

POLYCHEM LIMITED

NOTICE

Notice is hereby given that the Fifty Third Annual General Meeting of the Members of POLYCHEM LIMITED will be held at M.C.Ghia Hall, Bhogilal Hargovindas Building, 2nd Floor, 18/20 Kaikhushru Dubash Marg, Mumbai 400 001 on Thursday, 23rd September, 2010 at 3:30 p.m., to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2010 and Profit and Loss Account for the year ended on 31st March, 2010 and the Report of the Directors' and 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, Messrs. G.M. Kapadia & Company, Chartered Accountants, Mumbai, 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:

4. To consider, and, if thought fit, to pass, with or without modification/s, the following resolution as a Special Resolution:
"RESOLVED THAT in supersession of the resolution passed by the members of the Company at the Annual General Meeting held on 21st September, 2006 and pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, approval of the members of the Company be and is hereby accorded to the appointment of Mr.T.R.Kilachand, Managing Director of the Company, for a period of five years with effect from 1st July, 2010, upon the terms and conditions including remuneration as set out in the agreement placed before this meeting which agreement is hereby specifically approved and sanctioned with authority to the Board of Directors to alter and vary the terms and conditions of the said appointment and/or agreement (including authority, from time to time, to determine the amount of salary as also the type and amount of perquisites and other benefits payable to Mr. T.R.Kilachand), in such manner as may be agreed to between the Board of Directors and Mr. T.R.Kilachand provided however that the remuneration payable to Mr. T.R.Kilachand shall not exceed the limits specified in the said agreement as also the limits prescribed under Schedule XIII of the Companies Act, 1956, including any amendment, modification, variation or re-enactment thereof".
"RESOLVED FURTHER THAT in the event of any loss, absence or inadequacy of profits in any financial year, during the term of office of Mr.T.R.Kilachand the remuneration payable to him by way of salary, allowances, and perquisites shall not, without the approval of the Central Government exceed the limits prescribed under the Companies Act, 1956, or any amendment, modification, variation or re-enactment thereof".
"RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds and things and execute all such documents, instruments and writings as may be required to give effect to the aforesaid resolution".
5. To consider, and, if thought fit, to pass, with or without modification/s, the following resolution as an Ordinary Resolution:
"RESOLVED THAT in supersession of the resolution passed by the members of the Company at the Annual General Meeting held on 28th September, 2007 and pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, approval of the members of the Company be and is hereby accorded to the appointment of Mr. P.T. Kilachand, Whole-time Director of the Company, for a period of five years with effect from 1st July, 2010, upon the terms and conditions including remuneration as set out in the agreement placed before this meeting which agreement is hereby specifically approved and sanctioned with authority to the Board of Directors to alter and vary the terms and conditions of the said appointment and/or agreement (including authority, from time to time, to determine the amount of salary as also the type and amount of perquisites and other benefits payable to Mr. P.T. Kilachand), in such manner as may be agreed to between the Board of Directors and Mr. P.T. Kilachand provided however that the remuneration payable to Mr. P.T. Kilachand shall not exceed the limits specified in the said agreement as also the limits prescribed under Schedule XIII of the Companies Act, 1956, including any amendment, modification, variation or re-enactment thereof".
"RESOLVED FURTHER THAT in the event of any loss, absence or inadequacy of profits in any financial year, during the term of office of Mr.P.T. Kilachand the remuneration payable to him by way of salary, allowances and perquisites shall not, without the approval of the Central Government exceed the limits prescribed under the Companies Act, 1956, or any amendment, modification, variation or re-enactment thereof".
"RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds and things and execute all such documents, instruments and writings as may be required to give effect to the aforesaid resolution".
6. To consider, and if thought fit, to pass, with or without modification/s, the following resolution as an Ordinary Resolution :
"RESOLVED that Mr. Devang Vyas who was appointed as an Additional Director on 4th August, 2010 under Section 260 of the Companies Act, 1956 and who under Article 133 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."
7. To consider, and if thought fit, to pass, with or without modification/s, the following resolution as an Ordinary Resolution:
"RESOLVED that Mr. Chetan Desai who was appointed as an Additional Director on 4th August, 2010 under Section 260 of the Companies Act, 1956 and who under Article 133 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 : 12th August, 2010.

