



POLYCHEM LIMITED

51ST ANNUAL REPORT 2007-08

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

BOARD OF DIRECTORS	MR.TANIL R.KILACHAND MR.H.C.SHAH MR.P.T.KILACHAND MR.PRAKASH CHANDRA LOHUMI MR.V.V.SAHASRABUDHE	<i>Chairman & Managing Director</i> <i>(Whole-time Director)</i> (Director - BIFR) Upto 23-01-2008 (Additional Director) w.e.f. 28-9-2007
COMPANY SECRETARY	MR A.H.MEHTA	
AUDITORS	M/s. G. M. KAPADIA & CO.	<i>Chartered Accountants</i>
LEGAL ADVISORS	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	MR. TANIL R.KILACHAND Managing Director
SPECIALTY CHEMICALS D/26, MIDC, Phase II, Dombivali (E) - 421 204.	MR. P.T.KILACHAND Whole-time Director
	MR. 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 Fifty First 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 Friday, 19th September, 2008 at 11:00 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2008 and Profit and Loss Account for the year ended on 31st March, 2008 and the Report of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr.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 an Ordinary Resolution :-

"RESOLVED THAT pursuant to the provisions of Section 224 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.1,50,000/- (Rupees one lac fifty thousand only) in addition to service tax, reimbursement of traveling 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 Mr.V.V.Sahasrabudhe who was appointed as an Additional Director on 28th September, 2007 under Section 260 of the Companies Act, 1956 and who under Article 133 of the Articles of Association of the Company retires at the Annual General Meeting, be and is hereby appointed to the office of the Director of the Company, liable to retire by rotation and for which the prescribed notice has been received by the Company in terms of Section 257 of the Companies Act, 1956, the candidate having filed his consent to act as a Director, if appointed."

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, 2008

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) The register of Members and the Share Transfer Books of the Company will remain closed from 5th August, 2008 to 12th August, 2008 (both days inclusive).
- (c) Members are requested to notify any change of their addresses at the Registered Office of the Company.
- (d) 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 31-3-2008
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 4 mentioned in the accompanying Notice dated 31-07-2008.

Item No.4

Mr.V.V.Sahasrabudhe was appointed as an Additional Director of the Company on 28th September, 2007. In terms of Article 133 of the Articles of Association of the Company, Mr.V.V.Sahasrabudhe ceases to hold office as Director at this Annual General Meeting. A notice alongwith Rs.500/- as deposit, has been received by the company from a member under Section 257 of the Companies Act, 1956 proposing the appointment of Mr. V.V.Sahasrabudhe as a Director of this Company at this meeting. Mr.V.V.Sahasrabudhe offers himself for appointment as a Director at this meeting, having filed the Consent with the Company to act as a Director, if appointed.

Your Directors recommend his appointment.

None of the Directors of the Company is interested to the resolution except Mr. V.V.Sahasrabudhe as the resolution pertains to his appointment.

As required in terms of Clause 49 of the Listing Agreement, the details of the director retiring by rotation and eligible for reappointment/Additional Director are furnished below:

Name of Director	Mr.V.V.Sahasrabudhe	Mr.H. C. Shah
Age	69 Years	79 years
Qualification	B.A., L.L.B..	B.Com.
Expertise	Income-tax Officer from 1967 to 1975 in the Income-tax Department. Senior Tax Officer from 1975 with Kilachand Devchand & Co. Ltd. and thereafter as General Manager, Legal & Taxation upto 2002. From 2003 practicing as Tax Consultant.	Experience in business of financing for 55 years
Other Directorship in Public Limited Companies as on 31st March, 2008.	—	—

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, 2008

POLYCHEM LIMITED

DIRECTORS' REPORT

To
The Members of
POLYCHEM LIMITED

Your Directors present the Fifty First Annual Report and Statement of Accounts for the year ended 31st March, 2008.

	01.04.07 to 31.03.08 Rs. in lacs	01.04.06 to 31.03.07 Rs. in lacs
FINANCIAL RESULTS		
Sales	351.25	1,700.68
Profit/(Loss) before Interest Depreciation & Tax	(13.31)	1,052.89
Interest	—	—
Depreciation	9.52	9.20
Profit/(Loss) before exceptional items and tax	(22.83)	1,043.69
Exceptional Items:		
— Provision no longer required	—	0.95
Profit/(Loss) before Tax	(22.83)	1044.64
Provision for taxes	(2.09)	(52.15)
Profit/(Loss) after tax	(24.92)	992.49
Excess provision of tax in respect of earlier years	78.28	174.38
	53.36	1166.87
Balance brought forward	(2584.89)	(3701.47)
Prior period items	(0.51)	(0.29)
	(2532.04)	(2534.89)
Transfer to Capital Redemption Reserve	—	(50.00)
	(2532.04)	(2584.89)
General Reserve deducted per contra	2069.93	2069.93
Amount available for Appropriation	(462.11)	(514.96)

During the year ended 31st March, 2008 your Company has made loss after tax of Rs.24.92 lacs against profit of Rs.992.49 lacs after tax. The Company cannot recommend dividend due to losses incurred by the company.

1. Sales of specialty chemicals during the year ended was Rs.351.25 lacs compared to Rs.268.31 lacs during the previous year.

