

54TH ANNUAL REPORT 2010-2011



POLYCHEM LIMITED

POLYCHEM LIMITED

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

BOARD OF DIRECTORS	MR.TANIL KILACHAND	<i>Chairman & Managing Director</i>
	MR.P.T.KILACHAND	<i>Whole-time Director</i>
	MR.V.V.SAHASRABUDHE	
	MR.DEVANG VYAS	
	MR.CHETAN DESAI	
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
SPECIALTY CHEMICALS D/26, MIDC, Phase II, Dombivali (E) - 421 201.	MR. TANIL KILACHAND Managing Director
	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.

Important Communication to Members

The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies and has issued circulars stating that service of notice/documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to register their e-mail addresses with M/s. Sharepro Services (India) Pvt. Ltd, Registrar and Share Transfer Agents of the Company.

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POLYCHEM LIMITED

NOTICE

Notice is hereby given that the Fifty Fourth 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 Monday, 5th September, 2011 at 10.30 a.m., to transact the following business:

ORDINARY BUSINESS:

- To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2011 and Profit and Loss Account for the year ended on 31st March, 2011 and the Report of the Directors and the Auditors thereon.
- To appoint a Director in place of Mr. Tanil Kilachand who retires by rotation, but being eligible, offers himself for re-appointment.
- To appoint a Director in place of Mr. V.V.Sahasrabudhe who retires by rotation, but being eligible, offers himself for re-appointment.
- 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, M/s.G.M. Kapadia & Company, Chartered Accountants, Mumbai (Firm Regn. No.104767W), 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 travelling and all other out of pocket expenses incurred in connection with the audit.”

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 : 11th July, 2011.

NOTES:

- 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.
- The Register of Members and the Share Transfer Books of the Company has remained closed from 5th July, 2011 to 12th July, 2011 (both days inclusive).
- 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 31-03-2011
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.

As required in terms of paragraph IV(G) of Clause 49 of the Listing Agreement, the details of the director retiring by rotation and eligible for re-appointment are furnished below:-

Name of Director	Mr. Tanil Kilachand	Mr. V.V.Sahasrabuddhe
Age	74 years	72 years
Qualification	B.A. from Cambridge University in History and Law. M.B.A. in Business Administration from Harvard Business School.	B.A., LL.B.
Expertise	He is a Managing Director of the Company from 19 th August, 1986 and is now the Chairman & Managing Director from 1 st 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.	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 up to 2002. From 2003 practicing as Tax Consultant
Other Directorship as on 31 st March, 2011 (Excluding Private Companies)	Gujarat Poly-AVX Electronics Ltd., and Ginners & Pressers Ltd.,	Not Applicable
No of Equity Shares held	1,938	1

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: 11th July, 2011.



DIRECTORS' REPORT

To

The Members of
POLYCHEM LIMITED

Yours Directors' present the Fifty Fourth Annual Report and Statement of Accounts for the year ended 31st March, 2011.

	01.04.10 to 31.03.11 Rs. in lacs	01.04.09 to 31.03.10 Rs. in lacs
FINANCIAL RESULTS		
Sales	522.70	414.00
Profit/(Loss) before Depreciation & Tax	(30.08)	121.58
Depreciation	9.01	8.81
Profit/(Loss) before tax	(39.09)	112.77
Current tax	(7.50)	—
Deferred tax	(1.92)	11.56
Profit/(Loss) after tax	(48.51)	124.33
Excess provision of tax in respect of earlier years	43.06	(13.33)
	(5.45)	111.00
Balance brought forward	(2146.32)	(2256.38)
Prior period items	(2.78)	(0.94)
	(2154.55)	(2146.32)
General Reserve deducted per contra	2069.93	2069.93
Amount available for Appropriation	(84.62)	(76.39)

During the year ended 31st March, 2011 your Company has made loss of Rs.48.51 lacs against profit of Rs.124.33 lacs after tax. The Directors cannot recommend dividend due to accumulated losses of the company.