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 OF THE COMPANY.
- (b) An explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of items 4, 5, 6 & 7 set out above is annexed herewith.
- (c) The Register of Members and the Share Transfer Books of the Company had remained closed from 1st June, 2010 to 8th June, 2010 (both days inclusive).
- (d) All unclaimed Dividends pertaining to the earlier years have been transferred to the General Revenue Account of the Central Government in terms of Section 205-A of the Companies Act, 1956.

The Company's securities are listed on the following Stock Exchange:

Sr. No.	Name & Address of the Stock Exchange	Nature of Security as on 31-03-2010
1.	Bombay Stock Exchange Ltd. Jeejeebhoy Towers Dalal Street Mumbai 400 023.	4,04,045 Equity Shares of Rs.10/- each

The Company has paid Annual Listing fees to the above Stock Exchange.

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 items 4, 5, 6 & 7 mentioned in the accompanying Notice dated 12th August, 2010.

1) Item No.4

Mr. T.R. Kilachand is the Managing Director of the Company with effect from 19th August, 1986. In accordance with the conditions specified in Schedule XIII of the Act, the Board at its meeting held on 12th August, 2010 re-appointed Mr. T.R.Kilachand as Managing Director for a period of 5 years from 1st July, 2010 superseding the earlier resolution passed by the Company in this connection. This appointment is subject to the approval of the members at the Annual General Meeting and of Central Government (if required).

The main terms of appointment of Mr. T.R.Kilachand as the Managing Director as set out in the agreement placed before the meeting, are as follows:

- I. **SALARY:**
Rs.20,000/- per month which may be increased by such amounts as the Board may determine from time to time subject to maximum of Rs.75,000/- per month.
- II. **COMMISSION:**
Commission of one percent of the net profit of the Company, subject to a ceiling of 50% of the salary or Rs.3,00,000/- per annum, whichever is less.
- III. **PERQUISITES:**
 1. **HOUSING:**
 - (a) In case of unfurnished accommodation, hired by the Company, such expenditure not exceeding 60% of the salary over and above 10% payable by the Managing Director.
 - (b) In case the accommodation is owned by the Company, 10% of the salary of the Managing Director shall be deducted by the Company.
 - (c) In case no accommodation is provided by the Company, the Managing Director shall be entitled to House Rent Allowance subject to the ceiling laid down in (a) above.
 2. The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income-tax Rules, 1962, subject to the ceiling of ten percent of the salary of the Managing Director.

3. Reimbursement of medical expenses incurred for the Managing Director and his family, viz. his wife, dependent children and dependent parents, subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.
4. Leave Travel Concession for the Managing Director and his family, viz. his wife, dependent children and dependent parents once in a year incurred in accordance with the Rules specified by the Company.
5. Fees of two clubs, which will not include admission and Life Membership Fees.
6. Personal Accident Insurance of premium not exceeding Rs.4,000/- per annum.
7. The Company's contribution to Provident Fund, Superannuation Fund and/or Annuity Fund.
8. Gratuity as per the rules of the Company.
9. Free use of Company's car with driver for the business of the Company and telephone at his residence will not be considered as prerequisites.
10. Mr. T.R.Kilachand will also be entitled to privilege leave on full pay and allowances, as per rules of the company, but not more than one month's leave for every eleven months.

The above remuneration in terms of Salary, Commission, perquisites payable to him is subject to the limits of 5% and 10% of the Net Profits of the Company as the case may be as laid down in Section 309 of the Companies Act, 1956 and the overall limit of 11% on the Net Profits of the Company as laid down in Section 198 of the said Act.

The valuation of perquisites will be as per the Income Tax Rules, 1962, in cases where the same is otherwise not possible to be valued.

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

This may be treated as an abstract of the terms and conditions, governing the appointment and remuneration of the Managing Director, pursuant to Section 302 of the Companies Act, 1956.

