

POLYCHEM LIMITED



48TH ANNUAL REPORT 2004-2005

(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
POLYVINYL ALCOHOL Chemical Complex, Nira Taluka Baramati, Pune. Maharashtra	SHRI TANIL KILACHAND Managing Director
SPECIALTY CHEMICALS A-393, TTC Industrial Area, Mahape, Navi Mumbai 400 705	SHRI P.T.KILACHAND Whole-time Director SHRI A.H.MEHTA VP-Corporate Affairs & Company Secretary

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-eighth Annual General Meeting of the Members of POLYCHEM LIMITED will be held at Maharashtra Chamber of Commerce & Industry, Oricon House, 6th Floor, 12, K. Dubash Road, Fort, Mumbai 400 001, on Friday, 23rd September, 2005 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, 2005 and Profit and Loss Account for the year ended on 31st March, 2005.
2. To appoint a Director in place of Shri H.C.Shah 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. G.M. Kapadia & 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."
4. To consider, and if thought fit, to pass, with or without modification, the following resolution as a SPECIAL RESOLUTION: RESOLVED that the securities of the Company be voluntarily delisted from the Ahmedabad Stock Exchange and The National Stock Exchange, Mumbai as per voluntary delisting of securities under SEBI (Delisting of Securities) Guidelines 2003.

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 : 10th August, 2005.

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 & 4 set out above is annexed herewith.
- (c) The register of Members and the Share Transfer Books of the Company will remain closed from Friday, 26th August, 2005 to Tuesday, 30th August, 2005 (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.

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

Sr. No.	Name & Address of the Stock Exchange	Nature of Security As on 31-03-2005
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 Nos. 3 and 4 mentioned in the accompanying Notice dated 10th August, 2005.

Item 3

This item relates to the appointment of Messrs. G.M. Kapadia & Company, Chartered Accountants, Mumbai as the Auditors of the Company and fixation of their remuneration. The existing auditors, Messrs. C.C. Chokshi & Company, Chartered Accountants, Mumbai, have expressed their regret to continue as Statutory auditors of the Company.

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. G.M. Kapadia & Company on the terms and conditions contained in the Resolution.

Item 4

The Securities of the Company are listed on the Stock Exchange, Mumbai and Ahmedabad Stock Exchange and The National Stock Exchange, Mumbai. There is very little volume of transaction on the Ahmedabad Stock Exchange and The National Stock Exchange, Mumbai. As such as a measure of economy it is proposed to delist the Securities from the said Exchange. It is voluntary delisting of Securities under SEBI (delisting of Securities) Guidelines 2003 and requires prior approval of Shareholders of the company by a Special resolution passed at its General Meeting. The Securities shall continue to be listed on the Stock Exchange, Mumbai, for trading.

None of the Directors of the Company is concerned or interested in the resolution.

The Directors recommend the Special Resolution for acceptance by the Members.

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. H.C.Shah
Age	77 years
Qualification	B.Com
Expertise	Experience in business of financing for 52 years.
Other Directorship as on 31 st March, 2005	—

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 : 10th August, 2005.

POLYCHEM LIMITED

DIRECTORS' REPORT

To

The Members of

POLYCHEM LIMITED

Your Directors present the Forty-eighth Annual Report and Statement of Accounts for the year ended 31st March, 2005.

	01.04.04 to 31.03.05 Rs. in lacs	01.04.03 to 31.03.04 Rs. in lacs
FINANCIAL RESULTS		
Sales	122.68	69.69
Sale of flats	—	48.42
Sale – Assignment of Trademarks	380.00	—
Consideration on transfer of Development Rights	—	429.00
Profit/(Loss) before Interest		
Depreciation & Tax	(1560.35)	(4.86)
Interest	28.26	51.89
Depreciation	117.12	121.21
Loss before exceptional items and tax	(1705.73)	(177.96)
Exceptional Items:		
— Loss on fixed assets discarded	(144.20)	—
— Writebacks	3889.14	—
Profit/(Loss) before tax	2039.21	(177.96)
Provision for taxes	(80.00)	(25.62)
Profit/(Loss) after Taxes	1959.21	(203.58)
(Short)/Excess provision of tax in respect of earlier years	(135.90)	59.85
Balance brought forward	(6140.53)	(5996.80)
	(4317.22)	(6140.53)
General Reserve deducted per contra	1988.91	1988.91
Amount available for Appropriation	(2328.31)	(4151.62)
Balance carried forward	(2328.31)	(4151.62)

During the year ended 31st March, 2005 your Company has made profit of Rs.1959.21 lacs (after considering exceptional items) against loss of Rs.203.58 lacs. The Company cannot recommend dividend as per the sanctioned Rehabilitation Scheme during the period of rehabilitation.

An amount of Rs.3,88,914 ('000) no longer payable to banks has been written back. Capital Work-in-Progress of Rs.1,78,934 ('000) has been Written Off. Fixed Assets held for disposal are stated at the net realizable value and the difference between the written down value of such assets as at 31st March, 2005 and the net realizable value has been written off [Rs.14,420 ('000)].

1. Sales of specialty chemicals during the year ended was Rs.122.68 lacs compared to Rs.66.66 lacs during the previous year.

2. GUJARAT POLY-AVX ELECTRONICS LIMITED (GPAEL)

The sale of GPAEL during the year ended 31st March, 2005 was Rs. 527.84 lacs as against sale of Rs.400.41 lacs during the previous year. GPAEL has incurred loss of Rs.52.23 lacs (before considering exceptional item) during the year ended 31st March, 2005 as compared to loss of Rs. 114.94 lacs (before considering exceptional item) in the previous year.

3. FINANCE:

Company has repaid to banks balance one time settlement amount of Rs.183 lakh during the year.

4. REFERENCE TO BIFR:

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

POLYCHEM LIMITED

ANNEXURE I

A. CONSERVATION OF ENERGY

_____ NIL _____

FORM 'A'

POWER AND FUEL CONSUMPTION

	2004-05 (12 months)	2003-04 (8 months)
(1) Electricity		
(a) Purchased units (Kwh)	24,293	10,110
Total Amount (Rs.)	97,250	40,560
Rate, Kwh	4,003	4,011

FORM 'B'

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

A. Research & Development :

1. 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 Styrene & Ethyl Acrylate.

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

First commercial order is received for Styrene Maleic Anhydride Co-polymer. Samples of Styrene Ethyl Acrylate co-polymer is under evaluation at customers end.

3. Future plan of action:

Commercialising Styrene Ethyl Acrylate Co-polymer. R & D work on developing a homopolymer of Alpha Methyl Styrene.

4. Expenditure on R & D:

No major expenses incurred for R & D.

B. Technology Absorption, Adaption and Innovation:

1. 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.

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

_____ nil _____

3. Imported Technology:

No new technology has been imported.

4. Foreign Exchange Earnings and Outgoings:

_____ nil _____



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Overview:

Company is operating in the manufacturing of Specialty Chemicals.

Opportunities

Our customers for Low Molecular Weight Polystyrene (LMPS) and Cross Linked Polystyrene (XLPS) are in investment casting Industry. Both these products are used as fillers in wax used for Investment casting. Due to environmental and health concerns, western countries mainly USA & Europe are slowly phasing out these industries. This industry is labour intensive, which is turning out to be a disadvantage for these countries. Due to these reasons our exports of castings to these countries have increased manifold. Simultaneously production of automobiles in our country is on a rise. As also our country is becoming a global hub for auto components. Most of the auto components are casts by investment castings. This means a continuous increase in demand for both our products LMPS and XLPS. We are the major suppliers of LMPS in the country.

Another product Styrene Butyle Acrylate copolymer is used as a filler in cement for structural repair of columns and beams in the old buildings. The demand for these products is on the rise as the repair work keeps on increasing due to ageing buildings.

Threats

The basic raw material for the majority of our products is Styrene Monomer. Styrene is derived from Benzene, which in turn is derived from crude oil. Crude oil prices have been increasing steadily for the last one year. As a result the price of styrene is also increasing continuously, thereby affecting our margins.

Risk and Concerns:

There is price fluctuation in the main raw material i.e. Styrene Monomer and no corresponding increase in the price of finished goods, is the major area of concern.

Outlook:

Company has paid off its debts as per One Time Settlement with Financial Institutions and Banks. Company is negotiating for payment of balance liability, including statutory liability.

Financial Performance:

a) Share Capital:

The issued and paid-up share capital of the Company is Rs.40,40,450/- consisting of 4,04,045 equity shares of Rs.10/- each and 50,000 redeemable cumulative preference shares of Rs.100/- each as on 31st March, 2005.

b) Reserves and Surplus:

As on 31st March, 2005 the reserves and surplus are Rs.1541.01 lakhs. However, there is accumulated loss of Rs.2328.31 lakhs.

c) Secured Loans:

There are no secured loans outstanding as on 31st March, 2005.

d) Results of Operation:

Revenue for the current year including other income amounts to Rs.652.50 lakhs compared to Rs.675.37 lakhs. Loss before exceptional items and taxes is Rs.1705.73 lakhs compared to loss of Rs.177.96 lakhs during the previous year. Provisions for tax during the year is Rs.80.00 lakhs compared to Rs.25.62 lakhs during the previous year. Profit/(Loss) after tax amounts to Rs.1959.21 lakhs during the year compared to loss of Rs.(203.58) lakhs during the previous year.

Industry Structure & Development

Our Company is now manufacturing and selling Specialty Chemicals.

Segmentwise performance

There are two income generating segments. Segment-wise Revenue for the year ended 31st March, 2005 is as follows, viz. (1) Organic intermediary Rs.51,628/- ('000) and (2) Specialty Chemicals Rs.12,246/- ('000).

Since Company has sold its trade marks there will not be any recurring income from organic intermediary. Sale of Specialty Chemicals is showing good growth.

Internal Control System

Company has adequate internal control procedures commensurate with the size of the Company and nature of its business for the purchase of raw materials and fixed assets and for the sale of goods.

Human Resources

Keeping with the Business volume, the company has reduced its staff strength and the present staff strength is 13.