- Sales of specialty chemicals during the year ended was Rs.522.70 lacs compared to Rs.414.00 lacs during the previous year.
- GUJARAT POLY-AVX ELECTRONICS LIMITED (GPAEL)-Associate Company**
The sale of GPAEL during the year ended 31st March, 2011 was Rs.912.90 lacs as against sale of Rs.757.49 lacs during the previous year. GPAEL has made profit of Rs.54.71 lacs during the year ended 31st March, 2011 as compared to profit of Rs.2841.47 lacs after write back of exceptional items namely, remission of past interest on term loans in the previous year.
- AUDIT COMMITTEE:**
The Audit Committee now consists of 4 members, viz. Mr.V.V.Sahasrabudhe, Mr.T.R.Kilachand, Mr.Devang Vyas and Mr.Chetan Desai .
- 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, 2011 and of the loss of the Company for the year ended 31st March, 2011.
 - 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.
- TAXATION:**
The Company's Income Tax assessments have been completed up to the year ended 31st March, 2008.
- DEPOSITS:**
Company has repaid all deposits and there are no outstanding deposits.
- INDUSTRIAL RELATIONS:**
Industrial Relations with the employees of the Company were cordial during the year under report.
- 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.
- 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.

POLYCHEM LIMITED

10. DIRECTORS:

Mr. Tanil Kilachand and Mr. V.V.Sahasrabudhe retire from Office by rotation, but being eligible, offer themselves for re-appointment;

11. 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 Directors' Report.

12. AUDITORS' REMARKS:

The Company is in the process of setting up Internal Audit Department. As regards the other remarks in the Auditors' Report, please refer to the Notes on Accounts which are self explanatory.

13. 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 re-appointment.

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 : 11th July, 2011.

ANNEXURE I

A. CONSERVATION OF ENERGY

_____ NIL _____

FORM 'A'

POWER AND FUEL CONSUMPTION

(1) Electricity

Purchased units (Kwh)

Total Amount (Rs.)

Rate, Kwh

2010-11

25,912

66,157

2.55

2009-10

12,525

61,130

4.88

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:

Company is trying to develop a know-how for the mass polymerization of Poly Alpha Methyl Styrene and Low Molecular Weight Polystyrene (Molecular Weight in the range of 5000 to 10000).

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

There is a good demand for Poly Alpha Methyl Styrene, once Company develops a know-how for this product, Company can cater to this market both in domestic as well as overseas. There is good market for Low Molecular Weight Polystyrene (Molecular Weight in the range of 5000 to 10000) in China and Japan for use as a component in additives.

3. Future plan of Action

Though Company is supplying small quantities of Styrene Maleic Anhydride & Poly Vinyl Butyral to various customers, Company needs to work on these products further to improve its performance for various diversified applications for which there is good market.

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:

a) Foreign exchange outgo

Rs.
— nil —



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. The major end user segment for investment cast products is automotive sector. The domestic sector has shown a good increase in demand since April, 2010. As per a recent report on the demand in auto sector the sale of automobiles is projected to increase to 3.00 million by 2015 from the current figure of 1.00 million. This augurs well for our product "Cross Linked Polystyrene". The exports to Japan has picked up of late. We expect good orders from Japan in this fiscal year.

The second specialty product is used as filler in cement for structural repair of columns and beams in the old buildings. 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 are volatile in view of changing political scenario globally. As a result there is lot of volatility in Styrene prices.

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.

Due to increasing trend for redevelopment of old buildings rather than their repairs the demand for one of our products viz, the latex is likely to go down.

