

POLYCHEM LIMITED

reportjunction



50TH ANNUAL REPORT
2006-2007

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

BOARD OF DIRECTORS	SHRI TANIL R.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) upto 27-04-2007</i>
	SHRI PRAKASH CHANDRA LOHUMI	<i>(Director - BIFR) w.e.f. 27-04-2007</i>

COMPANY SECRETARY SHRI A.H.MEHTA

AUDITORS M/s. G. M. KAPADIA & CO. *Chartered Accountants*

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 R.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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NOTICE

Notice is hereby given that the Fiftieth Annual General Meeting of the Members of POLYCHEM LIMITED will be held at Walchand Hirachand Hall, Indian Merchants' Chamber Bldg, 76, Veer Nariman Road, Churchgate, Mumbai 400 020 on Friday, 28th September, 2007 at 1:00 p.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2007 and Profit and Loss Account for the year ended on 31st March, 2007 and the Report of the Directors and the Auditors thereon.
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 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, approval of the members of the Company be and is hereby accorded to the re-appointment of Shri P.T.Kilachand, Whole-time Director of the Company, for a period of five years with effect from 1st April, 2007, 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 P.T. Kilachand), in such manner as may be agreed to between the Board of Directors and Shri P.T. Kilachand, provided however that the remuneration payable to Shri P.T. 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 P.T.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 Schedule XIII of the Companies Act, 1956, or any amendment, modification, variation or re-enactment thereof".

"RESOLVED FURTHER THAT the Board be 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 : 14th August, 2007

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 4th September, 2007 to 11th September, 2007 (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 31-3-2007
1.	Bombay Stock Exchange Ltd., 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.

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 and 4 mentioned in the accompanying Notice dated 14th August, 2007.

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.

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.

The resolution as set out in this item of the accompanying Notice is accordingly commended for the approval of the members.

None of the director is interested or concerned in the above said resolution.

Item No.4

Shri Parthiv Kilachand has degrees of Sc.B. "Electrical Emgineering" and A.B. "Engineering and Economics" from Brown University, U.S.A . Shri Parthiv Kilachand was first appointed as Project Officer of the Company from 1st November, 1988, then as Project Executive from 1st October, 1990 and as Executive Assistant to the Managing Director from 2nd July, 1993. He has been actively involved and looking after all the aspects of various activities of the Company.

Shri. P.T.Kilachand was appointed as an Additional Director with effect from 3rd December, 1996 and as a Whole-time Director for a period of five years from 1st April, 1997 to 31st March, 2002 and from 1st April, 2002 to 31st March, 2007. In accordance with the conditions specified in Schedule XIII of the Act, the Board at its meeting held on 31st January, 2007 have approved the re-appointment as a Whole-time Director for a further period of five years from 1st April, 2007 to 31st March, 2012 with the remuneration admissible under Schedule XIII of the Companies Act as set out herein below:

I. SALARY Rs. 5000/- per month in the grade of Rs. 5000-2000-15000

II. COMMISSION:

Payable as may be fixed by the Board of Directors subject to limits of 5% and 10% of the net profits of the Company as the case may be as laid down in Section 309 of the Companies Act, 1956.

III. PERQUISITES

1. HOUSING

Unfurnished accomodation, the perquisites value of which would be as per the Income-tax Rules, 1962.

2. The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income-tax Rules, 1962.

3. Reimbursement of medical expenses incurred for the Whole-time Director and his family, namely his wife, dependent children and dependent parents, subject to a ceiling of one month's salary in a year or three months salary over a period of three years.

4. Leave Travel Concession for the Whole-time Director and his family namely, his wife, dependent children and dependent parents once in a year incurred in accordance with the Rules specified by the Company.

5. Fees of two clubs, which will not include admission and Life Membership Fees.

6. Personal Accident Insurance of premium not exceeding Rs.4,000/- per annum.

7. The Company's contribution to Provident Fund, Superannuation Fund and or Annuity Fund.

8. Gratuity as per the rules of the Company.

9. Free use of Company's car with driver for the business of the Company and telephone at his residence will not be considered as perquisites.

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10. Shri P.T.Kilachand will also be entitled to privilege leave on full pay and allowances, as per rules of the company, but not more than one month's leave for every eleven months.

