



Vinyl Chemicals (India) Ltd.

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23RD ANNUAL REPORT 2008-2009

**BOARD OF DIRECTORS**

Shri B.K. Parekh, Chairman

Shri S.K. Parekh (upto 23.2.2009)

Shri N.K. Parekh

Shri M.B. Parekh, Managing Director

Shri R.M. Gandhi

Smt. Y.J. Mogrelia

Shri A.K. Basu Roy

Shri A.D. Mavinkurve (w.e.f. 27.1.2009)

Shri Santosh Kumar (w.e.f. 26.5.2009)

PRESIDENT & SECRETARY

Shri P.C. Patel

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

REGISTRAR AND SHARE TRANSFER AGENTS

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

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DIRECTORS' REPORT

Your Directors present the Twenty Third Annual Report and the Audited Statements of Accounts for the year ended 31st March 2009.

Financial Results:

The Financial Performance of the Company is summarised as under:

	(Rupees in lac)	
	Current year	Previous year
Profit before Interest and Depreciation	115	340
Less : Interest	*	*
Depreciation	*	*
Profit Before Taxation	115	340
Less : Provision for Taxation (including FBT)	26	119
Profit for the year	89	221
Less : (Loss) Brought Forward from Previous Year	(621)	(841)
(Loss) carried to Balance Sheet	(532)	(620)

* 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:

- a. The Company's current business is in Chemicals – which is trading mainly in Vinyl Acetate Monomer.
- b. During the year, the sales turnover from Trading activity was Rs 7280 lac.
- c. During the year, Company earned Net Profit of Rs 89 lac as against profit of Rs 221 lac in the previous year.

Outlook:

The Company is engaged mainly in trading of Vinyl Acetate Monomer. There are opportunities for expanding trading activities to include a few other chemicals. However, the slowdown in various industries need to be studied before such decision. The Company will weigh the opportunities and decide at an appropriate time whether to expand trading activity.

As the price and demand of various chemicals is under going drastic fluctuations, there is an inherent risk of incurring loss in any trading activity due to such price and demand fluctuations as well as due to fluctuations in the foreign currency rates.

Directors:

Effective from 24th February 2009, Shri S. K. Parekh 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 who retires as a Director at the next Annual General Meeting, has expressed his desire not to stand for re-election. Your Directors wish to place on record their sincere appreciation of the valuable contribution made by him during his tenure on the Board.

In accordance with the Articles of Association of the Company, Shri B. K. Parekh, Director of the Company retires by rotation and being eligible, offer himself for re-appointment.

Shri A. D. Mavinkurve has been appointed as an Additional Director of the Company with effect from 27th January 2009 and he holds office upto the conclusion of the ensuing Annual General Meeting. A notice in writing, with requisite deposit has been received from a member proposing Shri A. D. Mavinkurve as a candidate for the office of Director.

Shri Santosh Kumar has been appointed as an Additional Director of the Company with effect from 26th May 2009 and he holds office upto the conclusion of the ensuing Annual General Meeting. A notice in writing, with requisite deposit has been received from a member proposing Shri Santosh Kumar as a candidate for the office of Director.

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 2009 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. Haribhakti & Co., and M/s. D.A. Kothari & Co., Chartered Accountants retire at the ensuing Annual General Meeting.

M/s. Haribhakti & Co., Chartered Accountants have expressed their unwillingness to continue as Joint Auditors of the Company. It is proposed that vacancy caused by resignation of M/s. Haribhakti & Co., Chartered Accountants, one of the joint auditors, shall not be filled up and statutory audit of the company, commencing from Financial Year 1st April, 2009 shall be conducted solely by one Chartered Accountant, namely M/s. D. A. Kothari & Co.

M/s D.A. Kothari & Co, Chartered Accountants, 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.

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.

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 : 26th May 2009

B. K. PAREKH
CHAIRMAN



ANNEXURE I TO THE DIRECTORS' REPORT

Notes:

1. The Company's VAM Manufacturing Undertaking at Mahad was 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 details are for the period from 1st April 2007 to 18th January 2008 given in 2007 - 2008.
2. During the year 2008 - 2009 the Company did not have manufacturing activity. The Company's current business activity is Trading in Chemicals. Hence information as applicable to Trading Activity is only given.