POLYCHEM LIMITED

CORPORATE GOVERNANCE REPORT (2004-2005)**1. Statement on Company's philosophy on code on governance.**

The Company's philosophy on Corporate governance is to attain high level of transparency and accountability in the functioning of the Company and in its relationship with employees, shareholders, creditors, lenders and ensuring high degree of regulatory compliances.

The Company also believes that its systems and procedures will enhance corporate performance and maximize shareholder value in the long term.

2. Board of Directors

The Board of Directors comprises of four members and is responsible for management of the Company's business. The Board's role, functions, responsibility and accountability are clearly defined.

Composition of the Board of Directors as on March 31, 2005, is as follows:

Director	Executive/Non-Executive/Independent/Promoter
Mr.T. R.Kilachand	Chairman-cum-Managing Director/Promoter
Mr. H.C.Shah	Non-Executive Director/Independent
Mr. P.T.Kilachand	Whole-time Director/Promoter
Mr. M.K.Kaw	Director – BIFR/Non-Executive Director/Independent

Attendance of each Director at the Board Meeting, last AGM, sitting fees paid and Number of other Directorship and Chairmanship/Membership of Committee of each Director in various companies:

F.Y. 2004-05(April 04 to March 05)

Attendance Particulars				No. of other Directorships and Committee Membership/Chairmanship	
Name of the Director	Board Meetings	Last AGM	Sitting Fees	Other Directorship in Public Limited Companies	Committee Membership/Chairmanship
			Rs.		
Mr.T.R.Kilachand	5	Yes	—	3	1(Chairman)
Mr.P.T.Kilachand	5	Yes	—	4	1
Mr. H.C.Shah	5	Yes	5000	1	—
Mr. M.K.Kaw	5	Yes	5000	—	—

a) Sitting fees paid for attending Board meetings have only been taken into consideration.

Remuneration to Directors

The Managing Director and the Whole-time Director are currently not drawing any remuneration.

Number of Board Meetings held and dates on which held:

1) During the financial year 2004-05, five Board meetings were held on the following dates:

- 28th April, 2004
- 31st July, 2004
- 29th September, 2004
- 19th October, 2004
- 28th January, 2005

2) Audit Committee

The Company had constituted an audit committee on 31st January, 2002 pursuant to the requirements of Section 292A of the Companies Act, 1956 as well as Clause 49 of the Listing Agreement.

The Audit Committee comprises of the following Directors:

- Mr. H.C.Shah – Chairman
- Mr. M.K.Kaw

All the members of the Audit Committee are independent and have knowledge of finance, accounts, company law. The quorum for audit committee meeting is minimum of two members.

Terms of reference of the Audit Committee are as per the guidelines set out in the listing agreements with the Stock Exchanges that interalia, include overseeing financial reporting process, reviewing with the management the financial statements and adequacy of internal control systems.



The audit committee shall have the following powers-

- Investigate any activity within its terms of reference.
- Seek information from any employee
- Obtain outside legal or other professional advice
- Secure attendance of outsiders with relevant expertise, if considered necessary.

During the year 2004-05, four meetings of the Audit Committee were held on the following dates:

- 28th April, 2004
- 31st July, 2004
- 19th October, 2004
- 28th January, 2005

Name of the Director	No. of meetings attended
Mr.H.C.Shah	4
Mr. M.K.Kaw	4

The Company Secretary acts as the Secretary to the Committee.

4. Shareholders'/Investors' Grievance Committee

The Shareholders'/Investor' Grievance Committee has been delegated the power of attending to share transfers. During the year, complaints received from shareholders were attended.

There are no transfers pending as at the date of certification of compliance of conditions of corporate governance.

The following directors are the members of the Shareholders'/Investor' Grievance Committee:

- Mr. T.R.Kilachand
- Mr. H.C.Shah
- Mr. P.T.Kilachand

Mr. A.H.Mehta, VP-Corporate Affairs & Company Secretary has been designated as the Compliance Officer.

5. Means of Communications

The quarterly results are communicated to The Stock Exchange, Mumbai.

6. Disclosure

Mr.A.H.Mehta, Vice President-Corporate Affairs & Company Secretary, constitutes 'management'.

The Board noted that certificate has been received from the management that there have not been any material financial or commercial transactions during the year where management has personal interest that may have a potential conflict with the interest of company at large.

The details of transactions of the company with the related parties have been disclosed as Note No. 13 of Schedule 17 of the Notes on Accounts. Management discussions and Analysis Report has been annexed to the Annual Report.

7. General Shareholder Information:

AGM: Date Time Venue	23rd September, 2005 10:30 a.m. Maharashtra Chamber of Commerce & Industry, Oricon House, 6th Floor, 12, K. Dubash Marg, Fort,Mumbai 400 001.
Financial Year	April 2004 to March 2005
Dates of Book Closure	26.8.2005 to 30.8.2005
Dividend Payment Date	Not applicable
Listing on Stock Exchanges	The Stock Exchange Mumbai
Demat ISIN Numbers in NSDL & CDSL for Equity Shares	INE 752B01024
Stock Code	Mumbai 6605
Market price Date: High, Low during each Month in the financial year 2004-05	See Table No.1 below