Mr. T.R.Kilachand and Mr. P.T.Kilachand are interested in the above resolution No.4

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

2) Item No.5

Mr. Parthiv Kilachand was appointed as an Additional Director with effect from 3rd December, 1996 and as a Whole-time Director from 1st April 1997. In accordance with the conditions specified in Schedule XIII of the Act, the Board at its meeting held on 12th August, 2010 re-appointed Mr. P.T.Kilachand as Whole-time Director for a further period of 5 years from 1st July, 2010 superseding the earlier resolution passed by the Company in this connection. This appointment is subject to the approval of the members at the Annual General Meeting and of Central Government (if required).

The main terms of appointment of Mr. P.T.Kilachand as Whole-time Director as set out in the agreement placed before the meeting, are as follows:

- I. SALARY:
Rs.20,000/- per month which may be increased by such amounts as the Board may determine from time to time subject to a maximum of Rs.75,000/- per month.
- II. COMMISSION:
Commission of one percent of the net profit of the Company, subject to a ceiling of 50% of the salary or Rs.3,00,000/- per annum, whichever is less.
- III. PERQUISITES:
 1. HOUSING:
 - (a) In case of unfurnished accommodation, hired by the Company, such expenditure not exceeding 60% of the salary over and above 10% payable by the Whole-time Director.
 - (b) In case the accommodation is owned by the Company, 10% of the salary of the Whole-time Director shall be deducted by the Company.
 - (c) In case no accommodation is provided by the Company, the Whole-time Director shall be entitled to House Rent Allowance subject to the ceiling laid down in (a) above.
 2. The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income-tax Rules, 1962, subject to the ceiling of ten percent of the salary of the Whole-time Director.
 3. Reimbursement of medical expenses incurred for the Whole-time Director and his family, viz. his wife, dependent children and dependent parents, subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.
 4. Leave Travel Concession for the Whole-time Director and his family, viz. his wife, dependent children and dependent parents once in a year incurred in accordance with the Rules specified by the Company.
 5. Fees of two clubs, which will not include admission and Life Membership Fees.
 6. Personal Accident Insurance of premium not exceeding Rs.4,000/- per annum.
 7. The Company's contribution to Provident Fund, Superannuation Fund and/or Annuity Fund.
 8. Gratuity as per the rules of the Company.
 9. Free use of Company's car with driver for the business of the Company and telephone at his residence will not be considered as prerequisites.
 10. Mr. P.T.Kilachand will also be entitled to privilege leave on full pay and allowances, as per rules of the company, but not more than one month's leave for every eleven months.



The above remuneration in terms of Salary, Commission, perquisites payable to him is subject to the limits of 5% and 10% of the Net Profits of the Company as the case may be as laid down in Section 309 of the Companies Act, 1956 and the overall limit of 11% on the Net Profits of the Company as laid down in Section 198 of the said Act.

The valuation of perquisites will be as per the Income Tax Rules, 1962, in cases where the same is otherwise not possible to be valued. The Board of Directors recommends the resolution for approval of the members.

This may be treated as an abstract of the terms and conditions, governing the appointment and remuneration of the Whole-time Director, pursuant to Section 302(7) of the Companies Act, 1956.

Mr. P.T. Kilachand and Mr. T. R. Kilachand are interested in the above resolution No.5

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

3) Item No.6

Mr. Devang Vyas was appointed as an Additional Director of the Company on 4th August, 2010. In terms of Article 133 of the Articles of Association of the Company, Mr.Devang Vyas 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.Devang Vyas as a Director of this Company at this meeting. Mr.Devang Vyas 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.

None of the Directors of the Company are interested in the said resolution except Mr.Devang Vyas.

4) Item No.7

Mr. Chetan Desai was appointed as an Additional Director of the Company on 4th August, 2010. In terms of Article 133 of the Articles of Association of the Company, Mr. Chetan Desai 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.Chetan Desai as a Director of this Company at this meeting. Mr.Chetan Desai 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.

None of the Directors of the Company are interested in the said resolution except Mr.Chetan Desai.