Outlook:

Company has settled the various liabilities including 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, 2011.

b) Reserves and Surplus:

As on 31st March, 2011 the reserves and surplus are Rs.1,509.99 lacs. However, there is accumulated loss of Rs.84.62 lacs.

c) Secured Loans:

There are no secured loans outstanding as on 31st March, 2011.

d) Results of Operation:

Revenue for the current year including other income amounts to Rs.606.09 lacs compared to Rs.643.41 lacs. Loss before tax is Rs.39.09 lacs compared to profit before tax of Rs.112.77 lacs during the previous year. Provisions for tax including deferred tax asset during the year is Rs.9.42 lacs compared to Rs.11.56 lacs during the previous year. Loss after tax amounts to Rs.48.51 lacs during the year compared to profit of Rs.124.33 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, 2011 is as follows. viz. (1) Property / Land Rs. Nil (000) (2) Specialty Chemicals Rs.52,270(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 (2010-2011)

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 five 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, 2011, is as follows:

Director	Executive/Non-Executive/Independent/Promoter
Mr.T. R.Kilachand	Chairman-cum-Managing Director/Promoter
Mr.P.T.Kilachand	Whole-time Director/Promoter
Mr.V.V.Sahasrabudhe	Non-Executive Director/Independent
Mr.Devang Vyas	Non-Executive Director/ Independent
Mr.Chetan Desai	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. 2010-11 (April 2010 to March 2011)

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(Committee) 1(Chairman)
Mr.P.T.Kilachand	5	Yes	—	3	1
Mr. V.V.Sahasrabudhe	5	No	5000	—	—
Mr. Devang Vyas	4	Yes	4000	—	—
Mr.Chetan Desai	4	Yes	4000	1	—

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:

During the financial year 2010-11, six Board Meetings were held on the following dates:

- 27th April, 2010
- 4th August, 2010
- 12th August, 2010
- 23rd September, 2010
- 11th November, 2010
- 2nd February, 2011

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.

The Audit Committee comprises of the following Directors:

- Mr. V.V.Sahasrabudhe – Chairman
- Mr. T.R.Kilachand
- Mr. Devang Vyas
- Mr. Chetan Desai

Three members of the Audit Committee are independent. All members of the Audit Committee 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 agreement with the Stock Exchange 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 2010-11, five meetings of the Audit Committee were held on the following dates:

- 27th April, 2010
- 4th August, 2010
- 12th August, 2010
- 11th November, 2010
- 2nd February, 2011

Name of the Director	No. of meetings attended
Mr. T.R.Kilachand	5
Mr. V.V.Sahasrabudhe	5
Mr. Devang Vyas	3
Mr. Chetan Desai	3

The Company Secretary acts as the Secretary to the Committee.

4. Details of number of Shares and Convertible instruments held by Non-Executive Directors

Mr. V.V.Sahasrabudhe holds 1 equity share of the Company.

5. Shareholders'/Investors' Grievance Committee

The Shareholders'/Investors' Grievance Committee has been delegated the power of attending to share transfers.

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'/Investors' Grievance Committee:

Sr. No.	Name of the Director	No. of Meeting(s)	
		Held	Attended
1.	Mr. V. V.Sahasrabudhe - Chairman	20	18
2.	Mr. T.R.Kilachand – Director	20	18
3.	Mr. P.T.Kilachand - Director	20	17

The Committee would look into the redressal of the shareholders' complaints in respect of all matters including transfer of shares, non-receipt of Annual Report, non-receipt of Share Certificates and investors' complaints etc.

Share Transfer formalities are attended to at least once a fortnight.

Mr.A. H. Mehta, VP-Corporate Affairs & Company Secretary provided secretarial support to the Committee and was also the designated Compliance Officer of the Company.

Six complaints were received during the year and were solved. There are no complaints pending from the shareholders as on 31.3.2011.

6. CEO/CFO CERTIFICATION

Mr. A.H.Mehta, VP-Corporate Affairs & Company Secretary of the Company has certified to the Board that:

- He has reviewed financial statements and the cash flow statement for the year and that to the best of his knowledge and belief:-
 - These statements do not contain any materially untrue statements or omit any material fact or contains statements that might be misleading.
 - These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- There are, to the best of his knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- He accepts responsibility for establishing and maintaining internal controls for financial reportings and that he has evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and he has disclosed to the auditors and the Audit Committee those deficiencies of which he is aware, in the design or operation of such internal control and that he has taken the required steps to rectify these deficiencies.
- He further certifies that they have indicated to the auditors and Audit Committee -
 - there have been no significant changes in internal control over financial reporting during the year.
 - there have been no significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements.