



POLYCHEM LIMITED



52 ND ANNUAL REPORT 2008-09

POLYCHEM LIMITED

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

BOARD OF DIRECTORS	MR.TANIL KILACHAND MR.H.C.SHAH MR.P.T.KILACHAND MR.V.V.SAHASRABUDHE	<i>Chairman & Managing Director</i> <i>(Whole-time Director)</i>
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/Nimbut, Taluka Baramati, Pune.	MR. TANIL KILACHAND Managing Director
SPECIALTY CHEMICALS D/26, MIDC, Phase II, Dombivali (E) - 421 201.	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 Second 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, 30th September, 2009 at 2.30 p.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2009 and Profit and Loss Account for the year ended on 31st March, 2009 and the Report of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr.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 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 a Special Resolution :

"RESOLVED that pursuant to Section 163 of the Companies Act, 1956 (hereinafter called "the Act"), the Company hereby approves that the Register of Members, Index of Members, copies of all Annual Returns prepared by the Company under Section 159 of the Act together with copies of Certificates and Documents required to be annexed thereof under Section 161 of the Act, or any one or more of them shall be kept at the office of Messrs. Sharepro Services (India) Pvt. Ltd., the Registrars and Share Transfer Agents, at 13 AB, Samhita Warehousing Complex, 2nd Floor, Sakinaka Telephone Exchange Lane, Off. Andheri Kurla Road, Sakinaka, Andheri (E), Mumbai 400 072 instead of at Satam Estate, 3rd Floor, Above Bank of Baroda, Cardinal Gracious Road, Andheri (E), Mumbai 400 099.

RESOLVED FURTHER that the Registers, Index, Returns, Books, Certificates and Documents of the Company required to be maintained and kept open for inspection by the Members and/or any persons entitled thereto under the Act, be kept open for such inspection, at the place where they are kept, to the extent, in the manner and on payment of the fees, if any, specified in the Act, between the hours of 11.00 a.m. and 1.00 p.m. on any working day (excluding Saturday) and except when the registers and books are closed under the provisions of the Act or the Articles of Association of the Company.

"RESOLVED FURTHER that the Board of Directors be and are hereby authorized to do all such acts, deeds and things and execute the necessary documents 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 : 31st July, 2009

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 item 4 set out above is annexed herewith.
- (c) The register of Members and the Share Transfer Books of the Company has remained closed from 7th July, 2009 to 14th July, 2009 (both days inclusive).
- (d) Members holding share in the dematerialised 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, if any, immediately to the Registrar & Share Transfer Agents at Sharepro Services (India) Pvt. Ltd. 13AB, Samhita Warehousing Complex, 2nd floor, Sakinaka Telephone Exchange Lane, Off Andheri Kurla Road, Sakinaka, Andheri (E), Mumbai - 400 072.

Telephone : 022- 28215168/022-67720300
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 31-3-2009
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.4 mentioned in the accompanying Notice dated 31st July, 2009.

Item No.4

M/s. Sharepro Services (India) Pvt. Ltd, Mumbai, who have been appointed since 01.10.2003, as Registrars and Share Transfer Agents of the Company have shifted their Registered Office from Satam Estate, 3rd Floor, Above Bank of Baroda, Cardinal Gracious Road, Chakala, Andheri (E), Mumbai – 400 099 to 13 AB, Samhita Warehousing Complex, 2nd Floor, Sakinaka Telephone Exchange Lane, Off Andheri Kurla Road, Sakinaka, Andheri (E), Mumbai 400 072 as per their letter dated 20.05.2009.

Under the provisions of the Companies Act, 1956, (the "Act") certain documents such as the Register and Index of Members, Register and Index of Debentureholders, other related books and papers etc., are required to be kept at the Registered Office of your Company. However, these documents can be kept at any other place within the city, town or village in which the Registered Office of your Company is situated, with the approval of the Members to be accorded by a Special Resolution.

M/s. Sharepro Services (India) Pvt. Ltd., Mumbai is our Registrar and Share Transfer Agent (RTA), who have been providing depository related services for the shares held in demat mode and also acting as the Share Transfer Agent for the shares held in physical segment. Hence, the approval of the Members is sought in terms of Section 163(1) of the Act, for keeping the aforementioned Registers and documents at the premises of the RTA as stated in the resolution. The Board of Directors recommends the resolution as set out in the Notice of your approval.

None of the Directors of your Company are concerned or interested in the above resolution, except as a member, if any of the Company.

As required in terms of paragraph IV(G) 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	72 Years
Qualification	B.A. from Cambridge University in History & Law. M.B.A. in Business Administration from Harvard Business School.
Expertise	He is a Managing Director of the Company from 19 th August, 1986 and is the Chairman & Managing Director from 1 st February, 1995. He has over 44 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 other Companies.
Other Directorship as on 31st March, 2009. (excluding private Companies)	Gujarat Poly-AVX Electronics Limited and Ginnars & Pressers Limited
No of Equity Shares held	1938 equity shares

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, 2009

POLYCHEM LIMITED

DIRECTORS' REPORT

To
The Members of
POLYCHEM LIMITED

Your Directors present the Fifty Second Annual Report and Statement of Accounts for the year ended 31st March, 2009.