2. GUJARAT POLY-AVX ELECTRONICS LIMITED (GPAEL)

The sale of GPAEL during the year ended 31st March, 2008 was Rs. 679.48 lacs as against sale of Rs.657.82 lacs during the previous year. GPAEL has made profit of Rs.22.82 lacs during the year ended 31st March, 2008 as compared to loss of Rs.36.85 lacs in the previous year.

3. REFERENCE TO THE BOARD FOR INDUSTRIAL & FINANCIAL RECONSTRUCTION (BIFR)

BIFR has discharged the Company from the purview of SICA/BIFR, vide its Order dated 27th November, 2007 and has also provided that (i) IDBI be relieved from the responsibility of the Monitoring Agency; (ii) the un-implemented provisions of the Sanctioned Scheme-02 would continue to remain in full force for the un-expired period of the scheme; and (iii) the Special Director appointed by BIFR on the Company's 'Board of Directors', would stand relieved.

4. 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 Mr.Prakash Chandra Lohumi has ceased to be a Special Director on the Board of the Company with effect from 23rd January, 2008.

The Audit Committee now consists of 3 members viz.Mr.H.C.Shah, Mr.V.V.Sahasrabudhe and Mr. T.R.Kilachand.



5. 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, 2008 and of the loss of the Company for the year ended 31st March, 2008.
- 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.

6. TAXATION:

The Company's Income Tax assessments have been completed up to the year ended 31st March, 2005.

7. DEPOSITS:

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

8. INDUSTRIAL RELATIONS:

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

9. 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.

10. 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.

11. DIRECTORS:

- Mr.H.C.Shah retires from Office by rotation, but being eligible, offers himself for reappointment;
- Mr.V.V.Sahasrabudhe has been appointed as an Additional Director on the Board of the Company with effect from 28th September, 2007.
- Mr.Prakash Chandra Lohumi has ceased to be a Special Director (BIFR) on the Board of the Company with effect from 23rd January, 2008.

12. 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 are annexed to the Director's Report.

13. AUDITORS' REMARKS

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

14. 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.

15. 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 Members 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, 2008

POLYCHEM LIMITED

ANNEXURE I

A. CONSERVATION OF ENERGY

_____ NIL _____

FORM 'A'

POWER AND FUEL CONSUMPTION

2007-08

2006-07

(1) Electricity

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

13,076
78,840
6.03

24,414
1,28,294
5.255

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 and Ethyl Acrylate.

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

Styrene Ethyl Acrylate Co-polymer was commercialized successfully.

3. Future plan of action:

R&D work on developing a homopolymer of Alpha Methyl Styrene for use as lubricant in rigid PVC Compounds is in progress.

R&D work on developing insulating varnishes for electrical motors is on.

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:

Rs.

- a) Foreign exchange outgo

5,84,000

- b) Foreign exchange earned

30,66,369



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 investment 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 two years. 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 as on 31st March, 2008.
- b) Reserves and Surplus:
As on 31st March, 2008 the reserves and surplus are Rs.1,509.99 lacs. However, there is accumulated loss of Rs.462.11 lacs.
- c) Secured Loans:
There are no secured loans outstanding as on 31st March, 2008.
- d) Results of Operation:
Revenue for the current year including other income amounts to Rs.486.71 lacs compared to Rs.1,812.71 lacs. Loss before tax and after considering exceptional items is (Rs.22.83) lacs compared to profit before tax and after considering exceptional items is Rs. 1,044.64 lacs during the previous year. Provisions for tax during the year is Rs.2.09 lacs compared to Rs.52.15 lacs during the previous year. Loss after tax amounts to (Rs.24.92) lacs during the year compared to profit of Rs.992.49 lacs 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, 2008 is as follows. viz. (1) Property / Land Rs.Nil (2) Specialty Chemicals Rs.1839(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.

POLYCHEM LIMITED

CORPORATE GOVERNANCE REPORT (2007-2008)**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, 2008, 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.V.V.Sahasrabudhe	Non-Executive Director/Independent

Note: Mr. M.K.Kaw, Director-BIFR, ceased to be a Director from 27th April, 2007. Thereafter, Mr.Prakash Chandra Lohumi was appointed as Director-BIFR with effect from 27th April, 2007. Mr. Prakash C. Lohumi ceased to be a Director with effect from 23rd January, 2008. Mr. V.V.Sahasrabudhe has been appointed as Additional Director with effect from 28th September, 2007.

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. 2007-08 (April '07 to March '08)

Attendance Particulars				No. of other Directorships and Committee Membership/Chairmanship	
Name of the Director	Board Meetings	Last AGM	Sitting Fees Rs.	Other Directorship in Public Limited Companies	Committee Membership/Chairmanship
Mr.T.R.Kilachand	5	Yes	—	2	1(Chairman)
Mr.P.T.Kilachand	5	Yes	—	3	2
Mr.H.C.Shah	5	Yes	5,000	—	—
Mr.V.V.Sahasrabudhe	3	Yes	3,000	—	—
Mr.M.K.Kaw	—	—	—	—	—
Mr.Prakash Chandra Lohumi	—	—	—	—	—

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 have not drawn any remuneration.

Number of Board Meetings held and dates on which held:

1) During the financial year 2007-08, five Board meetings were held on the following dates:

- 27th April, 2007
- 14th August, 2007
- 28th September, 2007
- 30th October, 2007
- 23rd January, 2008