

# POLYCHEM LIMITED



**ANNUAL REPORT 2005-2006**

## POLYCHEM LIMITED

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

<b>BOARD OF DIRECTORS</b>	SHRI TANIL KILACHAND <i>Chairman &amp; Managing Director</i> SHRI H.C.SHAH SHRI P.T.KILACHAND <i>(Whole-time Director)</i> SHRI M.K. KAW <i>(Director - BIFR)</i>
<b>COMPANY SECRETARY</b>	SHRI A.H.MEHTA
<b>BANKERS</b>	STATE BANK OF INDIA BANK OF BARODA DENA BANK
<b>AUDITORS</b>	M/s. G. M. KAPADIA & CO. <i>Chartered Accountants</i>
<b>LEGAL ADVISERS</b>	M/s. DAPHTARY, FERREIRA & DIVAN
<b>REGISTERED OFFICE</b>	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-ninth Annual General Meeting of the Members of POLYCHEM LIMITED will be held at Ashoka Hall, Arcadia, Behind NCPA (Tata Theatre), Nariman Point, Mumbai 400 021 on Thursday, 21<sup>st</sup> September, 2006 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 31<sup>st</sup> March, 2006 and Profit and Loss Account for the year ended on 31<sup>st</sup> March, 2006.
2. To appoint a Director in place of Shri T.R.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. 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.

**SPECIAL BUSINESS.**

4. 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, read with Schedule XIII of the said Act, the 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 19<sup>th</sup> August, 2006, 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 be and is hereby authorized 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 foregoing 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 : 29th July, 2006

**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 OF THE COMPANY. The Proxies to be effective should be deposited at the Registered office of the Company not later than 48 hours before the commencement of the Meeting.
- 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 Tuesday 29<sup>th</sup> August 2006 to Tuesday, 5<sup>th</sup> September, 2006 (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
1.	Bombay Stock Exchange Ltd., Jeejeebhoy Towers, Dalal Street, Mumbai 400 001.	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 PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

### 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 holdings of Public Financial institutions, Nationalised Banks and Insurance Companies, either singly or in combination, exceed 25% of the subscribed share capital 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 any of the aforesaid categories of Institutions, the appointment or re-appointment of the Auditors has to be made by a Special Resolution at the Annual General Meeting.

Accordingly, the Board recommends the said Resolution for the approval of the members as a Special Resolution.

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

### Item 4

The Board of Directors has re-appointed Shri T.R.Kilachand as the Managing Director for a further period of 5 years with effect from 19<sup>th</sup> August, 2006. This appointment is subject to the approval of the members at the Annual General Meeting as it is within the limits specified under Schedule XIII of the Companies Act, 1956.

Shri T.R. Kilachand has been the Managing Director of the Company with effect from 19<sup>th</sup> August, 1986.

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

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

b) **SALARY:**

Salary – Rs.20,000/- 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 subject to the overall limits specified in the Act. 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



## POLYCHEM LIMITED

are interested in resolution at Item No.4

None of the other Directors of the Company, is in any way, concerned or interested in the said 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. T.R.Kilachand
Age	69 years
Qualification	B.A from Cambridge University in History and Law. M.B.A. in Business Administration from Harvard Business School.
Expertise	He is a Managing Director of the Company from 19 <sup>th</sup> August, 1986 and is now the Chairman & Managing Director from 1 <sup>st</sup> February, 1995. He has over 43 years of experience in industry, management, implementation of projects etc. He has been associated with various Chambers of Commerce and was the President of Indian Merchants Chamber. He has been associated with various charitable trusts and is Director / Chairman of several Companies.
Other Directorship as on 31 <sup>st</sup> March, 2006	Gujarat Poly-AVX Electronics Limited, Rasayani Traders Private Limited, Highclass Trading Private Limited, Ginners & Pressers Limited and Baroda Commercial Corpn. Ltd. (since resigned).