A. CONSERVATION OF ENERGY - Not Applicable

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:

		2008 - 2009	2007 - 2008 (1.4.2007 to 18.1.2008)
I. A. Electricity - Purchased from MSEB:			
a. Total Units Purchased/Consumed	KWH	N.A.	74,61,683
b. Total amount of Electricity Bill	Rs.	N.A.	2,88,48,285
c. Rate per unit	Rs.	N.A.	3.87
B. Own Generation through Windmill :			
a. Total Units Generated	KWH	N.A.	9,54,661
b. Total amount of Electricity Bill	Rs.	N.A.	29,49,804
c. Rate per unit	Rs.	N.A.	3.09
C. Own Generation through Diesel Generator:			
a. Total Units Generated	KWH	N.A.	41,278
b. Cost of Diesel Consumed Nil (P.Y.12960 Ltrs.)	Rs.	N.A.	4,42,951
c. Rate per unit (Average)	Rs.	N.A.	10.73
d. Units Generated per Litre of Diesel		N.A.	3.19
Oil (Average)		N.A.	N.A.
II. Coal :			
III. Steam Generation:			
a. Steam Generated	M.T.	N.A.	32,122
b. Consumption of Fuel Oil			
Furnace Oil Nil (P.Y.64.710 KL)	Rs.	N.A.	10,46,361
c. Consumption of Coal Nil (P.Y.4335.620 MT)	Rs.	N.A.	2,03,63,795
d. Cost per unit (Kg.) of Steam Generated (Average)	Rs.	N.A.	0.67
e. Kg. of Steam per Litre of Furnace Oil/L.S.H.S (Average)		N.A.	4.23
f. Kg. of Steam per Kg. of Coal		N.A.	7.35

(B) CONSUMPTION PER UNIT OF PRODUCTION:

a) PRODUCT (Unit in M.T.)			Vinyl Acetate Monomer
			2007 - 2008 (1.4.2007 to 18.1.2008)
	2008 - 2009		
Electricity	(KWH/M.T.)	N.A.	297
	(Rs./M.T.)	N.A.	1,122
Coal	(KGS/M.T.)	N.A.	251
	(Rs./M.T.)	N.A.	1,177
Furnace Oil/LSHS	(LITRES/M.T.)	N.A.	4
	(Rs./M.T.)		60
b) PRODUCT (Unit in M.T.)			Oxygen / Nitrogen
			2007 - 2008 (1.4.2007 to 18.1.2008)
	2008 - 2009		
Electricity	(KWH/M.T.)	N.A.	775
	(Rs./M.T.)	N.A.	3,001

B. TECHNOLOGY ABSORPTION:

Not Applicable

C. FOREIGN EXCHANGE EARNINGS & OUTGO:

Total Foreign Exchange used and earned:

	2008 - 2009	2007 - 2008
1. Foreign Exchange Used		
i. Expenditure	Rs. -	-
ii. Imports (CIF Basis)	Rs. 70,27,13,628	79,45,75,784
2. Earnings on account of Export of Goods (FOB)		
i. In Foreign Exchange	Rs. -	-
ii. Deemed Export	Rs. -	-



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Company's current business activity is Trading in Chemicals.

Industry Structure and Developments:

Large number of companies are active in Trading of Chemicals. 6-8 importers are regularly importing Vinyl Acetate Monomer for trading.

Opportunities, Threats, Outlook, Risks and Concerns:

The Company is currently engaged mainly in trading of Vinyl Acetate Monomer. The Company will weigh the opportunities and decide at an appropriate time whether to expand trading activity by trading in other chemicals.

As the price and demand of various chemicals is undergoing drastic fluctuations, there is an inherent risk of incurring loss in any trading activity due to such price and demand fluctuations, as well as due to fluctuations in the foreign currency rates.

Segment-wise Performance:

The Company's current business activity has only one primary reportable segment, namely Trading in Chemicals.

Internal Control Systems and Adequacy:

The Company has adequate internal control procedures commensurate with size and nature of its business. The internal control systems provide for policies, guidelines, authorisations and approval procedures.

The Audit Committee of the Board of Directors periodically reviews the internal audit reports, significant risk area assessment and adequacy of internal controls for ensuring checks and balances. The Company has appointed Internal Auditors who regularly check the adequacy and effectiveness of all Internal Controls and suggest improvements.

Financial Performance:

Financial results and Performance for the year are elaborated in the Directors' Report.

Human Resources:

Harmonious relations continued to prevail with employees.

AUDITORS' REPORT**TO THE MEMBERS OF
VINYL CHEMICALS (INDIA) LIMITED**

We have audited the attached Balance Sheet of **VINYL CHEMICALS (INDIA) LIMITED** ('the Company') as at 31st March, 2009, the Profit and Loss Account for the year ended on that date and also Cash Flow Statement annexed thereto.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

- I. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report)(Amendment) Order, 2004, issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 (hereinafter referred to as the 'Act'), on the basis of such checks of the books and records as we considered appropriate and the information and explanations given to us, during the course of the audit we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- II. Further to our comments in the Annexure referred to in paragraph I above, we report that:
 - (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - (iii) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - (iv) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Act.
 - (v) On the basis of written representations received from the directors of the Company as on 31st March, 2009 and taken on record by the Board of Directors of the Company, we report that none of the directors is, disqualified as on 31st March, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said Financial Statements read together with notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2009,
 - (b) in case of Profit and Loss Account, of the profit for the year ended on that date and
 - (c) in case of Cash Flow Statement, of the cash flows for the year ended on that date.

For and on behalf of
D.A. KOTHARI & CO.
Chartered Accountants

D.A. KOTHARI
Proprietor
Membership No. 6301

For and on behalf of
HARIBHAKTI & CO.
Chartered Accountants

CHETAN DESAI
Partner
Membership No. 17000

PLACE : MUMBAI
DATE : 26th May, 2009



ANNEXURE REFERRED TO IN PARAGRAPH I OF OUR REPORT OF EVEN DATE TO THE MEMBERS OF VINYL CHEMICALS (INDIA) LIMITED

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
2. We are informed that the fixed assets have been physically verified by the management during the year. There is a regular programme of verification, which, in our opinion, is reasonable having regard to size of the Company and nature of its assets. No material discrepancies were noticed on such verification.
3. During the year, the Company has not disposed off a substantial part of fixed assets.
4. The management has physically verified the inventories of the Company during the year. In our opinion, the frequency of verification is reasonable.
5. In our opinion, the procedures for physical verification of inventories followed by management are reasonable and adequate in relation to the size of the Company and the nature of its business.
6. On the basis of our examination of the records of the Company, we are of the opinion that the Company has maintained proper records of inventories. The discrepancies noticed on verification between the physical verification and book records, not being material, were appropriately dealt with.
7. The Company has not granted any loans, secured or unsecured, to the companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. In view of this, clauses iii (b), (c) and (d) are not applicable to the Company and hence not reported upon.
8. During the year, the Company has not taken any loans, secured or unsecured, from the companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. In view of this, clause iii (f) and (g) are not applicable to the Company and hence, not reported upon.
9. There is adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. There is no continuing failure to correct major weaknesses in internal control system.
10. On the basis of our examination of relevant records and on the basis of representation received from the management, particulars of contracts or arrangements that need to be entered in the register in pursuance of Section 301 of the Act have been so entered.
11. On the basis of our examination of the books of account, relevant information and explanations and representations as provided by the Company, the transactions exceeding Rs. 5 lacs made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
12. The Company has not accepted any deposits under the provisions of Section 58A, 58AA or any other relevant provisions of the Act and the rules framed there under.
13. The function of internal audit, as explained, is being carried out by outside professionals, which, in our opinion, is commensurate with its size and nature of its business.
14. We are informed that the Central Government has not prescribed the maintenance of cost records by the Company under section 209(1)(d) of the Act, 1956 for the product dealt with by the Company.
15. According to the books and records as produced and examined by us in accordance with generally accepted auditing practices in India and also based on Management representations, the Company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues with the appropriate authorities and there are no arrears of outstanding statutory dues as at the last day of the financial year for a period of more than six months from the date it became payable.

16. According to the information and explanations given to us and also based on the Management's representation, there have been no disputed dues of Income tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and Cess that have not been deposited on account of any dispute as at the Balance Sheet date..
17. The Company has neither accumulated losses as at 31st March, 2009 nor it has incurred any cash losses either in the financial year under audit and in the immediately preceding financial year.
18. According to the records of the Company, it has not defaulted in repayment of dues to financial institutions or banks or to debenture holders.
19. The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
20. In our opinion, considering the nature of activities carried on by the Company during the year, the provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to it.
21. The Company has not dealt or traded in shares, securities, debentures, or other investments during the year.
22. The Company has not given any guarantee for loans taken by the others from bank or financial institutions, the terms and conditions whereof are prejudicial to the interest of the Company.
23. We are informed that the Company has not taken any term loans during the year
24. On the basis of review of utilization of funds which is based on overall examination of the balance sheet of the Company and related information as made available to us and as represented to us by the Management, no funds raised on short term basis have been utilized for long term purpose.
25. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act.
26. As informed to us, the Company has not issued any debentures during the year.
27. The Company has not raised any money by public issue during the year.
28. As per the information and explanations given to us and on the basis of examination of records, no fraud on or by the Company has been noticed or reported during the year.

	For and on behalf of	For and on behalf of
	D.A. KOTHARI & CO. Chartered Accountants	HARIBHAKTI & CO. Chartered Accountants
PLACE : MUMBAI	D.A. KOTHARI Proprietor	CHETAN DESAI Partner
DATE : 26th May, 2009	Membership No. 6301	Membership No. 17000