



POLYCHEM LIMITED

**47TH ANNUAL REPORT
2003-2004**

(INCORPORATED UNDER THE INDIAN COMPANIES ACT, VII OF 1913)

BOARD OF DIRECTORS	SHRI TANIL KILACHAND <i>Chairman & Managing Director</i> SHRI H.C.SHAH SHRI P.T.KILACHAND <i>(Whole-time Director)</i> SHRI M.K. KAW <i>(Director - BIFR)</i>
COMPANY SECRETARY	SHRI A.H.MEHTA
BANKERS	STATE BANK OF INDIA BANK OF BARODA DENA BANK
AUDITORS	M/s. C.C.CHOKSHI & CO. <i>Chartered Accountants</i>
LEGAL ADVISERS	M/s. DAPHTARY, FERREIRA & DIVAN
REGISTERED OFFICE	7, Jamshedji Tata Road, Churchgate Reclamation, Mumbai 400 020.

WORK	CORPORATE MANAGEMENT TEAM
FLAVOURING ESSENCE Plot No.71/1B/13, General T-Block, MIDC Bhosari, Pune, Maharashtra	SHRI TANIL KILACHAND Managing Director
POLYVINYL ALCOHOL Chemical Complex, Nira Taluka Baramati, Pune.	SHRI P.T.KILACHAND Whole-time Director SHRI A.H.MEHTA VP-Corporate Affairs & Company Secretary
SPECIALTY CHEMICALS A-393, TTC Industrial Area, Mahape, Navi Mumbai 400 705	

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.

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POLYCHEM LIMITED**NOTICE**

Notice is hereby given that the Forty-seventh 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 Wednesday, 29th September, 2004 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, 2004 and Profit and Loss Account for the year ended on 31st March, 2004.
2. To appoint a Director in place of Shri P.T.Kilachand who retires by rotation, but being eligible, offers himself for re-appointment.
3. 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 service tax, reimbursement of travelling and all other out of pocket expenses incurred in connection with the audit."

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 : 31st July, 2004.

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 3 set out above is annexed herewith.
- (c) The register of Members and the Share Transfer Books of the Company will remain closed from Thursday, 2nd September, 2004 to Thursday, 9th September, 2004 (both days inclusive).
- (d) Members holding shares in the dematerialized mode are requested to intimate changes in their address, if any, to their Depository Participants and Members holding shares in physical form are requested to intimate the change of address to the Registrar & Share Transfer Agents at Sharepro Services, Satam Estate, 3rd Floor, Above Bank of Baroda, Cardinal Gracious Road, Chakala, Andheri (E), Mumbai 400 099.
 Telephone : 022-28215169, 28348218
 Fax : 022-28375646
- (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.

The Company's securities are listed on the following Stock Exchange:

Sr. No.	Name & Address of the Stock Exchange	Nature of Security As on 31-03-2004
1.	The Stock Exchange Mumbai Jeejeebhoy Towers, Dalal Street, Mumbai 400 023.	4,04,045 Equity Shares of Rs.10/- each

The Company has paid Annual Listing fees to the above Stock Exchange.

Members are requested to exchange old share certificates with new share certificates.



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 No. 3 mentioned in the accompanying Notice dated 31st July, 2004

Item 3

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.

As required in terms of paragraph VI(A) of Clause 49 of the Listing Agreement, the details of the director retiring by rotation and eligible for reappointment are furnished below:

Name of Director	Mr. P.T. Kilachand
Age	37 years
Qualification	Sc.B "Electrical Engineering" & A.B. "Engineering & Economics" from Brown University.
Expertise	Project Officer in Polychem Limited from 1 st November, 1988, then as Project Executive from 1 st October, 1990 and as Executive Assistant to the Managing Director from 2 nd July, 1993. He has been actively involved and looking after all aspects of various activities of the Company. He was appointed as a Director from December 1996 to 31 st March, 1997. From 1 st April, 1997 he was appointed as a Whole-time Director.
Other Directorship as on 31 st March, 2004	Gujarat Poly-AVX Electronics Ltd., The Baroda Commercial Corpn. Ltd., Rasayani Traders Pvt.Ltd., Highclass Trading Pvt.Ltd., Ginnars & Pressers Ltd., Connell Bros. Co.(I) Pvt.Ltd., Masuma Investment Pvt.Ltd., Ro-an Investment Pvt.Ltd., Virsun Investments Pvt.Ltd., and New Star Industries Ltd.

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 : 31st July, 2004.

POLYCHEM LIMITED**DIRECTORS' REPORT**

To

The Members of

POLYCHEM LIMITED

Yours Directors present the Forty-seventh Annual Report and Statement of Accounts for the year ended 31st March, 2004.

	01.04.03 to 31.03.04 Rs. in lacs	01.04.02 to 31.03.03 Rs. in lacs
FINANCIAL RESULTS		
Sales	69.69	3.00
Sale of flats	48.42	41.18
Consideration on transfer of Development Rights	429.00	572.53
Profit/(Loss) before Interest,		
Depreciation & Tax	(4.86)	30.63
Interest	51.89	148.09
Depreciation	121.21	121.66
Loss before tax	(177.96)	(239.12)
Provision for taxes	(25.62)	(30.00)
(Loss)/Profit after Taxes	(203.58)	(269.12)
Excess/(Short)provision of tax		
In respect of earlier years	59.85	—
Balance brought forward	(5996.80)	(7,303.46)
Less: Transferred on Reduction of Equity Share Capital	—	1575.78
	(6140.53)	(5996.80)
General Reserve deducted per contra	1988.91	1675.09
Amount available for Appropriation	(4151.62)	(4321.71)
Balance carried forward	(4151.62)	(4321.71)

During the year ended 31st March, 2004 your Company incurred loss of Rs.203.58 lacs against loss Rs.269.12 lacs. In view of the carried forward loss, Directors regret their inability to pay any dividend on Equity and Redeemable Cumulative Preference Shares.

1. Sales of flavouring essence for brandy concentrate and specialty chemicals during the year ended was Rs.3.02 lacs and Rs.66.66 lacs respectively, compared to Rs.3 lacs and Rs.nil during the previous year. Company also sold remaining 2 flats for Rs.48.42 lacs during the year ended 31st March, 2004 compared to Rs.41.18 lacs during the previous year. Company has also received consideration on transfer of Development Rights amounting to Rs.429 lacs.

2. DEVELOPMENT OF LAND AT GOREGAON:

As informed in the last Annual Report, the construction of all the 7 buildings have been completed as per the Supplemental Project Service Agreement. Also all flats have been sold.

Company has received the IOD and CC in respect of 45114 sq. ft. of land at Goregaon, as per the Development Agreement with Mahindra Realty & Infrastructure Developers Ltd. (now known as Mahindra Gesco Developers Ltd.).

3. GUJARAT POLY-AVX ELECTRONICS LIMITED (GPAEL)

The sale of GPAEL during the year ended 31st March, 2004 was Rs. 400.41 lacs as against sale of Rs.472.62 lacs during the previous year. GPAEL has incurred loss of Rs.114.94 lacs during the year ended 31st March, 2004 as compared to loss of Rs. 87.12 lacs in the previous year.

4. FINANCE:

As per OTS of Rs. 2450 lacs arrived at with Banks, Company has repaid Rs.2267 lacs to banks till date.

5. REFERENCE TO BIFR:

Company is implementing the Scheme sanctioned by BIFR for rehabilitation of the Company as provided in the Orders of the BIFR.

6. 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 H.C.Shah, Shri M.K.Kaw are members of the Audit Committee.



7. 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, 2004 and of the loss of the Company for the year ended 31st March, 2004.
- 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.

8. TAXATION:

The Company's Income Tax assessments have been completed up to the year ended 31st March, 2001.

9. DEPOSITS:

Company has repaid all deposits and there are no outstanding deposits

10. SUBSIDIARY COMPANY:

Information u/s.212 of the Companies Act, in respect of Elphinstone Holding & Trading Co. Pvt. Ltd., is attached.

11. INDUSTRIAL RELATIONS:

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

12. 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.

13. 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.

14. DIRECTORS:

1. Shri P.T.Kilachand retires from Office by rotation, but being eligible, offers himself for reappointment.
2. Shri J.K.Bodha, UTI Nominee, has resigned as a Director of the Company with effect from 22nd January, 2004. The Board of Directors placed on record the valuable services rendered by Shri J.K.Bodha as a Director of the Company during the tenure of his service.

15. AUDITORS' REMARKS

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

16. AUDITOR

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

17. 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 State and Central Government authorities, Banks 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 and the staff for their valuable contribution despite adverse circumstances being faced by the Company.

By Order of the Board of Directors

TANIL KILACHAND

Chairman & Managing Director

Registered Office :

7, Jamshedji Tata Road
Churchgate Reclamation
Mumbai 400 020.

Dated : 31st July, 2004.

POLYCHEM LIMITED

ANNEXURE I

A. CONSERVATION OF ENERGY

NIL

FORM 'A'

POWER AND FUEL CONSUMPTION

2003-04
(8 months)
Total

(1) Electricity

- (a) Purchased units (Kwh)
Total Amount (Rs.)
Rate, Kwh

10,110
40,560
4.011

FORM 'B'

Disclosures of particulars with respect to Technology Absorption, Research & Development.