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	Mr. Devang Vyas	Mr. Chetan Desai
Age	43 years	52 years	57 Years
Qualification	Sc.B "Electrical Engineering" & A.B. "Engineering & Economics" from Brown University.	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
Expertise	Project Officer in Polychem Limited from 1 st November, 1988, then as Project Executive from 1 st October, 1990 and as Executive Assistant to the Managing Director from 2 nd July, 1993. He has been actively involved and looking after all aspects of various activities of the Company. He was appointed as an additional Director from December 1996 to 31 st March, 1997. From 1 st April, 1997 he was appointed as a Whole-time Director.	Practicing Company Secretary, having experience of over 25 years in Company Law, Merchant Banking and Corporate Laws.	Over 32 years of Top Management working experience in Project Management, Tech Transfer, Sales, Marketing, Branding and Retail. Held positions such as GM in Eureka Forbes, Vice President in Gujarat Poly-AVX Electronics Ltd, Managing Director in ABK Electronics – Singapore, Director – Retail in Raymond and Sr. VP in Reliance Industries Ltd.
Other Directorship as on 31 st March, 2010 (Excluding Private Companies)	Gujarat Poly-AVX Electronics Ltd., Ginnars & Pressers Ltd., Sun Tan Trading Co.Ltd.	Not Applicable	Not Applicable
No Of Equity Shares held	2234	—	—

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: 12th August, 2010.

POLYCHEM LIMITED

DIRECTORS' REPORT

To

The Members of
POLYCHEM LIMITED

Yours Directors' present the Fifty Third Annual Report and Statement of Accounts for the year ended 31st March, 2010.

	01.04.09 to 31.03.10 Rs. in lacs	01.04.08 to 31.03.09 Rs. in lacs
FINANCIAL RESULTS		
Sales	414.00	415.42
Profit/(Loss) before Depreciation & Tax	121.58	(7.41)
Depreciation	8.81	10.28
Profit/(Loss) before tax	112.77	(17.69)
Current tax	—	1.85
Deferred tax	11.56	—
Profit/(Loss) after tax	124.33	(19.54)
Excess provision of tax in respect of earlier years	(13.33)	300.98
	111.00	281.44
Balance brought forward	(2256.38)	(2532.04)
Prior period items	(0.94)	(5.78)
	(2146.32)	(2256.38)
General Reserve deducted per contra	2069.93	2069.93
Amount available for Appropriation	(76.39)	(186.45)

During the year ended 31st March 2010 your Company has made profit of Rs. 124.33 lacs against loss of Rs. (19.54) lacs after tax. The Company cannot recommend dividend due to accumulated losses of the Company.

1. Sales of specialty chemicals during the year ended was Rs. 414.00 lacs compared to Rs.415.42 lacs during the previous year.

2. **SALE OF POLYVINYL ALCOHOL (PVA) LAND, BUILDING AND PLANT & MACHINERY**

During the year Company has sold land and building of PVA Unit at village Nimbut, Taluka Baramati. After the end of the year, Company has also sold the plant and machinery of PVA Unit.

3. **GUJARAT POLY-AVX ELECTRONICS LIMITED (GPAEL)**

The sale of GPAEL during the year ended 31st March, 2010 was Rs. 757.49 lacs as against sale of Rs.681.64 lacs during the previous year. GPAEL has made profit of Rs. 2841.47 lacs after write back of exceptional items viz., remission of past interest on term loans during the year ended 31st March, 2010 as compared to loss of Rs.40.62 lacs in the previous year.

4. **AUDIT COMMITTEE:**

Chairman of the Audit Committee, Mr. H.C. Shah has expired during the year. Mr. Chetan Desai and Mr. Devang Vyas have been appointed as members of the Audit Committee with effect from 4th August, 2010.

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

5. **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, 2010 and of the profit of the Company for the year ended 31st March, 2010.
- 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.

6. **TAXATION:**

The Company's Income Tax assessments have been completed up to the year ended 31st March, 2007.

7. **DEPOSITS:**

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

8. **INDUSTRIAL RELATIONS:**

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



9. **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.

10. **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.