	01.04.08 to 31.03.09 Rs. in lacs	01.04.07 to 31.03.08 Rs. in lacs
FINANCIAL RESULTS		
Sales	415.42	351.25
Profit/(Loss) before Interest, Depreciation & Tax	(7.41)	(13.31)
Depreciation	10.28	9.52
Profit/(Loss) before Tax	(17.69)	(22.83)
Provision for taxes	(1.85)	(2.09)
Profit/(Loss) after tax	(19.54)	(24.92)
Excess provision of tax in respect of earlier years	300.98	78.28
	281.44	53.36
Balance brought forward	(2,532.04)	(2,584.89)
Prior period items	(5.78)	(0.51)
	(2,256.38)	(2,532.04)
General Reserve deducted per contra	2,069.93	2,069.93
Amount available for Appropriation	(186.45)	(462.11)

During the year ended 31st March, 2009 your Company has made loss of Rs.(19.54) lacs against loss of Rs.(24.92) 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.415.42 lacs compared to Rs.351.25 lacs during the previous year.

2. GUJARAT POLY-AVX ELECTRONICS LIMITED (GPAEL)

The sale of GPAEL during the year ended 31st March, 2009 was Rs. 681.64 lacs as against sale of Rs.679.48 lacs during the previous year. GPAEL has made loss of Rs.40.62 lacs during the year ended 31st March, 2009 as compared to profit of Rs.22.82 lacs in the previous year.

3. FINANCE:

Company has paid an amount of Rs.3,28,84,048/- in full and final settlement towards interest free sales tax deferral loan in respect of Polyvinyl Alcohol Plant at Nimbut, Taluka Baramati, Pune in the month of May 2009.

4. AUDIT COMMITTEE:

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, 2009 and of the loss of the Company for the year ended 31st March, 2009.
- 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, 2006.

**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. DIRECTOR:

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

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, 2009

ANNEXURE I

A. CONSERVATION OF ENERGY

NIL

FORM 'A'

POWER AND FUEL CONSUMPTION

2008-09

2007-08

(1) Electricity

(a) Purchased units (KWH)

14,676

13,076

Total Amount (Rs.)

93,050

78,840

Rate, KWH

6.34

6.03

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:

Your Company is trying to develop binders for paints.

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

Once the work on development of binders is completed, your Company can look forward to a good market, domestic as well as export.

3. Future plan of action:

Though we are supplying small quantities of Styrene Maleic Anhydride to various customers, Company needs to work on this product further to improve its performance for various diversified applications of this product

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

Your Company's customers for specialty polymers are in investment casting Industry. Due to global recessionary trends, the demand for Company's products, domestic as well as international had reduced in 3rd & 4th quarter of 2008-09. However, the demand is slowly picking up and likely to improve in the second quarter of 2009-10, based on expectation that domestic industry will resume growth and industries such as auto components etc. will once again show good demand.

The second specialty product is used as a filler 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 though remained low since July 2008 the price is slowly rising upward which will result in squeezing our margins.

Risk and Concerns:

Due to price fluctuation in the main raw material i.e. Styrene Monomer and no corresponding increase in the price of finished products the margin on our 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, 2009.
- b) Reserves and Surplus:
As on 31st March, 2009 the reserves and surplus are Rs.1509.99 lacs. However, there is accumulated loss of Rs.186.45 lacs.
- c) Secured Loans:
There are no secured loans outstanding as on 31st March, 2009.
- d) Results of Operation:
Revenue for the current year including other income amounts to Rs. 475.31 lacs compared to Rs. 487.70 lacs. Loss before tax is Rs.(17.69) lacs compared to loss before tax is Rs. (22.83) lacs during the previous year. Provisions for tax during the year is Rs.1.85 lacs compared to Rs.2.09 lacs during the previous year. Loss after tax amounts to Rs. (19.54) lacs during the year compared to loss of Rs.(24.92) lacs during the previous year.

Industry Structure & Development

Our Company is manufacturing and selling Specialty Chemicals.

Segment-wise Performance

There are two income generating segments. Segment-wise Revenue for the year ended 31st March, 2009 is as follows. viz. (1) Property/Land Rs.Nil(000) (2) Specialty Chemicals Rs 415.42(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.

CORPORATE GOVERNANCE REPORT (2008-2009)

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 31st March, 2009, 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

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. 2008-09 (April '08 to March '09):

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	6	Yes	—	2	1(Chairman)
Mr.P.T.Kilachand	6	Yes	—	3	2
Mr.H.C.Shah	6	Yes	6,000	—	—
Mr.V.V.Sahasrabudhe	6	Yes	6,000	—	—

- 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 2008-09, six Board meetings were held on the following dates:
 - a) 25th April, 2008
 - b) 31st July, 2008
 - c) 19th September, 2008
 - d) 21st October, 2008
 - e) 25th November, 2008
 - f) 29th January, 2009

3. 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