A. Research and Development

- Specific area in which R&D work is carried out: R&D work was carried out for developing a co-polymer of Styrene & Maleic Anhydride and a co-polymer of Alpha Methyl Styrene & Styrene..
- Benefits derived as a result of the above R&D:
The work is still in progress. The samples have been given to customers for trial purpose.
- Future plan of action:
The work mentioned in Point 1 above will be continued to commercialise the 2 products.
- Expenditure on R&D:
— nil —

B. Technology Absorption, Adaption and Innovation:

- Efforts in brief made towards technology absorption, adaption and innovation:
Since local technology is used for manufacture of the products of the company, there is no question of technology absorption.
- Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc.:
— nil —
- Imported Technology:
No new technology has been imported.
- Foreign Exchange Earnings and Outgoings:
— nil —

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the attached Balance sheet of Polychem Limited as at 31st March, 2004 and also the Profit and Loss account and the Cash-flow statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the 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 misstatement. 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.

- As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government in terms of section 227 (4A) of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- Further to our comments in the annexure referred to above, we report that:
 - 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;
 - in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the 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, *subject to note no.5(a) of schedule 17, regarding non-provision for diminution in the value of investments*, the Balance sheet, Profit and Loss account and Cash-flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- (e) on the basis of the written representations received from the directors, as on 31st March, 2004, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2004 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- (f) we draw attention to note 2 of schedule 17, regarding accounts of the Company prepared on going concern basis.
- (g) attention is invited to the following in schedule 17:
- i re: non-provision for diminution in the value of investments - vide note no.5(a);
 - ii re: disputed demands of income tax and excise authorities aggregating to Rs.13,477 (000) - vide note no.6 [Previous year Rs. 24,456 (000)];
 - iii re: non-provision for doubtful loans and advances aggregating to Rs.4,610 (000) - vide note no.7 [previous year, doubtful loans and advances - Rs. 3,879 (000) and doubtful debts - Rs.143 (000) aggregating to Rs. 4,022 (000)];
 - iv re: non confirmation of balances - vide note no.8;
 - v re: capital work-in-progress of Rs.180,328 (000) - vide note no.10 [previous year Rs. 180,328 (000)];
 - vi re: non redemption of 13.5% Redeemable Cumulative Preference shares of Rs.100/- each aggregating to Rs.5,000 (000) and arrears of dividend thereon of Rs.7,425 (000) - vide note no.12 [Previous year arrears of dividend Rs. 6,750 (000)].

We further report that, without considering the items (i), (iv), (v) and (vi) the effect of which could not be determined, had the observations made by us in items (ii) and (iii) been considered, the loss for the year would have been Rs.22,599 (000) as against the reported figure of Rs.17,796 (000) [previous year Rs. 28,600 (000) as against the reported figure of Rs. 23,912 (000)], the accumulated losses would have been Rs.433,249 (000) as against the reported figure of Rs.415,162 (000) [previous year Rs. 460,649 (000) as against the reported figure of Rs. 432,171(000)], previous year's sundry debtors would have been Rs. 1434 (000) as against the reported figure of Rs. 1,577(000), loans and advances would have been Rs.10,185 (000) as against the reported figure of Rs.14,795 (000) [previous year Rs. 41,391 (000) as against the reported figure of Rs. 45,270(000)], current liabilities would have been Rs.40,897 (000) as against the reported figure of Rs.40,704 (000)[previous year Rs. 118,242 (000) as against the reported figure of Rs. 117,586 (000)] and provisions would have been Rs.31,397 (000) as against the reported figure of Rs.18,113 (000)[previous year Rs. 45,326 (000) as against the reported figure of Rs. 21,536 (000)].

Subject to the foregoing, in our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the significant accounting policies and other notes thereon, 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 31st March, 2004;
- (b) in the case of the Profit and Loss account, of the loss for the year ended on that date; and
- (c) in the case of the Cash-flow statement, of the cash flows for the year ended on that date.

For C. C. Chokshi & Co.,
Chartered Accountants

Mumbai
Dated: 31st July, 2004.

A. Siddharth
Partner
Membership no. 31467

ANNEXURE TO THE AUDITORS' REPORT

Re: Polychem Limited

(referred to in paragraph 1 of our report of even date)

1. The nature of the Company's activities during the year is such that the requirements of clauses (xiii) and (xiv) of paragraph 4 of the Order are not applicable.
2. (a) The Company has maintained records showing full particulars, including quantitative details and situation of fixed assets. *The same are in the process of being updated;*
- (b) some of the fixed assets were physically verified during the year by the management in accordance with a programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us no material discrepancies were noticed on such verification;
- (c) there has not been any substantial disposal of fixed assets during the year.
3. (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable;