAM
ACRYLONITRILE BUTADIENE STYRENE PLANT 14, PCC AREA, P. O. PETROFILS VADODARA 391 347	SHRI TANIL KILACHAND <i>Managing Director</i> SHRI P. T. KILACHAND <i>Whole-time Director</i>
FLAVOURING ESSENCE Plot No. 71/1B/13, General T-Block, MIDC Bhosari, Pune, Maharashtra	SHRI A. H. MEHTA <i>VP-Corporate Affairs & Company Secretary</i>

Note : As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting.
 Shareholders are requested to kindly bring their copies to the Meeting.



NOTICE

Notice is hereby given that the Forty-fourth Annual General Meeting of the Members of POLYCHEM LIMITED will be held at M.C.Ghia Hall, Bhogilal Hargovindas Building, 2nd Floor, 18/20 Kaikhushru Dubash Marg, Mumbai 400 001 on Tuesday, 25th September 2001 at 10:30 a.m. to transact the following business :

1. To receive, consider and adopt the Directors' Report and Audited Balance Sheet as at 31st March, 2001 and Profit and Loss Account for the year ended on 31st March, 2001.
2. To appoint a Director in place of Shri M.R.B. Punja who retires by rotation, but being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri M.Ct. Muthiah who retires by rotation, but being eligible, offers himself for re-appointment.
4. To consider and, if thought fit, to pass with or without modification/s the following resolution as a Special Resolution :-

"RESOLVED THAT pursuant to the provisions of Section 224A and other applicable provisions, if any, of the Companies Act, 1956, Messrs. C. C. Chokshi & Company, Chartered Accountants, Mumbai, be and are hereby appointed as Auditors of the Company from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company on a remuneration of Rs. 1,00,000/- (Rupees one lac only) in addition to reimbursement of travelling and all other out of pocket expenses incurred in connection with the audit."

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 pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, approval of the members of the Company be and is hereby accorded to the re-appointment of Shri T.R.Kilachand, Managing Director of the Company, for a period of five years with effect from 19th August, 2001, upon the terms and conditions including remuneration as set out in the agreement placed before this meeting which agreement is hereby specifically approved and sanctioned with authority to the Board of Directors to alter and vary the terms and conditions of the said appointment and/or agreement (including authority, from time to time, to determine the amount of salary as also the type and amount of perquisites and other benefits payable to Shri T.R. Kilachand), in such manner as may be agreed to between the Board of Directors and Shri T.R. Kilachand, provided however that the remuneration payable to Shri T.R. Kilachand shall not exceed the limits specified in the said agreement as also the limits prescribed under Schedule XIII of the Companies Act, 1956, including any amendment, modification, variation or re-enactment thereof".

"RESOLVED FURTHER THAT in the event of any loss, absence or inadequacy of profits in any financial year, during the term of office of Shri T.R. Kilachand the remuneration payable to him by way of salary, allowances, and perquisites shall not, without the approval of the Central Government (if required), exceed the limits prescribed under the Companies Act, 1956, or any amendment, modification, variation or re-enactment thereof".

"RESOLVED FURTHER THAT the Board by and is hereby authorised to do all such acts, deeds and things and execute all such documents, instruments and writings as may be required to give effect to the aforesaid resolution".

By Order of the Board of Directors

A. H. MEHTA

Vice President-Corporate Affairs & Company Secretary

Registered Office :

7, Jamshedji Tata Road
Churchgate Reclamation
Mumbai 400 020.

Dated : 13th August, 2001

POLYCHEM LIMITED

NOTES:

- (a) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY, OR WHERE THAT IS ALLOWED, ONE OR MORE PROXIES, TO ATTEND AND VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER.
- (b) An explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of items 4 & 5 set out above is annexed herewith.
- (c) The register of Members and the Share Transfer Books of the Company will remain closed from Tuesday, 11th September, 2001 to Tuesday 18th September, 2001 (both days inclusive).
- (d) Members are requested to notify any change of their addresses at the Registered Office of the Company.
- (e) All unclaimed Dividends pertaining to the earlier years have been transferred to the General Revenue Account of the Central Government in terms of Section 205-A of the Companies Act, 1956.
- (f) The Company's securities are listed on the following Stock Exchange :

Sr. No.	Name & Address of the Stock Exchange	Nature of Security
1.	The Stock Exchange Mumbai Jeejeebhoy Towers Dalal Street Mumbai 400 023.	1,61,61,808 Equity Shares of Rs.10/- each

The Company has paid Annual Listing fees to the above Stock Exchange upto 31st March 2001.

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT AS REQUIRED BY SECTION 173(2) OF THE COMPANIES ACT, 1956.

The following Explanatory Statement, as required by Section 173(2) of the Companies Act, 1956 sets out the material facts relating to business under item nos. 4 & 5 mentioned in the accompanying Notice dated 13th August, 2001.

1. Item 4

This item relates to the appointment of Messrs. C.C. Chokshi & Company, Chartered Accountants, Mumbai as the Auditors of the Company and fixation of their remuneration.

According to Section 224A of the Companies Act, 1956 the Company in which not less than 25% of the subscribed Share Capital is held either singly or in combination amongst others, by Public Financial Institutions, Nationalised Banks and Insurance Companies, the appointment or re-appointment of the Auditors has to be made by a Special Resolution at the Annual General Meeting.

The holdings of the aforesaid categories of shareholders exceed 25% of the subscribed share capital of the Company and hence a Special Resolution is required to be passed to appoint Messrs. C.C.Chokshi & company on the terms and conditions contained in the Resolution.



2. Item 5

The Board of Directors have re-appointed Shri T.R. Kilachand as Managing Director for a further period of 5 years from 19th August, 2001. This appointment is subject to the approval of the members at the Annual General Meeting.

Shri T.R. Kilachand is a Managing Director of the Company with effect from 19th August, 1986.

The main terms of appointment of Shri T.R. Kilachand as Managing Director is set out in the agreement placed before the meeting, are as follows :

a) The period of appointment shall be for 5 years.

b) SALARY :

Salary - Rs. 11,000/- per month which may be increased by such amounts as the Board may determine from time to time subject to a maximum of Rs. 75,000/- per month.

c) COMMISSION :

Commission of one percent of the net profit of the Company, subject to a ceiling of 50% of the salary or Rs. 3,00,000/- per annum, whichever is less.

d) Perquisites per annum shall be equivalent to annual salary.

e) Other benefits shall include use of car (with driver) and telephone for the Company's business at residence (the expenses whereof would be borne and paid by the Company), contribution to provident and superannuation funds and all other benefits as are applicable to other senior employees of the Company (including but not limited to gratuity, leave entitlement, encashment of leave, in accordance with schemes of the Company).

In accordance with the resolution, within the aforesaid limits, the amount of salary and perquisites payable to Shri T.R. Kilachand (including the types and amount of each type of perquisites) will be decided by the Board of Directors at such time or times as it may deem fit in its absolute discretion. Further, Shri T.R. Kilachand shall be entitled to benefits as provided to the other senior employees, in accordance with the scheme made by the Company from time to time.

The valuation of perquisites will be as per the Income Tax Rules, 1962, in cases where the same is otherwise not possible to be valued.

The Board of Directors recommends the resolution for approval of the members.

This may be treated as an abstract of the terms and conditions, governing the appointment and remuneration of the Managing Director, pursuant to Section 302 of the Companies Act, 1956. Shri T.R. Kilachand and Shri P.T. Kilachand are interested in resolution Item No. 5.

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

By Order of the Board of Directors

A. H. MEHTA

Vice President-Corporate Affairs & Company Secretary

Registered Office :

7, Jamshedji Tata Road
Churchgate Reclamation
Mumbai 400 020.
Dated : 13th August, 2001

POLYCHEM LIMITED

DIRECTORS' REPORT

To
The Members of
POLYCHEM LIMITED

Your Directors present the Forty-fourth Annual Report and Statement of Accounts for the year ended 31st March, 2001.

	01.04.00 to 31.03.01 Rs. in lacs	01.04.99 to 31.03.00 Rs. in lacs
FINANCIAL RESULTS		
Sales including Excise duty	6.98	158.67
Sale of flats	3,192.37	—
Profit/(Loss) before Interest, Depreciation & Tax	(648.50)	1,259.67
Interest	107.47	2,029.03
Depreciation	222.49	226.60
Loss before tax & Extraordinary items	(978.46)	(995.96)
Extraordinary Items (Net)	2,984.37	317.50
Provision for taxes	(58.08)	(0.10)
Short provision for taxation in respect of earlier years	(113.29)	(43.65)
Profit/(Loss) after Taxes and Extraordinary items	1,834.54	(722.21)
Transferred from investment allowance reserve	157.00	80.00
Transferred from Debenture Redemption Reserve	1,032.50	—
Balance brought forward	(9,797.61)	(9,155.40)
	(6,773.57)	(9,797.61)
General Reserve deducted per contra	1,127.62	1,127.62
Amount available for Appropriation	(5,645.95)	(8,669.99)
Balance carried forward	(5,645.95)	(8,669.99)

During the year ended 31st March, 2001 your Company earned a profit of Rs.1834.54 lacs against loss of Rs. 722.21 lacs during the year ended 31st March, 2000 after considering extraordinary items. In view of the carried forward loss, Directors regret their inability to pay any dividend on Equity and Redeemable Cumulative Preference Shares.

1. Sales including excise duty as also sale of flats during the year ended 31st March, 2001 were Rs. 31.99 crores compared to Rs.1.59 crores during the previous year.

2. SALE OF VADODARA UNITS:

As informed in the last Annual Report, Company had given ABS and SAN Units at Vadodara on conducting basis from September, 1999 pending sale subject to necessary approvals. Company has now received all the necessary approvals for sale of Vadodara units as per Agreement for sale of undertaking as a going concern dated 12th October, 1999. Company expects to complete the sale of Vadodara unit shortly.

3. DEVELOPMENT OF LAND AT GOREGAON

The construction of four buildings already taken up and completed during the year. Construction of three more buildings is under progress at the steady pace and is expected to be completed during the current year. Permission for II phase of construction is awaited. As intimated to members last year, Directors have sold the development rights in respect of approximately 95,000 sq.ft. of the Goregaon land to Mahindra Realty Infrastructure Developers Ltd. (MRIDL)



4. GUJARAT POLY-AVX ELECTRONICS LIMITED (GPAEL)

The sales turnover of GPAEL has improved considerably for the fifth year in succession in comparison with the sales turnover for the previous year. The sales during the year ended 31st March 2001 was Rs. 734.49 lacs in comparison to the sales of Rs. 650.14 lacs in the previous year. Sales turnover is expected to improve further with Telecom Policy being implemented. The operations for the year have resulted into a loss of Rs. 342 lacs, however, there is a surplus Rs. 187 lacs before interest and depreciation.

As informed in the 43rd Annual Report, GPAEL has been declared a sick industrial company by BIFR and ICICI has been appointed as the Operating Agency (OA) for formulation of the revival package for the Company. A revival scheme submitted to the OA is under consideration.

5. FINANCE

The Company has repaid loans to Financial Institutions and redeemed debentures under one time settlement scheme totalling to Rs. 30 crores. As per OTS arrived at with Banks, Company is required to pay Rs. 2450 lacs to banks, of which Company has repaid Rs. 1200 lacs.

6. REFERENCE TO BIFR

As you are aware, your Company has been referred to the Board for Industrial & Financial Reconstruction (BIFR) for adoption of revival measures with respect to it, in accordance with the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985. BIFR had appointed Industrial Development Bank of India (IDBI) as the Operating Agency for formulation of the rehabilitation scheme in terms of the provisions of Section 17(3) of the Act and accordingly, IDBI had prepared the revival scheme which was sent to BIFR after deliberations at the joint meeting with others for further consideration by BIFR.

The above scheme was discussed and considered by BIFR at the last hearing held on 24th April, 2001 and at the conclusion of the said hearing, BIFR gave certain directions to the Company to ensure that fully tied up scheme emerges in due course of time. Your Company has already made significant progress pursuant to the said direction by BIFR and is hopeful of receiving sanction of the revival scheme as submitted. In the meanwhile, your Company has already paid off more than 75% of the restructured dues to Banks and Financial Institutions under One Time Settlement, out of sale proceeds of the surplus assets.

7. AUDIT COMMITTEE

Your Company has set up an Audit Committee of Directors as required by Section 292A of the Companies Act, 1956 as amended. Shri T.R.Kilachand, Shri H.C.Shah and Shri K.H.Kazi (UTI Nominee) are members of the Audit Committee. Shri Kazi has since resigned as a Director of the Company.

8. DIRECTORS' RESPONSIBILITY

Pursuant to Section 217(2AA) of the Companies Act, 1956 the Directors confirm that :

- In the preparation of the annual accounts, the applicable accounting standards have been followed.
- Appropriate accounting principles have been selected and applied consistently and have made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2001 and of the profits of the Company for the year ended 31st March, 2001.
- 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.
- The annual accounts have been prepared on a going concern basis.

9. INDUSTRIAL SAFETY AND POLLUTION CONTROL

- (i) Industrial Safety record of Vadodara Units was satisfactory.
- (ii) Pollution Control -

All treated effluent discharge to ECP during the year was within the tolerable limits of GPCB. All pollution control norms were strictly observed.

10. TAXATION

The Company's Income Tax assessments have been completed upto year ended 31st March, 1998.

POLYCHEM LIMITED

11. DEPOSITS

Company has repaid all deposits matured upto 31st March, 2001.

12. SUBSIDIARY COMPANIES

Information under Section 212 of the Companies Act, 1956 in respect of Subsidiary Companies is attached.

13. INDUSTRIAL RELATIONS

Industrial Relations with the employees of the Company were cordial during the year under report.

14. PARTICULARS OF EMPLOYEES

Provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 are not applicable to the Company.

15. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO ETC.

As required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the Report on Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo etc. is given in Annexure I forming part of this report.

16. DIRECTORS

- a) ICICI Limited, Life Insurance Corpn. of India and Unit Trust of India, withdrew the nomination of Shri F.M. Pardiwalla, Shri K.S.K. Khare and Shri K.H. Kazi respectively as Company has paid the dues of financial institutions under One Time Settlement (OTS). The Board appreciates the valuable services rendered by them during the tenure of their office as Directors of the Company.
- b) Shri M.R.B. Punja and Shri M.Ct.Muthiah retire from Office by rotation but, being eligible, offer themselves for reappointment.
- c) Shri K.H. Kazi had been appointed as an Additional Director on 16th April, 2001. However he has since resigned as a Director with effect from 13th August, 2001.
- d) The term of Shri T. R. Kilachand as Managing Director will expire on 18th August, 2001. The Board of Directors have re-appointed him as Managing Director (with effect from 19-8-2001) for a period of five years. In terms of the provisions of the Companies Act, 1956, your approval is sought for his re-appointment and for the remuneration payable to him as detailed in the notice convening the meeting. It may be noted that he is not drawing any remuneration with effect from 1st June, 1997 due to losses incurred by the Company.

17. AUDITORS' REMARKS

As regards the remarks in the Auditors' Report, please refer to the Notes on Accounts which are self explanatory.

18. AUDITORS

You are requested to appoint Auditors for the current year. The retiring Auditors, M/s. C. C. Chokshi & Company, Chartered Accountants, Mumbai are eligible for re-appointment.

19. DEMATERIALISATION (DEMAT) OF EQUITY SHARES

The facility is available to shareholders to DEMAT their shares and it has become compulsory with effect from 25th September, 2000 as per SEBI guidelines. Shareholders are advised to DEMAT their Shares.

The Directors extend their sincere thanks to the Company's valued customers, the State and Central Government authorities, Depositors, Financial Institutions, Bankers and Shareholders for their co-operation and continued support during the difficult times being experienced by the Company.

Sincere thanks are also due to the management team, the staff and workers for their valuable contribution despite adverse circumstances being faced by the Company.

7, Jamshedji Tata Road,
Churchgate Reclamation
Mumbai 400 020

Dated : 13th August, 2001.

On behalf of the Board of Directors

TANIL KILACHAND
CHAIRMAN & MANAGING DIRECTOR



ANNEXURE I

A. CONSERVATION OF ENERGY

- (a) Energy conservation measures taken.
 - Power consumption is negligible.
- (b) Additional investments and proposals, if any, being implemented for reduction of consumption of Energy.
 - Due to low power consumption no investment is proposed.
- (c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.
 - Not applicable.
- (d) Total energy consumption and energy consumption per unit of production as per Form A of the Annexure in respect of industries specified in the Schedule thereto.
 - Not applicable.

B. TECHNOLOGY ABSORPTION

- (e) Efforts made in technology absorption as per Form B of the Annexure.
 - Operations are simple, hence this is not applicable.

C. FOREIGN EXCHANGE EARNINGS & OUTGO

- (f) Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services; and export plans.
 - Not Applicable;
- (g) Total foreign exchange used and earned.
 - Refer Schedule 18(f)

