



POLYCHEM LIMITED

**56TH ANNUAL REPORT
2012-2013**

POLYCHEM LIMITED

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

| | | |
|---------------------------|---|------------------------------|
| BOARD OF DIRECTORS | MR. TANIL KILACHAND | <i>Executive Chairman</i> |
| | MR. PARTHIV T.KILACHAND | <i>Managing Director</i> |
| | MR. VINAYAK V. SAHASRABUDHE | |
| | MR. DEVANG J. VYAS | |
| | MR. CHETAN R. DESAI | |
| | MR. NANDISH T. KILACHAND | |
| COMPANY SECRETARY | MR. ATUL 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. T. R. 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 Sixth 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 Tuesday, 6th August, 2013 at 10.30 a.m., to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2013 and Statement of Profit and Loss for the year ended on 31st March, 2013 and the Report of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. 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 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 : 23rd May, 2013.

Email : njn@kilachand.com

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 will remain closed from Monday, 17th June, 2013 to Monday, 24th June, 2013 (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 Registrar & Share Transfer Agents - 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 Notice of the 56th Annual General Meeting along with the printed Attendance Slips is being despatched to all Members. Electronic copy of the Annual Report for 2013 is being sent to all the members whose email address is registered with the Company/ the Depository Participant(s) unless any member has requested for a hard copy of the same. For members who have not registered their email address, the Annual Report for 2013 is sent along with the Notice. Members who have not yet



registered their email address are encouraged to submit their request with their respective Depository Participant or the Company, as the case may be.

Members may also note that the Notice of the 56th Annual General Meeting and the Annual Report for 2013 will also be available on the Company's website www.polychemltd.com for their download. The physical copies of the aforesaid documents will also be available at the Company's Registered Office for inspection during business hours. Even after registering for e-communication, members are entitled to receive such communication in physical form, upon receipt of request for the same, by post free of cost.

- (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 31-03-2013 |
|---------|--|--|
| 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 2012-13 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. P.T. Kilachand |
| Age | 46 years |
| Qualification | Sc.B "Electrical Engineering" & A.B. "Engineering & Economics" from Brown University. |
| Expertise | Project Officer in Polychem Limited 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 aspects of various activities of the Company. He was appointed as a Director from December 1996 to 31st March, 1997. From 1st April, 1997 he was appointed as a Whole-time Director. His designation has been changed from Whole-time Director to Managing Director with effect from 27th July, 2012. |
| Other Directorship as on 31st March, 2013 (Excluding Private Companies) | Gujarat Poly-AVX Electronics Ltd., Ginners & Pressers Ltd., Sun Tan Trading Co.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 : 23rd May, 2013.

DIRECTORS' REPORT

To
The Members of
POLYCHEM LIMITED

Your Directors' present the Fifty Sixth Annual Report and Statement of Accounts for the year ended 31st March, 2013

| | 01-04-12 to 31-03-13 (Rs.in lacs) | 01-04-11 to 31-03-12 (Rs.in lacs) |
|--|---|---|
| FINANCIAL RESULTS | | |
| Sales | 929.09 | 757.97 |
| Profit/(Loss) before Depreciation & Tax Depreciation | (31.63) 11.16 | (22.93) 12.01 |
| Profit/(Loss) before tax | (42.79) | (34.94) |
| Current tax | -- | -- |
| Deferred tax | 4.31 | (2.32) |
| Profit/(Loss) after tax | (47.10) | (32.62) |
| Excess provision of tax in respect of earlier years | -- | (5.12) |
| | (47.10) | (27.50) |
| Prior period items | (0.76) | 1.25 |
| | (47.86) | (26.25) |

During the year ended 31st March, 2013 your Company has made loss of Rs.(47.10) lacs against loss of Rs.(27.50) 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.929.09 lacs compared to Rs.751.10 lacs during the previous year and for property development Rs. NIL, compared to Rs.6.87 lacs during the previous year.

2. **GUJARAT POLY-AVX ELECTRONICS LIMITED (GPAEL) – Associate Company**

The sale of GPAEL during the year ended 31st March, 2013 was Rs. 954.81 lacs as against sale of Rs.833.89 lacs during the previous year. GPAEL has made loss of Rs.(7.20) lacs during the year ended 31st March, 2013 as compared to profit of Rs.48.36 lacs during the previous year. After write off of exceptional items viz., interest, penal interest and other charges etc., there is loss of Rs.(207.99) lacs as compared to loss of Rs.(75.04) lacs during the previous year.

3. **AUDIT COMMITTEE:**

The Audit Committee now consists of 4 members, viz. Mr.V.V.Sahasrabudhe, Mr.T.R.Kilachand, Mr.C. R. Desai and Mr. D. J. 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, 2013 and of the loss of the Company for the year ended 31st March, 2013.
- 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, 2010.

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. DIRECTOR:

Mr. P.T. Kilachand retires from Office by rotation, but being eligible, offer himself 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:

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.

