



POLYCHEM LIMITED

**55TH ANNUAL REPORT
2011-2012**

POLYCHEM LIMITED

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

BOARD OF DIRECTORS	MR. TANIL KILACHAND	<i>Executive Chairman (w.e.f. 27.07.2012)</i>
	MR. P.T.KILACHAND	<i>Managing Director (w.e.f. 27.07.2012)</i>
	MR. V.V.SAHASRABUDHE	
	MR. DEVANG VYAS	
	MR. CHETAN DESAI	
	MR. NANDISH T. KILACHAND	<i>Additional Director (w.e.f. 27.07.2012)</i>
COMPANY SECRETARY	MR. A.H.MEHTA	
AUDITORS	M/s. G.M.KAPADIA & CO.	<i>Chartered Accountants</i>
LEGAL ADVISERS	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 421 201	MR. TANIL KILACHAND	<i>Executive Chairman</i>
	MR. P. T. KILACHAND	<i>Managing Director</i>
	MR. A. H. MEHTA	<i>VP-Corporate Affairs & Company Secretary</i>

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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N O T I C E

Notice is hereby given that the Fifty Fifth Annual General Meeting of the Members of POLYCHEM LIMITED will be held at M.C.Ghia Hall, Bhogilal Hargovindas Building, 4th Floor, 18/20 Kaikhushru Dubash Marg, Mumbai 400 001 on Monday, 17th September, 2012 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, 2012 and Statement of Profit and Loss for the year ended on 31st March, 2012 and the Report of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. Devang Vyas who retires by rotation, but being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Chetan Desai who retires by rotation, but being eligible, offers himself for re-appointment.
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 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."

SPECIAL BUSINESS:

5. To consider, and, if thought fit, to pass, with or without modification/s, the following resolution as a **Special Resolution**:

"RESOLVED THAT in partial modification of the Special Resolution passed by the members at the Annual General Meeting of the Company held on 23rd September, 2010, the designation of Mr. T.R.Kilachand be changed from Managing Director to Executive Chairman, with effect from 27th July, 2012. The other terms and conditions of his appointment as per the resolution passed by the members at the Annual General Meeting of the Company held on 23rd September, 2010 remaining the same."

6. To consider, and, if thought fit, to pass, with or without modification/s, the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT in partial modification of the Ordinary Resolution passed by the members at the Annual General Meeting of the Company held on 23rd September, 2010, the designation of Mr. P.T.Kilachand be changed from Whole-time Director to Managing Director, with effect from 27th July, 2012. The other terms and conditions of his appointment as per the resolution passed by the members at the Annual General Meeting of the Company held on 23rd September, 2010 remaining the same."

7. To consider, and if thought fit, to pass, with or without modification/s, the following resolution as an **Ordinary Resolution** :

"RESOLVED THAT Mr. N.T. Kilachand who was appointed as an Additional Director on 27th July, 2012 under Section 260 of the Companies Act, 1956 and who under Article 138 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 : 27th July, 2012.



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. 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) The Register of Members and the Share Transfer Books of the Company has remained closed from 3rd July, 2012 to 10th July, 2012 (both days inclusive).
- (c) Members holding shares in the dematerialized 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 : 022-67720300 / 022-67720400

Fax : 022-28591568

Email : sharepro@shareproservices.com

- (d) The Company has implemented the "Green Initiative" circulars issued by Ministry of Corporate Affairs (MCA) vide their Circular Nos. 17/2011 and 18/2011 dated April 21, 2011 and April 29, 2011 respectively and effected electronic delivery of Notice of Annual General Meeting and Annual Report for the year ended March 31, 2011 to those shareholders whose email ids were registered with the respective Depository Participants and downloaded from the depositories viz National Securities Depository Limited (NSDL) / Central Depository Services (India) Limited (CDSL). Securities and Exchange Board of India (SEBI) have also in line with the MCA circulars and as provided in Clause 32 of the Listing Agreement executed with the Stock Exchanges, permitted listed entities to supply soft copies of full annual reports to all those shareholders who have registered their email addresses for the purpose. In terms of the Circular No. NSDL/CIR/II/10/2012 dated March 9, 2012 issued by National Securities Depository Limited, email addresses made available by the Depository for your respective Depository Participant accounts as part of the beneficiary position downloaded from the Depositories from time to time will be deemed to be your registered email address for serving notices/documents including those covered under Section 219 of the Companies Act, 1956 read with Section 53 of the Companies Act, 1956. In light of the requirements prescribed by the aforesaid circulars, for those shareholders whose Depository Participant accounts do not contain the details of their email address, printed copies of the Notice of Annual General Meeting and Annual Report for the year ended March 31, 2012 would be despatched. The Notice of Annual General Meeting and the copies of the audited financial statements, directors' report, auditors' report etc. will also be displayed on the website www.polychemltd.com of the Company and the other requirements of the aforesaid MCA circulars will be duly complied with. Members holding shares in electronic mode are therefore requested to ensure to keep their email addresses updated with the Depository Participants. Members holding shares in physical mode are also requested to update their email addresses by writing to the Registrar and Transfer Agent of the Company at the address mentioned in (c) above quoting their folio number(s).
- (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.
- (f) The Company's securities are listed on the following Stock Exchange:

