



Vinyl Chemicals (India) Ltd.



22ND ANNUAL REPORT 2007-2008



Vinyl Chemicals (India) Ltd.

REGD. OFFICE: Regent Chambers, 7th Floor, Jamnalal Bajaj Marg, 208, Nariman Point, Mumbai 400 021

Dear Shareholder,

Sub: Cost of acquisition of Shares on Demerger of Vinyl Acetate Monomer Manufacturing Unit of Vinyl Chemicals (India) Ltd. into Pidilite Industries Ltd.

The Hon'ble High Court of Judicature at Bombay has, vide its order dated 14th December, 2007, sanctioned the Scheme of Arrangement for Demerger of Vinyl Acetate Monomer (VAM) Manufacturing Unit of Vinyl Chemicals (India) Ltd. (VCIL) into Pidilite Industries Ltd. (PIL).

As per the said scheme, the assets & liabilities relating to VAM Manufacturing Unit of VCIL ("Demerged Company") have been transferred to PIL ("Resulting Company") at book value, as standing in the books of the VCIL as on the close of business hours on 31st March, 2007.

The book values of net assets transferred to the Resulting Company pursuant to the said scheme is **Rs. 303.07 million**.

This intimation is issued to inform the shareholders the method of calculation of the cost of acquisition and the date of acquisition of the Resulting Company's shares and also of the Demerged Company's shares as per the provisions of the Income Tax Act, 1961 and is based on expert's opinion obtained by the Company.

The Company has been advised and also on its own interpretation of the Income Tax Act, 1961 feels that:

As per the provisions of Sub-section (2C) of Section 49 of the Income Tax Act, 1961, the cost of shares of the Resulting Company has to be taken in the same proportion as the net book value of the assets transferred bears to the net worth of the Demerged Company immediately before such demerger. As per the provisions of Sub-section (2D), the cost of acquisition of original shareholding in the Demerged Company is deemed to have been reduced by the amount calculated as per provisions of Sub-section (2C).

The Net Worth, considered for the purpose of this provision, comprises of Share Capital & General Reserve, which was **Rs. 302.72 million** as on 31st March, 2007 i.e. immediately before the Appointed Date for the demerger.

Hence, for determining the cost of acquisition of equity shares of the Resulting Company and the Demerged Company, shareholders are advised to apportion their pre-demerger cost of acquisition of the Demerged Company's shares in the following manner:

Name of the Company	Proportionate cost (%)
VCIL (Demerged Company)	NIL
PIL (Resulting Company)	100

Further, the Company has been advised that as per the provisions of Section 47(vii) of the Income Tax Act, 1961, the issue of shares by the Resulting Company to the shareholders of the Demerged Company pursuant to a Scheme of Demerger, will not be regarded as transfer.

Pursuant to Section 2(42A) of the Income Tax Act, 1961, the date of acquisition of shares of the Resulting Company would be deemed to be the date on which the shares of the Demerged Company were acquired.

This communication is sent solely for the benefit of the shareholders and due care has been taken by the Company to check the accuracy of the information. However, the Company does not take any express or implied liability in providing this guidance.

The shareholders are advised to seek legal opinion, should they feel it necessary.

Thanking you,

Yours faithfully,
For Vinyl Chemicals (India) Ltd

P.C.Patel
President & Secretary



Vinyl Chemicals (India) Ltd.

Registered Office: Regent Chambers, 7th Floor, Jamnalal Bajaj Marg, 208, Nariman Point, Mumbai - 400 021

ATTENDANCE SLIP

PLEASE FILL IN ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL.

Joint shareholder(s) may obtain additional Slip on request.

D.P. Id*		Folio No.	
Client Id*		No. of Share(s) held	
NAME OF THE SHAREHOLDER		NAME OF THE PROXY	

I hereby record my presence at TWENTY SECOND ANNUAL GENERAL MEETING of the Company held at the Kamalnayan Bajaj Hall, Bajaj Bhavan, Jamnalal Bajaj Marg, Nariman Point, Mumbai 400 021 on Tuesday, the 2nd September, 2008 at 11.00 a.m.

SIGNATURE OF THE ATTENDING MEMBER/PROXY

* Applicable for investors holding shares in electronic form.

NOTE : THIS ATTENDANCE SLIP IS VALID ONLY IN CASE SHARES ARE HELD ON THE DATE OF THE MEETING.



Vinyl Chemicals (India) Ltd.