11. **DIRECTORS:**

- a) Mr. P.T.Kilachand retires from Office by rotation, but being eligible, offers himself for re-appointment;
- b) Mr. Hiralal C.Shah died on 21st September, 2009 at the age of 80 years at Mumbai. The Board of Directors, express their profound sorrow at the said demise of Mr. H.C.Shah.

Mr. H. C. Shah joined as a Director of the Company from 3rd September, 1975. He has rendered invaluable services as a member of the Board and to the Company. He was the Chairman of the Shareholders'/Investors' Grievance Committee and Audit Committee of the Company. In him the Company has lost an eminent and able Director. The Board places on record its deepest sense of sorrow and conveys to the members of the Shah family, their sincere and heartfelt condolence in their bereavement.

- c) The Board has appointed Mr.T.R.Kilachand as Managing Director and Mr.P.T.Kilachand as Whole-time Director of the Company with effect from 1st July, 2010 for a period of 5 years, in terms of the provisions of the Companies Act, 1956. Your approval is sought for their appointment and for the remuneration payable to them 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.
- d) Mr. Devang Vyas and Mr.Chetan Desai have been appointed as Additional Directors of the Company with effect from 4th August, 2010.

12. **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.

13. **AUDITORS' REMARKS**

As regards the remarks in the Auditors' Report, please refer to the Notes on Accounts which are self explanatory.

14. **AUDITORS**

You are requested to appoint Auditors for the current year. The retiring Auditors, M/s. G.M.Kapadia & Co., Chartered Accountants, Mumbai are eligible for re-appointment.

The Directors extend their sincere thanks to the State and Central Government Authorities and Members for their co-operation and continued support during the difficult times being experienced by the Company.

Sincere thanks are also due to the management team and the staff for their valuable contribution despite adverse circumstances being faced by the Company.

By Order of the Board of Directors

TANIL KILACHAND
Chairman & Managing Director

Registered Office :

7, Jamshedji Tata Road
Churchgate Reclamation
Mumbai 400 020.

Dated : 12th August, 2010.

POLYCHEM LIMITED

ANNEXURE I

A. CONSERVATION OF ENERGY

_____ NIL _____

FORM 'A'

POWER AND FUEL CONSUMPTION	2009-10	2008-09
(1) Electricity		
Purchased units (Kwh)	12,525	14,676
Total Amount (Rs.)	61,130	93,050
Rate, Kwh	4.88	6.34

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.

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.

3. Future plan of Action

Though we are supplying small quantities of Styrene Maleic Anhydride & Poly Vinyl Butyral to various customers, Company needs to work on this product further to improve its performance for various diversified applications of this product.

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 —
1,61,47,811/-



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Overview:

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

Opportunities

Your Company's customers for specialty polymers are in investment casting Industry. The major end user segment for investment cast products is automotive sector. Though the recessionary trend in the auto sector has gone down considerably both in the Domestic as well as International sectors, some impact of the same still persists in USA. The domestic sector has shown a good increase in demand since April, 2010. As per a recent report on the demand in auto sector the sale of auto mobiles is projected to increase to 3.00 million by 2015 from the current figure of 1.00 million. This augurs well for our product "Cross Linked Polystyrene".

The second specialty product is used as filler in cement for structural repair of columns and beams in the old building. 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 have remained almost steady in 2009-10 mainly due to lack of demand on global recession. But there is a likelihood that the price will go up once the demand picks up.

Risk and Concerns:

Due to price fluctuation in the main raw material i.e. Styrene Monomer and no corresponding increase in the price of finished products the margin on our finished products is the major area of concern.

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

Outlook:

Company has settled the liability and is taking steps for settling the 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, 2010.

b) Reserves and Surplus:

As on 31st March, 2010 the reserves and surplus are Rs.1,509.99 lacs. However, there is accumulated loss of Rs.76.39 lacs.

c) Secured Loans:

There are no secured loans outstanding as on 31st March, 2010.

d) Results of Operation:

Revenue for the current year including other income amounts to Rs.646.25 lacs compared to Rs. 470.78 lacs. Profit before tax is Rs.112.77 lacs compared to loss before tax of Rs.(17.69) lacs during the previous year. Provisions for tax during the year is nil compared to Rs.1.85 lacs during the previous year. Profit after tax amounts to Rs.124.33 lacs during the year compared to loss of Rs.(19.54) 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, 2010 is as follows. viz. (1) Property / Land Rs. Nil (000) (2) Specialty Chemicals Rs.4,323 (000). The sale of Specialty Chemicals is showing good growth.