Sr. No.	Name & Address of the Stock Exchange	Nature of Security as on 31-03-2012
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 for 2011-12 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. Devang Vyas	Mr. Chetan Desai	Mr. Nandish Kilachand
Age	54 years	58 years	40 years
Qualification	B.Com, LL.B., F.C.S., A.C.I.S. (U.K.), A.A.S.M	B.E. (Electronics and Communications). MDP in Project and Retail Management from IIM Ahmedabad	BA from Tufts University, Boston, USA. 'A' levels from Eton College, Windsor, England. ICSE, Cathedral & John Connon School, Mumbai.
Expertise	Practicing Company Secretary, having experience of over 27 years in Company Law, Merchant Banking and Corporate Laws.	Over 34 years of Top Management working experience in Project Management, Tech Transfer, Sales, Marketing, Branding and Retail. Held positions such as General Manager in Eureka Forbes, Vice President in Gujarat Poly-AVX Electronics Ltd, Managing Director in AVX Electronics – Singapore, Director – Retail in Raymond and Sr. Vice President in Reliance Industries Ltd.	Director in charge of Sun Tan Trading Co. Ltd., which was the authorized distributor of the world's largest foreign liquor company. Also established a company providing third party logistics solutions including specialized warehousing, to a wide section of importers specializing in the duty free market. Director of Connell Bros. (India) Pvt. Ltd., which undertakes distribution and manufacture of specialty and high-end chemicals in India.
Other Directorship as on 31st March, 2012 (Excluding Private Companies)	Not Applicable	Environmental Purifiers Ltd.	Ginners & Pressers Limited, Sun Tan Trading Co. Ltd.,

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 Nos.5, 6, 7 mentioned in the accompanying Notice dated 27th July, 2012.

1) Item No.5

The Members at the Annual General Meeting of the Company held on 23rd September, 2010 appointed Mr.T.R.Kilachand who was a Chairman of the Company as the Managing Director of the Company for a further period of 5 years with effect from 1st July, 2010, upon the terms and conditions including remuneration approved by the members. As recommended by the Remuneration Committee, the Board of Directors in their meeting held on 27th July, 2012 proposed to modify the designation of Mr.T.R.Kilachand from Chairman & Managing Director to 'Executive Chairman' with effect from 27th July, 2012. The other terms and conditions of his appointment as per the Special Resolution passed by the members at the Annual General Meeting of the Company held on 23rd September, 2010 remaining the same.

The Board of Directors recommends the resolution for approval of the members.

Mr. T.R.Kilachand, Mr. P.T.Kilachand and Mr.N.T.Kilachand are interested in resolution Item No.5.

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

2) Item No.6

The Members at the Annual General Meeting of the Company held on 23rd September, 2010 appointed Mr.P.T.Kilachand as a Whole-time Director of the Company for a further period of 5 years with effect from 1st July, 2010, upon the terms and conditions including remuneration approved by the members. As recommended by the Remuneration Committee, the Board of Directors in their meeting held on 27th July, 2012 proposed to modify the designation of Mr.P.T.Kilachand from Whole-time Director to 'Managing Director' with effect from 27th July, 2012. The other terms and conditions of his appointment as per the Ordinary Resolution passed by the members at the Annual General Meeting of the Company held on 23rd September, 2010 remaining the same.

The Board of Directors recommends the resolution for approval of the members.

Mr. P.T. Kilachand, Mr. T. R. Kilachand and Mr.N.T.Kilachand are interested in resolution Item No.6

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

3) Item No.7

Mr. Nandish T.Kilachand was appointed as an Additional Director of the Company on 27th July, 2012. In terms of Article 133 of the Articles of Association of the Company, Mr. N.T.Kilachand 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. N.T.Kilachand as a Director of this Company at this meeting. Mr. N.T.Kilachand 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.

Mr. N.T.Kilachand, Mr. T. R. Kilachand and Mr.P.T.Kilachand are interested in resolution Item No.7.

None of the other Directors of the Company, is in any way, concerned or interested in the said 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 : 27th July, 2012.

DIRECTORS' REPORT

To
The Members of
POLYCHEM LIMITED

Your Directors' present the Fifty Fifth Annual Report and Statement of Accounts for the year ended 31st March, 2012.

	01-04-11 to 31-03-12 (Rs.in lacs)	01-04-10 to 31-03-11 (Rs.in lacs)
FINANCIAL RESULTS		
Sales	757.97	522.70
Profit/(Loss) before Depreciation & Tax Depreciation	(22.93) 12.01	(30.08) 9.01
Profit/(Loss) before tax	(34.94)	(39.09)
Current tax	--	(7.50)
Deferred tax	2.32	(1.92)
Profit/(Loss) after tax	(32.62)	(48.51)
Excess provision of tax in respect of earlier years	5.12	43.06
	(27.50)	(5.45)
Prior period items	1.25	(2.78)
	(26.25)	(8.23)

During the year ended 31st March, 2012 your Company has made loss of Rs.(32.62) lacs against loss of Rs.(48.51) lacs after tax in previous year. The Company cannot recommend dividend due to accumulated losses of the Company.

1. Sales of specialty chemicals during the year ended was Rs.751.10 lacs compared to Rs.522.70 lacs during the previous year and for property development Rs.6.87 lacs, compared to Rs.Nil during the previous year.
2. **GUJARAT POLY-AVX ELECTRONICS LIMITED (GPAEL) – Associate Company**

The sale of GPAEL during the year ended 31st March, 2012 was Rs. 834.34 lacs as against sale of Rs.922.53 lacs during the previous year. GPAEL has made profit of Rs.48.36 lacs during the year ended 31st March, 2012 as compared to profit of Rs.54.91 lacs. After write off of exceptional items viz., interest, penal interest and other charges etc., there is loss of Rs.(75.04) lacs.

3. **AUDIT COMMITTEE:**

The Audit Committee now consists of 4 members, viz. Mr.V.V.Sahasrabudhe, Mr.T.R.Kilachand, Mr.Chetan Desai and Mr. Devang Vyas.

4. **DIRECTORS' RESPONSIBILITY:**

Pursuant to Section 217(2AA) of the Companies Act, 1956 the Directors confirm that:

- a. In the preparation of the annual accounts, the applicable accounting standards have been followed.



- b. 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, 2012 and of the loss of the Company for the year ended 31st March, 2012.
- 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.

5. TAXATION:

The Company's Income Tax assessments have been completed up to the year ended 31st March, 2009.

6. DEPOSITS:

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

7. INDUSTRIAL RELATIONS:

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

8. 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.

9. 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.

10. DIRECTORS:

- a) Mr. Devang Vyas and Mr. Chetan Desai retire from Office by rotation, but being eligible, offer themselves for re-appointment.
- b) The Board has changed the designation of Mr. T. R. Kilachand from "Chairman & Managing Director" to "Executive Chairman", and Mr. P. T. Kilachand from "Whole-time Director" to "Managing Director", of the Company with effect from 27th July, 2012, in terms of the provisions of the Companies Act, 1956. Your approval is sought for their change in designation as detailed in the Notice convening the meeting. It may be noted that they are not drawing any remuneration with effect from 1st June, 1997.
- c) Mr. Nandish T. Kilachand has been appointed as an Additional Director of the Company with effect from 27th July, 2012.

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 Director's Report.

12. AUDITORS' REMARKS:

Company is in the process of setting up In-house 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
Executive Chairman

Registered Office :
7, Jamshedji Tata Road
Churchgate Reclamation
Mumbai 400 020.

Dated : 27th July, 2012.

ANNEXURE I

A. CONSERVATION OF ENERGY

----- NIL -----

FORM 'A'

POWER AND FUEL CONSUMPTION

(1) Electricity

- (a) Purchased units (Kwh)
Total Amount (Rs.)
Rate (Kwh)

2011-12

2010-11

19,482
1,40,350
7.20

25,912
66,157
2.55

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:

We are 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 we develop a know-how for this product, we 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:

Once we are successful in developing a good grade of Poly Alpha Methyl Styrene we will introduce the same commercially.

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
b) Foreign exchange earned (FOB Value)

Rs.
-- nil --
3,04,90,952/-

MANAGEMENT DISCUSSION & ANALYSIS REPORT

Overview:

Company is operating in the manufacturing of Specialty Chemicals and development of property / land.

Opportunities:

Our customers for the specialty polymers are in investment casting Industry. The major end user segment for investment cast products is automotive, aerospace industry, valves & instruments. Both the domestic as well as export business have picked up since the beginning of the year. The general slowdown in the economy has not affected our business. In fact our export business has grown considerably.

The second specialty product is used as filler in cement for structural repair of columns & 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. Weakening of the rupee has increased the cost of imports.

Risks & concerns:

Due to price fluctuation in the main raw material i.e. styrene monomer and no corresponding increase in the price of our finished products the margin on our finished products in the domestic market is a major area of concern.

Due to increasing trend for re-development 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, 2012.

b) Reserves and Surplus:

As on 31st March, 2012 the reserves and surplus are Rs.1399.12 lacs.

c) Secured Loans:

There are no secured loans outstanding as on 31st March, 2012.

d) Results of Operation:

Revenue for the current year including other income amounts to Rs.847.11 lacs compared to Rs.600.90 lacs. Loss before tax is Rs.34.94 lacs compared to loss before tax of Rs.39.09 lacs during the previous year. Provisions for tax including deferred tax asset during the year is Rs.(2.32) lacs compared to Rs.9.42 lacs during the previous year. Loss after tax amounts to Rs.27.50 lacs during the year compared to loss of Rs.5.45 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, 2012 is as follows. viz. (1) Property / Land Rs. 687 (000) (2) Specialty Chemicals Rs.767.33 (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 relation with its employees.