14. COST AUDITOR:

Complying with the provisions of Section 233B of the Companies Act, 1956 and the MCA General Circular No.15/2011 dated 11th April, 2011 (as amended vide General Circular No.36/2012 dated 6th November, 2012) subject to the approval of the Central Government, the Audit Committee has recommended and the Board of Directors has appointed Mr. Ajit N. Patel of M/s. Ajit Patel & Co., Cost Accountants, Mumbai (Membership No.A1233), being eligible and having sought re-appointment, as Cost Auditor of the Company to carry out the cost audit of the products manufactured by the Company for the year ending March 2014.

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 : 23rd May, 2013.

ANNEXURE I

A. CONSERVATION OF ENERGY

----- NIL -----

FORM 'A'

POWER AND FUEL CONSUMPTION

(1) Electricity

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

2012-13

2011-12

18,851
1,52,179
8.07

19,482
1,40,350
7.20

FORM 'B'

Disclosures of particulars with respect to Technology Absorption, Research and 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)

Current Year
5.37
545.17

(Rs.in lacs)
Previous Year
--
304.91



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, 2013.

b) Reserves and Surplus:

As on 31st March, 2013 the reserves and surplus are Rs.1,351.26 lacs.

c) Secured Loans:

There are no secured loans outstanding as on 31st March, 2013.

d) Results of Operation:

Revenue for the current year including other income amounts to Rs.1.051.58 lacs compared to Rs.847.11 lacs. Loss before tax is Rs.42.79 lacs compared to loss before tax of Rs.34.94 lacs during the previous year. Provisions for tax including deferred tax asset during the year is Rs.4.31 lacs compared to Rs.(2.32) lacs during the previous year. Loss after tax amounts to Rs.47.10 lacs during the year compared to loss of Rs.27.50 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, 2013 is as follows. viz. (1) Property / Land Rs.NIL (000) (2) Specialty Chemicals Rs.929.09 (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.

CORPORATE GOVERNANCE REPORT (2012-2013)
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 six members and is responsible for management of the Company's business. The Board's role, functions, responsibility and accountability are clearly defined.

The Composition of the Board of Directors, 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 is given below. Other directorships do not include alternate directorships, directorships of private limited companies, Section 25 companies and of companies incorporated outside India. Chairmanship/ Membership of Board Committees includes only audit and Shareholders'/Investors' Grievance Committees.

F.Y. April 12 to March 13

| Name of the Director | Attendance Particulars | | | | No. of other Directorships and Committee Membership/Chairmanship | |
|----------------------|------------------------|----------------|-----------------------------|-------------------------------|--|-------------------------------------|
| | Category | Board Meetings | Last AGM held on 17/09/2012 | Board Mtg. Sitting Fees (Rs.) | Other Directorship in Public Limited Companies | Committee Membership/ Chairmanship |
| Mr. T.R.Kilachand | EC(P) | 5 | Yes | -- | 2 | 1 Committee Membership & 1 Chairman |
| Mr. P.T.Kilachand | MD(P) | 5 | Yes | -- | 3 | 1 |
| Mr. V.V.Sahasrabudhe | NED(I) | 5 | Yes | 5000 | -- | -- |
| Mr. D.J. Vyas | NED(I) | 4 | Yes | 4000 | -- | -- |
| Mr. C.R. Desai | NED(I) | 3 | Yes | 3000 | 1 | -- |
| Mr. N.T.Kilachand * | NED(P) | 3 | Yes | 3000 | 2 | -- |

*Mr.N.T.Kilachand has been appointed as a Director with effect from 17th September, 2012.

Notes:

- | | |
|---|--|
| 1. EC(P) – Executive Chairman and Promoter. | 3. MD(P) – Managing Director and Promoter |
| 2. NED(I) – Non-Executive and Independent Director. | 4. NED(P) – Non-Executive Director and Promoter. |

Sitting fees paid for attending Board meetings have only been taken into consideration.

Remuneration to Directors

The Executive Chairman and the Managing Director have not drawn any remuneration.

Number of Board Meetings held and dates on which held:

During the financial year 2012-13, five Board meetings were held on the following dates:

- | | | |
|----------------------------|------------------------|------------------------|
| (a) 11th May, 2012, | (b) 27th July, 2012, | (c) 10th August, 2012, |
| (d) 7th November, 2012 and | (e) 7th February, 2013 | |

**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. D. J. Vyas
- Mr. C. R. 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-

- (a) Investigate any activity within its terms of reference.
- (b) Seek information from any employee.
- (c) Obtain outside legal or other professional advice.
- (d) Secure attendance of outsiders with relevant expertise, if considered necessary.

During the year 2012-13, five meetings of the Audit Committee were held on the following dates:

- (a) 11th May, 2012,
- (b) 27th July, 2012,
- (c) 10th August, 2012,
- (d) 7th November, 2012 and
- (e) 7th February, 2013

| Name of the Director | No. of meetings attended |
|----------------------|--------------------------|
| Mr. T.R.Kilachand | 5 |
| Mr. V.V.Sahasrabudhe | 5 |
| Mr. D.J. Vyas | 4 |
| Mr. C.R. 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

None of the Non-Executive Directors are holding any Shares or Convertible instruments 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 | 15 | 15 |
| 2. | Mr. T.R.Kilachand – Director | 15 | 12 |
| 3. | Mr. P.T.Kilachand - Director | 15 | 13 |