Registered Office: Regent Chambers, 7th Floor, Jamnalal Bajaj Marg, 208, Nariman Point, Mumbai - 400 021

PROXY FORM

D.P. Id*		Folio No.	
Client Id*		No. of Share(s) held	

I / We _____
 of _____ in the district of _____ being a
 Member(s) of the above named Company, hereby appoint _____
 of _____ in the district of _____
 or failing him _____ of _____
 _____ in the district of _____

as my/our Proxy to attend and vote for me/us and on my/our behalf at the TWENTY SECOND ANNUAL GENERAL MEETING of the Company held at the Kamalnayan Bajaj Hall, Bajaj Bhavan, Jamnalal Bajaj Marg, Nariman Point, Mumbai 400 021 on Tuesday, the 2nd September, 2008 at 11.00 a.m. and at any adjournment thereof.

Signed this _____ day of _____ 2008

Affix
Re. 1
Revenue
Stamp

* Applicable for investors holding shares in electronic form.

(Please sign across the stamp)

- NOTES:
1. The Proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than **FORTY EIGHT HOURS** before the time for holding the aforesaid meeting.
 2. The Proxy need not be a member of the Company.
 3. Company reserves the right to ask for identification of the proxy.
 4. Proxy cannot speak at the meeting.



Vinyl Chemicals (India) Ltd.

NOTICE

Notice is hereby given that the TWENTY SECOND ANNUAL GENERAL MEETING of the members of the Company will be held on Tuesday the 2nd September 2008 at 11.00 a.m. at Kamalnayan Bajaj Hall, Bajaj Bhavan, Jamnalal Bajaj Marg, Nariman Point, Mumbai 400 021 to transact the following business:

Ordinary Business:

1. To receive and adopt the Profit and Loss Account for the year ended on 31st March 2008 and the Balance Sheet as at that date together with the Directors' Report and Auditors' Report.
2. To appoint a Director in place of Shri N. K. Parekh who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri R. M. Gandhi who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors for the current year to hold office from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting and to fix their remuneration.

Regd. Office:

Regent Chambers, 7th Floor,
Jamnalal Bajaj Marg,
208, Nariman Point, Mumbai - 400 021

Date: 20th May, 2008

BY ORDER OF THE BOARD OF DIRECTORS

P.C.PATEL
PRESIDENT & SECRETARY

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. 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.
2. The Register of Members and Share Transfer Books of the Company will be closed from Wednesday the 20th August 2008 to Tuesday the 2nd September 2008 (both days inclusive).
3. Members are requested to inform the Company or to the Registrar and Transfer Agents (in case of shares held in physical form) or Depository Participants (in case of shares held in electronic mode) any change in their addresses immediately so as to enable the Company to despatch any future communication at their correct addresses.
4. Non-resident Indian Shareholders are requested to inform the Company immediately:
 - a. the change in the Residential status on return to India for permanent settlement.
 - b. the particulars of NRE Bank Account maintained in India with complete name and address of the Bank, if not furnished earlier.
5. The members can also avail facility of nomination in terms of extant legal provisions in this regard. On request, the necessary form will be supplied by the Registrar and Transfer Agents.
6. For the convenience of members and for proper conduct of the meeting, entry to the place of meeting will be regulated by an Attendance Slip, which is annexed to the Proxy Form. Members are requested to append their signatures at the place provided on the Attendance Slip and hand it over at the entrance.



7. Members are requested to bring their copy of the Annual Report with them at the meeting as additional copies of the same will not be made available at the meeting.
8. **Members are requested to send their queries, if any, atleast ten days in advance at the Registered Office address, so that the information can be made available at the meeting, subject to permission of the Chairman.**
9. A. Pursuant to Section 205A of the Companies Act, 1956, all unclaimed/unpaid dividends up to the financial year ended 31st March 1995 have been transferred to the General Revenue Account of the Central Government. Those members who have so far not claimed their dividends for the said periods may claim the same by submitting an application in prescribed Form No. II to the Registrar of Companies, Maharashtra, C.G.O. Bldg., A-Wing, 2nd floor, C.B.D. Belapur, Opp. Police Commissioner's Office, Belapur 400 614.
- B. Consequent upon amendment in Section 205A of the Companies Act, 1956, and introduction of Section 205C, by the Companies (Amendment) Act, 1999, now the amount of dividend remaining unclaimed for a period of seven years shall be transferred to the Investor Education and Protection Fund (Fund).

Accordingly, the Company has transferred all unclaimed/unpaid dividend up to Financial Year ended 31st March 2000 to the Fund.