The above remuneration in terms of Salary, Commission, perquisites payable to him is subject to the limits of 5% and 10% of the Net Profits of the Company as the case may be as laid down in Section 309 of the Companies Act, 1956 and the overall limit of 11% on the Net Profits of the Company as laid down in Section 198 of the said Act.

- IV. Notwithstanding anything contained hereinabove, where in any financial year during the period of Office of Shri P.T.Kilachand as Whole-time Director, the Company has no profits or its profits are inadequate, the Company may pay him remuneration by way of consolidated salary and perquisites in accordance with the limits laid down in Schedule XIII to the Companies Act, 1956, or any statutory modifications, substitutions, or re-enactments thereof, as may be agreed to by the Board of Directors and Shri P.T.Kilachand. The Board of Directors are hereby authorised to effect any variations, alterations or modifications in future in respect of the appointment and remuneration of Shri P.T.Kilachand within the limits specified in Schedule XIII to the Companies Act, 1956 or statutory modifications, substitutions or re-enactments thereof, as may be agreed by the Board of Directors and Shri P.T.Kilachand.
- V. He shall not be paid any sitting fees for attending the meetings of the Board of Directors or Committee thereof. The appointment is subject to the approval of the members at the Annual General Meeting and any other necessary approvals.
- The resolution as set out in this item of the accompanying Notice is accordingly commended for the approval of the members.

MEMORANDUM OF INTEREST UNDER SECTION 302(7)

The above may be regarded as an Abstract of the terms and memorandum of interest under section 302(7) of the Companies Act, 1956 with respect to the appointment of Shri P.T.Kilachand as Whole-time Director of the Company.

During the tenure as Whole-time Director, Shri Parthiv Kilachand shall be regarded as a Director liable to retire by rotation. Shri Tanil Kilachand, Chairman & Managing Director is the father of Shri Parthiv Kilachand and is therefore interested as well as Shri Parthiv Kilachand is interested or concerned in this appointment. Except that no other Director of the Company is interested or concerned in this resolution.

As required in terms of paragraph IV(G)(i) 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	Shri. P.T..Kilachand
Age	40 years
Qualification	Sc.B. "Electrical Engineering" & A.B. "Engineering & Economics" from Brown University, U.S.A
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, 2007 (excluding private Companies)	Gujarat Poly-AVX Electronics Ltd., Sun Tan Trading Co.Ltd. and Ginnars & Pressers Ltd.
Membership of Committees of Board	1) Shareholders'/Investors' Grievance Committee and Remuneration Committee of Polychem Limited ; and 2) Shareholders'/Investors' Grievance Committee and Audit Committee of Gujarat Poly-AVX Electronics 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: 14th August, 2007.



DIRECTORS' REPORT

To

The Members of
POLYCHEM LIMITED

Your Directors present the Fiftieth Annual Report and Statement of Accounts for the year ended 31st March, 2007.

	01.04.06 to 31.03.07 Rs. in lacs	01.04.05 to 31.03.06 Rs. in lacs
FINANCIAL RESULTS		
Sales	1,700.68	227.56
Profit/(Loss) before Interest		
Depreciation & Tax	1,052.89	92.47
Interest	—	0.01
Depreciation	9.20	8.14
Profit/(Loss) before exceptional items and tax	1,043.69	84.32
Exceptional Items:		
— Provision no longer required	0.95	535.78
Profit/(Loss) before tax	1,044.64	620.10
Provision for taxes	(52.15)	(1.89)
Profit/(Loss) after Tax	992.49	618.21
Excess provision of tax in respect of earlier years	174.38	—
	1166.87	618.21
Balance brought forward	(3,701.47)	(4,317.22)
Prior period items	(0.29)	(2.46)
	(2,534.89)	(3,701.47)
Transferred to Capital Redemption Reserve	(50.00)	—
	(2584.89)	(3701.47)
General Reserve deducted as per contra	2,069.93	1988.91
Amount available for Appropriation	(514.96)	(1,712.56)

During the year ended 31st March, 2007 your Company has made profit after tax of Rs.992.49 lacs against profit of Rs.618.21 lacs (after considering write back of interest). The Company cannot recommend dividend as per the sanctioned Rehabilitation Scheme during the period of rehabilitation.

- Gross Sales of specialty chemicals during the year ended was Rs.312.08 lacs compared to Rs.264.69 lacs during the previous year.
- Company has sold its property at Nagothane, Raigad District.
- GUJARAT POLY-AVX ELECTRONICS LIMITED (GPAEL)**

The sale of GPAEL during the year ended 31st March, 2007 was Rs. 657.82 lacs as against sale of Rs.549.13 lacs during the previous year. GPAEL has incurred loss of Rs.36.85 lacs during the year ended 31st March, 2007 as compared to loss of Rs.4.76 lacs in the previous 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.

5. AUDIT COMMITTEE:

In exercise of powers conferred on the Board for Industrial and Financial Reconstruction, u/s.16(6) of Sick Industrial Companies (Special Provisions) Act, 1985 Shri M.K.Kaw has ceased to be Special Director on the Board of the Company upon attaining the age of 65 years with effect from 27th April, 2007.

The Audit Committee now consists of 2 members viz. Shri H.C.Shah 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

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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, 2007 and of the profit of the Company for the year ended 31st March, 2007.

- c. 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.
- d. 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, 2004.

8. DEPOSITS:

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

9. INDUSTRIAL RELATIONS:

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

10. 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.

11. 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.

12. DIRECTORS:

- a) Shri P.T. Kilachand retires from Office by rotation, but being eligible, offers himself for reappointment;
- b) Shri M.K.Kaw has ceased to be a Special Director (BIFR) on the Board of the Company with effect from 27th April, 2007;
- c) Shri Prakash Chandra Lohumi has been appointed as Special Director (BIFR) of the Company with effect from 27th April, 2007 in place of Shri M.K.Kaw;
- d) The term of Shri P.T.Kilachand as Whole-time Director has expired on 31st March, 2007. The Board of Directors have re-appointed him as Whole-time Director with effect from 1-4-2007 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.

13. CORPORATE GOVERNANCE:

Pursuant to Clause 49 of the Listing Agreement a separate report on Corporate Governance and a certificate from the Auditors of the Company regarding compliance of the conditions of corporate governance are annexed to the Directors Report.

14. AUDITORS' REMARKS:

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

15. AUDITORS:

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 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 : 14th August, 2007.

**ANNEXURE I****A. CONSERVATION OF ENERGY**

NIL

FORM 'A'**POWER AND FUEL CONSUMPTION**

2006-07

2005-06

(1) Electricity

(a) Purchased units (Kwh)

24,414

30,174

Total Amount (Rs.)

1,28,294

1,25,070

Rate, Kwh

5.255

4.145

FORM 'B'

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

A. Research and 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 Ethyl Acrylate.

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

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 and development of property / land.

Opportunities

Our customers for the polymers are in investment casting Industry. There is a good demand for products made by investing casting from countries such as U.S.A., Japan and Europe. Production of Automobiles in the country is on the increase. Our country has become a global hub for Auto components. Majority of the auto components are made by investment casting and hence there is a good demand for our products both in the domestic market and export market.

The second specialty product is used as a filter in cement for structural repair of columns and beams in the old building. The demand for this product is on the rise as the repair work keeps on increasing due to ageing of 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:

Price fluctuation in the main raw material i.e. Styrene Monomer and there is no corresponding increase in the price of finished products is the major area of concern.

Outlook:

Company has settled part of the statutory liability and is taking steps for settling the balance statutory liability. The working of Specialty Chemicals is also improving.

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, 2007.

b) Reserves and Surplus:

As on 31st March, 2007 the reserves and surplus are Rs.1,509.99 lakhs. However, there is accumulated loss of Rs.514.96 lakhs.

c) Secured Loans:

There are no secured loans outstanding as on 31st March, 2007.

d) Results of Operation:

Revenue for the current year including other income amounts to Rs. 1,812.71 lakhs compared to Rs. 412.01 lakhs. Profit before tax and after considering exceptional items is Rs.1,044.64 lakhs compared to profit before tax and after considering exceptional items is Rs. 620.10 lakhs during the previous year. Provisions for tax during the year is Rs.52.15 lakhs compared to Rs.1.89 lakhs during the previous year. Profit/Loss after tax amounts to Rs.992.49 lakhs during the year compared to profit of Rs.618.21 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 31st March, 2007 is as follows. viz. (1) Property / Land Rs.1,43,237(000); (2) Specialty Chemicals Rs. 26,831(000). The 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

The Company has good relations with its employees.