By Order of the Board of Directors

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**A.H.MEHTA**

Vice President-Corporate Affairs & Company Secretary

**Registered Office :**

7, Jamshedji Tata Road  
Churchgate Reclamation  
Mumbai 400 020.

Dated: 29th July, 2006.



## DIRECTORS' REPORT

To

The Members of

POLYCHEM LIMITED

Your Directors present the Forty-ninth Annual Report and Statement of Accounts for the year ended 31st March, 2006.

	01.04.05 to 31.03.06 Rs. in lacs	01.04.04 to 31.03.05 Rs. in lacs
<b>FINANCIAL RESULTS</b>		
Sales	227.56	122.68
Consideration on Assignment of Trademarks	—	380.00
Profit/(Loss) before Interest		
Depreciation & Tax	92.47	(1560.35)
Interest	0.01	28.26
Depreciation	8.14	117.12
Profit/(Loss) before exceptional items and tax	84.32	(1705.73)
Exceptional Items:		
— Loss on fixed assets transferred to Assets held for disposal	—	(144.20)
— Provision no longer required	535.78	3889.14
Profit/(Loss) before tax	620.10	2039.21
Provision for taxes	(1.89)	(80.00)
Profit/(Loss) after Tax	618.21	1959.21
(Short)/Excess provision of tax in respect of earlier years	—	(135.90)
Balance brought forward	(4317.22)	(6140.53)
	(3699.01)	(4317.22)
Prior period items	(2.46)	—
General Reserve per contra	1988.91	1988.91
Amount available for Appropriation	(1712.56)	(2328.31)

During the year ended 31<sup>st</sup> March, 2006 your Company has made profit of Rs.618.21 lacs (after considering exceptional items) against profit of Rs.1959.21 lacs (after considering exceptional items). The Company cannot recommend dividend as per the sanctioned Rehabilitation Scheme during the period of rehabilitation.

1. Sales of specialty chemicals during the year ended was Rs.227.56 compared to Rs.122.68 lacs during the previous year. After the end of the financial year, Company has sold its land at Nagothane.

### 2. GUJARAT POLY-AVX ELECTRONICS LIMITED (GPAEL)

The sale of GPAEL during the year ended 31<sup>st</sup> March, 2006 was Rs. 549.13 lacs as against sale of Rs.527.84 lacs during the previous year. GPAEL has incurred loss of Rs.4.76 lacs (before considering exceptional item) during the year ended 31<sup>st</sup> March, 2006 as compared to loss of Rs.52.23 lacs (before considering exceptional item) in the previous year.

### 3. FINANCE:

Company has paid the dues as per compromise reached with the three banks i.e. State Bank of India, Dena Bank and Bank of Baroda. Accordingly the banks have issued the No Dues Certificates.

Company had taken loans from HDFC Ltd. in the earlier years and interest was provided on the same upto 31<sup>st</sup> March, 2005. On settlement of dues with HDFC Ltd. in July 2006 the dues of HDFC Ltd. have been cleared and interest provision has been written back in the accounts.

### 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.

### 5. AUDIT COMMITTEE:

As per the amended Clause 49 of the Listing Agreement effective from 1<sup>st</sup> January, 2006, Shri T.R.Kilachand was appointed as a member of the Audit Committee with effect from 27<sup>th</sup> January, 2006.

# POLYCHEM LIMITED

The Audit Committee now consists of 3 members viz. Shri H.C. Shah, Shri M.K. Kaw and Shri T.R. Kilachand.

## 6. 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 31<sup>st</sup> March, 2006 and of the profit of the Company for the year ended 31<sup>st</sup> March, 2006.
- 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.

## 7. TAXATION:

The Company's Income Tax assessments have been completed up to the year ended 31st March, 2003.

## 8. DEPOSITS:

Company has repaid all deposits and there are no outstanding deposits.

## 9. SUBSIDIARY COMPANY:

Information u/s. 212 of the Companies Act, 1956 in respect of Subsidiary Company is attached. Elphinstone Holdings & Trading Co. Pvt. Ltd.'s name has been struck off from the Register of Companies u/s 560 of the Companies Act, 1956 through the operation of the scheme called 'Simplified Exit Scheme 2005' (SES 2005)

## 10. INDUSTRIAL RELATIONS:

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

## 11. 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.

## 12. 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.

## 13. DIRECTORS:

Shri T.R. Kilachand retires from office by rotation, but being eligible, offers himself for reappointment.

## 14. AUDITORS' REMARKS:

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

## 15. AUDITOR:

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

## 16. DEMATERIALISATION (DEMAT) OF EQUITY SHARES:

The facility is available to shareholders to DEMAT their shares. 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 : 29th July, 2006.



## ANNEXURE I

### A. CONSERVATION OF ENERGY

NIL

#### FORM 'A'

POWER AND FUEL CONSUMPTION		2005-06	2004-05
(1) Electricity			
(a) Purchased units (Kwh)		30,174	24,293
Total Amount (Rs.)		125,070	97,250
Rate, Kwh		4.145	4.003

#### 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



## POLYCHEM LIMITED

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT****Overview:**

Company is operating in the manufacturing of Specialty Chemicals and development of Property/Land.

**Opportunities**

Our customers for the polymers are in investment casting Industry. There is a good demand for investment casting from U.S.A. and Europe. Also production of automobiles in our country is increasing, as also our country is becoming a global hub of the auto components. Most of the auto components are cast by investment castings.

Another specialty product 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 31<sup>st</sup> March, 2006.

**b) Reserves and Surplus:**

As on 31<sup>st</sup> March, 2006 the reserves and surplus are Rs.1541.01 lakhs. However, there is accumulated loss of Rs.1712.56 lakhs.

**c) Secured Loans:**

There are no secured loans outstanding as on 31<sup>st</sup> March, 2006.

**d) Results of Operation:**

Revenue for the current year including other income amounts to Rs.412.01 lakhs compared to Rs.652.50 lakhs. Profit before tax and after considering exceptional items is Rs.620.10 lakhs compared to profit before tax and after considering exceptional items is Rs.2039.21 lakhs during the previous year. Provisions for tax during the year is Rs.1.89 lakhs compared to Rs.80.00 lakhs during the previous year. Profit/Loss after tax amounts to Rs.618.21 lakhs during the year compared to profit of Rs.1959.21 lakhs during the previous year.

**Industry Structure & Development**

Our Company is manufacturing and selling Specialty Chemicals.

**Segmentwise Performance**

There are two income generating segments. Segment-wise revenue for the year ended 31<sup>st</sup> March 2006 is as follow. viz. (1) Organic Intermediary Rs. 2,112(000) and (2) Specialty Chemicals Rs. 25,259(000). The sale of Specialty chemical 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**

Relations with the employees of the Company were cordial during the year.



## CORPORATE GOVERNANCE REPORT (2005-2006)

### 1. Statement on Company's philosophy on code of 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, 2006, 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. 2005-06 (April 05 to March 06)

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	4	Yes	—	3	1(Chairman)
Mr.P.T.Kilachand	5	Yes	—	4	2
Mr. H.C.Shah	5	Yes	5000	—	—
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 2005-06, five Board meetings were held on the following dates:

- 30<sup>th</sup> April, 2005
- 5<sup>th</sup> August, 2005
- 23<sup>rd</sup> September, 2005
- 21<sup>st</sup> October, 2005
- 27<sup>th</sup> January, 2006

### 2) Audit Committee

The Company had constituted an audit committee on 31<sup>st</sup> 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

As per the amended Clause 49 of the Listing Agreement effective from 1<sup>st</sup> January, 2006, Shri T.R.Kilachand was appointed as member of the Audit Committee with effect from 27<sup>th</sup> January, 2006.

The Audit Committee now consist of 3 members viz.Shri H.C.Shah, Shri M.K.Kaw and Shri T.R.Kilachand.