Members who have not yet encashed their Dividend Warrants for the year ended 31st March 2001 are requested to contact the Registrar and Transfer Agents, M/s. TSR Darashaw Ltd., 6-10, Haji Moosa Patrawala Ind. Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai 400 011. It may be noted that once the unclaimed dividend is transferred to the Fund as above, no claim shall lie in respect thereof against the Company.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING ELECTION AT THE ANNUAL GENERAL MEETING (under Clause 49 (IV)(G)(i) of the Listing Agreement):

Shri N. K. Parekh is a promoter Director of the company and has been serving as a Director of the Company since 1986. He is a qualified Technologist for Dyes and Intermediates and a qualified Chemical Engineer [B.Sc., B.Sc. (Tech), M.S.Chem Engg (U.S.A)] and has experience in the industry for over 43 years. He is a Joint Managing Director of Pidilite Industries Ltd. He is also a Director of Fevicol Company Ltd., Parkem Dyes and Chemicals Pvt.Ltd., Ishijas Chemicals Pvt. Ltd., The Vacuum Forming Co. Pvt. Ltd., Kalpaj Sales and Agencies Pvt.Ltd., Pargo Investments Pvt. Ltd. and Dr. Fixit Institute of Structural Protection & Rehabilitation (a Company u/s 25). He holds 75951 Equity Shares in the company as on 31st March 2008. Shri N. K. Parekh is related to Shri B. K. Parekh and Shri S. K. Parekh, Directors of the company.

Shri R. M. Gandhi has been serving as a Director of the company since 1988. He holds Master Degree in Law. He is a practising Advocate and Solicitor of High Court at Mumbai and has over 47 years experience in legal field. He is also a Director of Aarti Industries Ltd., Aarti Drugs Ltd., Unichem Laboratories Ltd. and Pidilite Industries Ltd. He chairs the Audit Committee of Aarti Industries Ltd., Aarti Drugs Ltd. and of the company and also chairs Shareholders/Investors Grievances Committee of Pidilite Industries Ltd. and Unichem Laboratories Ltd. He is also a committee member of Shareholders/Investors Grievances Committee and Remuneration Committee of the company and member of Remuneration Committee of Unichem Laboratories Ltd., Aarti Industries Ltd. and Aarti Drugs Ltd. He serves on the Audit Committee of Unichem Laboratories Ltd. He holds 2700 Equity Shares in the company as on 31st March 2008. He is not related to any Director of the company.

**BOARD OF DIRECTORS**

Shri B.K. Parekh, Chairman

Shri S.K. Parekh

Shri N.K. Parekh

Shri M.B. Parekh, Managing Director

Shri R.M. Gandhi

Shri Bansi S. Mehta, (upto 7.10.2007)

Smt. Y.J. Mogrelia

Shri A.K. Basu Roy, [Director (Factories Operations) upto 31.3.2008]

PRESIDENT & SECRETARY

Shri P.C. Patel

REGISTRAR AND SHARE TRANSFER AGENTS

TSR Darashaw Ltd.
6-10, Haji Moosa Patrawala Ind. Estate
20, Dr. E. Moses Road
Mahalaxmi, Mumbai 400 011

AUDITORS

D.A. Kothari & Co.
Haribhakti & Co.

SOLICITORS

Wadia Ghandy & Co.

REGISTERED OFFICE

Regent Chambers, 7th Floor
Jamnalal Bajaj Marg, 208, Nariman Point
Mumbai 400 021

CORPORATE OFFICE

Ramkrishna Mandir Road
Off Mathuradas Vasanji Road
Andheri (East), Mumbai 400 059

BANKERS

Indian Overseas Bank
Corporation Bank

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DIRECTORS' REPORT

Your Directors present the Twenty Second Annual Report and the Audited Statements of Accounts for the year ended 31st March 2008.

Financial Results:

The Financial Performance of the Company is summarised as under:

	Current year	Previous year
		(Rupees in lac)
Profit/(Loss) before Interest, Depreciation and Extraordinary Gain	340	(524)
Less/(Add): Interest	*	(236)
Depreciation	*	(406)
Profit/(Loss) before Extraordinary Gain and Taxation	340	(1166)
(Add)/Less: Extraordinary Gain	-	802
Profit/(Loss) Before Taxation	340	(364)
Less/(Add): Provision for Taxation (FBT)	119	(8)
Deferred Income Tax	-	395
Profit for the year	221	23
Less: (Loss) Brought Forward from Previous Year	(841)	(864)
Loss carried to Balance Sheet	(620)	(841)

* less than Rs 1 lac.

Dividend:

To conserve the resources of the company for its Trading business, your Directors do not recommend any dividend for the year.

Performance:

- The performance for the Current Year is excluding the operations of VAM manufacturing unit of the company which has demerged into Pidilite Industries Ltd. with effect from 1st April 2007. The previous year figures mainly related to operations of the said demerged VAM manufacturing unit.
- The company's current business is in Chemicals – which is trading mainly in Vinyl Acetate Monomer.
- During the year, the sales turnover from Trading activity was Rs 9130 lac.
- During the year, Company earned Net Profit of Rs 221 lac as against profit of Rs 23 lac in the previous year which included Extraordinary Gain of Rs 802 lac on prepayment of Deferred Sales Tax Loan.
- The Company fully repaid Foreign Currency Loan taken from a Bank.

Outlook:

The company will continue to explore the possibility of trading in Chemicals including VAM as per the opportunities which may arise during the year.

Directors:

Effective from 8th October 2007 Shri Bansi S. Mehta resigned from the Board of Directors. Your Directors wish to place on record their sincere appreciation of the valuable contribution made by him during his tenure on the Board.

Shri A. K. Basu Roy resigned as a Whole Time Director of the Company with effect from 1st April 2008. However, he continues to be an Ordinary Director on the Board of the Company. Your Directors wish to place on record their sincere appreciation of the valuable contribution made by him during his tenure as Whole Time Director on the Board.

In accordance with the Articles of Association of the Company, Shri N. K. Parekh and Shri R. M. Gandhi, Directors of the Company retire by rotation and being eligible, offer themselves for re-appointment.

Directors' Responsibility Statement:

Your Directors confirm that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed;
- the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March 2008 and of the profit of the Company for that year;

- the Directors have taken proper and sufficient care 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; and
- the Directors have prepared the annual accounts on a going concern basis.

Corporate Governance:

Reports on Corporate Governance and Management Discussion and Analysis in accordance with Clause 49 of the Listing Agreements with Stock Exchanges along with a certificate from the Auditors of the Company are given separately in this Annual Report.

Auditors:

M/s D.A. Kothari & Co, Chartered Accountants and M/s Haribhakti & Co, Chartered Accountants, retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Information pursuant to Section 217 of the Companies Act, 1956:

The particulars under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are attached to this Report as Annexure I.

It may be noted that the VAM manufacturing unit of the Company at Mahad for which the particulars have been compiled and given as Annexure I has in fact demerged into Pidilite Industries Ltd. with effect from 1st April 2007. Hence the figures given are for a period from 1st April 2007 to 18th January 2008 when the Order for sanction of the demerger scheme of the High Court of Judicature at Bombay was filed with the authorities.

A statement of particulars pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, forms part of this report as Annexure II. As per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report together with Accounts is being sent to the Shareholders of the Company, excluding the statement of particulars of employees under Section 217(2A) of the Act. Members desiring to have a copy of the same may write to the Company Secretary at the Registered Office of the Company and they will be provided with the same upon such a request.

Demerger:

As reported in the last year's Directors' Report, pursuant to a Scheme of Demerger, VAM manufacturing unit of the company (VCIL) at Mahad was demerged into Pidilite Industries Ltd. (PIL) with effect from 1st April 2007 after securing necessary approvals from the Shareholders and Hon'ble High Court of Judicature at Bombay (the Court). The Court Order was filed with the Registrar of Companies, Maharashtra on 18th January 2008 by both the companies.

As per the Scheme, the Company has made necessary adjustments by debiting the Share Premium Account and General Reserves and crediting the Reconstruction Adjustment Account as shown in the Balance Sheet.

On 31st March 2008 as per the Scheme,

- PIL has allotted 6,67,306 Equity Shares of Re 1 each and 28,74,805 6% Cumulative Redeemable Preference Shares of Rs 10 each to the Shareholders of VCIL (other than PIL).
- the Company has reduced the nominal and paid-up value of its 1,83,37,111 Equity Shares from Rs 10 per share to Re 1 per share.

The Company has submitted necessary applications to Bombay Stock Exchange Ltd. and The National Stock Exchange of India Ltd. for continuation of listing of its Equity Shares with revised nominal and paid-up value of Re 1 each and their permissions are awaited.

Appreciation:

The Directors hereby place on record their appreciation of the efficient services rendered by the employees of the Company at all levels.

FOR AND ON BEHALF OF THE BOARD

Mumbai:
Date : 20th May 2008

B.K. PAREKH
CHAIRMAN



ANNEXURE I TO THE DIRECTORS' REPORT

Note:

The Company's VAM Manufacturing Undertaking at Mahad demerged into Pidilite Industries Ltd. (PIL) w.e.f. 1st April 2007 pursuant to the Scheme of Demerger sanctioned by the Hon'ble High Court of Judicature at Bombay on 14th December 2007 (Effective date 18th January 2008). Accordingly following details are for the period from 1st April 2007 to 18th January 2008.

A. CONSERVATION OF ENERGY
a. Energy Conservation Measures taken:

1. Condensation and sealing of water recovery from process plant and increasing the BF water temperature
2. Stopping of DM water for Azeo pump seal by using thermo siphoning seal pot
3. Using purge gas as a fuel in coal boiler instead of oil fired boiler

b. Additional Investments and proposals, if any, being implemented for reduction of consumption of energy:

1. Harvesting of rain water
2. Converting PGW and Centax Motor to turbine operated compressor and condensing type of turbine for power generation

c. Impact of the measures at 'a' and 'b' above for reduction of energy consumption and consequent impact on the cost of production of goods:

Estimated yearly saving in energy consumption by incorporating above measures Rs 42.50 lac.

d. Total energy consumption and energy consumption per unit of production: As per Form A.

Form A

Disclosure of particulars with respect of Conservation of Energy

(A) POWER AND FUEL CONSUMPTION:

		2007 - 2008 (1.4.2007 to 18.1.2008)	2006 - 2007
I. A. Electricity - Purchased from MSEB:			
a. Total Units Purchased/Consumed	KWH	74,61,683	1,04,18,331
b. Total amount of Electricity Bill	Rs	2,88,48,285	3,76,58,460
c. Rate per unit	Rs	3.87	3.61
B. Own Generation through Windmill:			
a. Total Units Generated	KWH	9,54,661	12,09,766
b. Total amount of Electricity Bill	Rs	29,49,804	33,52,541
c. Rate per unit	Rs	3.09	2.77
C. Own Generation through Diesel Generator:			
a. Total Units Generated	KWH	41,278	1,50,061
b. Cost of 12960 Ltrs. (P.Y.41940 Ltrs.) of Diesel Consumed	Rs	4,42,951	16,53,638
c. Rate per unit (Average)	Rs	10.73	11.02
d. Units Generated per Litre of Diesel Oil (Average)		3.19	3.41
II. Coal		N. A.	N.A.

		2007 - 2008 (1.4.2007 to 18.1.2008)	2006 - 2007	
III. Steam Generation:				
a.	Steam Generated	M.T.	32,122	42,671
b.	Consumption of Fuel Oil			
i.	Furnace Oil 64.710 KL (P.Y.150.300 KL)	Rs	10,46,361	21,64,571
ii.	L.S.H.S. Nil (P.Y. Nil)	Rs	-	-
c.	Consumption of Coal 4335.620 MT (P.Y. 5781.885 MT)	Rs	2,03,63,795	2,51,41,814
d.	Cost per Unit (Kg.) of Steam Generated (Average)	Rs	0.67	0.64
e.	Kg. of Steam per Litre of Furnace Oil/L.S.H.S (Average)		4.23	7.27
f.	Kg. of Steam per Kg. of Coal		7.35	7.19
(B) CONSUMPTION PER UNIT OF PRODUCTION:				
a)	PRODUCT (Unit in M.T.)	Vinyl Acetate Monomer		
		2007 - 2008 (1.4.2007 to 18.1.2008)	2006 - 2007	
	Electricity	(KWH/M.T.)	297	295
		(Rs/M.T.)	1,122	1,079
	Coal	(KGS/M.T.)	251	245
		(Rs/M.T.)	1,177	1,065
	Furnace Oil/LSHS	(LITRES/M.T.)	4	6
		(Rs/M.T.)	60	92
b)	PRODUCT (Unit in M.T.)	Oxygen / Nitrogen		
		2007 - 2008 (1.4.2007 to 18.1.2008)	2006 - 2007	
	Electricity	(KWH/M.T.)	775	734
		(Rs/M.T.)	3,001	2,621
B. TECHNOLOGY ABSORPTION:				
e. Efforts made in technology absorption:				
As per Form B				
FORM B				
Disclosure of particulars with respect to Technology Absorption				
Research and Development (R & D)				
1. Specific areas in which R & D is carried out by the company				
- Development of Speciality (Tertiary & Secondary Butyl) Acetate from (4 Mix)				
- Simulation study of Speciality Acetate separation				
- Simulation study to improve recovery & purity of Acetaldehyde from Light End Column				
2. Benefits derived as a result of the above R&D				
- Studies have been completed, feasibility and commercialization is yet to be done				
3. Future Plan of Action				
- New product development for Speciality Acetates are in progress.				
4. Expenditure on R & D				
- Rs 11.36 lac				
Technology Absorption, Adaptation and Innovation				
Not Applicable				