Internal Control System

Company has adequate internal control procedures commensurate with the size of the Company and nature of its business for the purchase of raw materials and fixed assets and for the sale of goods.

Human Resources

The Company has good relations with its employees.

CORPORATE GOVERNANCE REPORT (2009-2010)

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 three members and is responsible for management of the Company's business. The Board's role, functions, responsibility and accountability are clearly defined.

Composition of the Board of Directors as on March 31, 2010, is as follows:

Director	Executive/Non-Executive/Independent/Promoter
Mr.T. R.Kilachand	Chairman-cum-Managing Director/Promoter
Mr. P.T.Kilachand	Whole-time Director/Promoter
Mr. V.V.Sahasrabudhe	Non-Executive Director/Independent

Attendance of each Director at the Board Meeting, last AGM, sitting fees paid and Number of other Directorship and Chairmanship/Membership of Committee of each Director in various companies:

F.Y. 2009-10 (April 2009 to March 2010)

Attendance Particulars				No. of other Directorships and Committee Membership/ Chairmanship	
Name of the Director	Board Meetings	Last AGM	Sitting Fees Rs.	Other Directorship in Public Limited Companies	Committee Membership/ Chairmanship
Mr.T.R.Kilachand	5	Yes	—	2	2(Chairman)
Mr.H.C.Shah	1	No	1,000	—	—
Mr.P.T.Kilachand	5	Yes	—	3	1
Mr.V.V.Sahasrabudhe	5	Yes	5,000	—	—

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

Remuneration to Directors

The Managing Director and the Whole-time Director have not drawn any remuneration.

Number of Board Meetings held and dates on which held:

During the financial year 2009-10, five Board meetings were held on the following dates:

- 24th April, 2009
- 31st July, 2009
- 30th September, 2009
- 20th October, 2009
- 27th January, 2010

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

One member of the Audit Committee is independent. All members of the Audit Committee have knowledge of finance, accounts, company law. The quorum for audit committee meeting is minimum of two members.

Terms of reference of the Audit Committee are as per the guidelines set out in the listing agreement with the Stock Exchange that interalia, include overseeing financial reporting process, reviewing with the management the financial statements and adequacy of internal control systems.

The audit committee shall have the following powers-

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



During the year 2009-10, four meetings of the Audit Committee were held on the following dates:

- a) 24th April, 2009
- b) 31st July, 2009
- c) 20th October, 2009
- d) 27th January, 2010

Name of the Director	No. of meetings attended
Mr.H.C.Shah	1
Mr. T.R.Kilachand	4
Mr.V.V.Sahasrabudhe	4

The Company Secretary acts as the Secretary to the Committee.

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

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

5. Shareholders'/Investors' Grievance Committee

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

There are no transfers pending as at the date of certification of compliance of conditions of corporate governance.

The following Directors are the members of the Shareholders'/Investors' Grievance Committee:

Sr. No.	Name of the Director	No. of Meeting(s)	
		Held	Attended
1.	Mr. H.C.Shah (expired on 21-9-2009) Period – 1.04.2009 to 15.09.2009	19	5
2.	Mr. V. V.Sahasrabudhe - Chairman Period – 30.09.2009 to 31.03.2010	19	11
3.	Mr. T.R.Kilachand – Director	19	18
4.	Mr. P.T.Kilachand - Director	19	19

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

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

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

Eleven complaints were received during the year and were solved. There are no complaints pending from the shareholders as on 31.3.2010.

6. CEO/CFO CERTIFICATION

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

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

7. Code of Conduct

The Company has framed and adopted a Code of Conduct, which is applicable to all the directors and members of the senior management in terms of Clause 49 (V) of the Listing Agreement. The said code, which came into effect from January 1, 2006, lays the general principles designed to guide all directors and members of the senior management in making ethical decisions.

All Directors and members of the senior management have confirmed their adherence to the provisions of the said code.

POLYCHEM LIMITED

Declaration

As provided under Clause 49 of the Listing Agreement with the Stock Exchange, we confirm that the Board Members and Senior Management of the Company have confirmed compliance with the Code for the year ended 31.03.2010.

For Polychem Limited

A.H.Mehta

VP – Corporate Affairs & Company Secretary

8. Means of Communications

The quarterly results are communicated to Bombay Stock Exchange Ltd., Mumbai.

9. Disclosure

Mr.A.H.Mehta, Vice President-Corporate Affairs & Company Secretary, constitutes 'Management'.

The Board noted that certificate has been received from the management that there have not been any material financial or commercial transactions during the year where management has personal interest that may have a potential conflict with the interest of company at large.

The details of transactions of the company with the related parties have been disclosed as Note No.10 Schedule 16 of the Notes on Accounts. Management Discussions and Analysis Report has been annexed to the Annual Report.

10. General Shareholder Information:

AGM Date: Time Venue	23rd September, 2010 3.30 p.m. M.C.Ghia Hall, Bhogilal Hargovindas Building, 2 nd Floor, 18/20 Kaikhushru Dubash Marg, Mumbai 400 001.
Financial Year	April 2009 to March 2010
Dates of Book Closure	01.06.2010 to 08.06.2010
Dividend Payment Date	Not applicable
Listing on Stock Exchange	Bombay Stock Exchange Ltd. Mumbai
Demat ISIN Numbers in NSDL & CDSL for Equity Shares	INE752B01024
Stock Code	Mumbai 506605
Market price Data: High, Low during each Month in the financial year 2009-10	See Table No.1 below
Registrar and Share Transfer Agents	M/s. 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.
Share Transfer System	Share Transfers are registered and returned within a period of 30 days from the date of receipt, if the documents are clear in all respects.
Distribution of shareholding & Category-wise distribution	See table No.2 & 3
De-materialisation of shares and liquidity	See table No.4
Plant Location	SPECIALTY CHEMICALS , D/26, MIDC, Phase II, Dombivali (E) - 421 201.
Address for correspondence	Registered Office: 7, J.Tata Road, Churchgate Reclamation, Mumbai 400 020.

11. General Body Meetings:

The particulars of Annual General Meetings / Extra-ordinary General Meetings of the Company held during the last 3 years are as under. The shareholders passed all the resolutions set out in the respective notices.

F.Y.	AGM	LOCATION	DATE	TIME
2006-07	AGM	Walchand Hirachand Hall, Indian Merchants' Bldg, 76, Veer Nariman Road, Churchgate, Mumbai - 400 021.	28-09-2007	1.00 p.m.
2007-08	AGM	M.C.Ghia Hall, Bhogilal Hargovindas Bldg., 2nd Floor, 18/20 Kaikhushru Dubash Marg, Mumbai - 400 001	19-09-2008	11.00 a.m
2008-09	AGM	M.C.Ghia Hall, Bhogilal Hargovindas Bldg., 2nd Floor, 18/20 Kaikhushru Dubash Marg, Mumbai - 400 001	30-09-2009	02.30 p.m.



The following Special Resolution was passed by the Members at Annual General Meeting held on 30.09.2009.

- To approve keeping the register and index of the Members, other related books and papers etc. at the new office premises of the Registrars and Share Transfer Agents of the Company.

Table 1 - Market Price Data

High and Low of market price of the Company's shares traded on Bombay Stock Exchange Ltd., Mumbai, during the financial year 2009-2010.

Month		High (Rs.)	Low (Rs.)	Total No. of Shares traded
April	- 2009	115.00	103.00	3,338
May	- 2009	119.05	98.00	781
June	- 2009	144.05	107.00	1,940
July	- 2009	140.00	105.75	864
August	- 2009	145.00	107.15	4,716
September	- 2009	155.00	124.00	1,459
October	- 2009	215.25	130.00	5,782
November	- 2009	195.00	160.95	9,533
December	- 2009	199.00	175.00	4,211
January	- 2010	208.05	172.00	9,178
February	- 2010	290.80	196.85	8,151
March	- 2010	300.00	239.00	2,340

Table 2 - Distribution of shareholding as on 31-3-2010

No. of Equity Shares held	No. of Shares held	% of total Shares	No. of Shareholders	% of total Shareholders
1 to 100	84,069	20.81	11,431	98.19
101 to 500	34,725	8.59	162	1.39
501 to 1000	6,020	1.49	9	0.08
1001 to 5000	72,057	17.83	31	0.27
5001 to 10000	40,525	10.03	5	0.04
10001 to 100000	1,66,649	41.25	4	0.03
100001 and above	-	-	-	-
Total	4,04,045	100.00	11,642	100.00

Table 3 - Categorywise distribution of shareholding as on 31-03-2010

Sr. No.	Category	No. of Shareholders	No. of shares held	% of total shares
1.	Promoters	9	1,67,884	41.55
2.	Public Financial Institutions & Banks	22	17,299	4.28
3.	Mutual Funds	-	-	-
4.	Bodies Corporate	161	40,088	9.92
5.	Resident Individuals	11,421	1,78,368	44.15
6.	FII & OCBs	-	-	-
7.	Non-Resident Individuals	29	406	0.10
8.	State Government	-	-	-
	Total	11,642	4,04,045	100.00

Table 4 - Break-up of shares in physical & electronic mode as on 31-03-2010

Mode	No. of shareholders	% of total shareholders	No. of shares	% of total shares
Physical	8,547	73.42	60,368	14.94
Electronic	3,095	26.58	3,43,677	85.06
Total	11,642	100.00	4,04,045	100.00

Table 5

Registrars and Share Transfer Agents:

M/s. Sharepro Services (I) Pvt. Ltd
13AB, Samhita Warehousing Complex,
2nd Floor, Sakinaka Telephone Exchange Lane,
Off Andheri-Kurla Road, Sakinaka,
Andheri (E), Mumbai 400 072.

Details of Directors appointed and re-appointed during the year:

The details of Director being appointed and re-appointed in the ensuing Annual General Meeting have been given in the 'Notice' calling the Fifty Third Annual General Meeting of the Company.

CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

To the members of **Polychem Limited**

We have examined the compliance of conditions of Corporate Governance by **POLYCHEM LIMITED** for the year ended on March 31, 2010 as stipulated in Revised Clause 49 of the Listing Agreement of the said Company with Stock Exchange.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we state that the Company has complied with the conditions of the Corporate Governance as stipulated in the above mentioned clause of the Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the Company as per records maintained by the Shareholders'/Investors' Grievance Committee except in cases which are constrained by disputes and legal impediments.

We further state that the compliance is neither an assurance as to the future visibility of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For G.M.Kapadia & Co.
Chartered Accountants
Firm Regn. No. 104767W

Rajen Asher
Partner
Membership No. 48243

Place : Mumbai
Date : August 12, 2010



AUDITORS' REPORT TO THE MEMBERS OF POLYCHEM LIMITED

1. We have audited the attached Balance Sheet of **POLYCHEM LIMITED** as at 31st March, 2010, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date 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.
2. 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 the management, as well as evaluating the overall financial statement preparation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to 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 appears from our examination of those books;
 - iii. The Balance Sheet, Profit & 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 & 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 Companies Act, 1956;
 - v. On the basis of written representations received from the directors, as on 31st March, 2010 and taken on record by the Board of Directors, we report that none of the directors of the Company **POLYCHEM LIMITED** are disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with notes thereon, give the information required by the Companies Act, 1956 in the manner so required and also give a true and fair view in conformity with the accounting principles generally accepted in India: -
 - a. In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2010, and
 - b. In the case of the Profit & Loss Account, of the profit of the Company for the year ended on that date.
 - c. In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **G.M.Kapadia & Co.**,
Chartered Accountants
Firm Regn. No. 104767W

Mumbai
Dated: August 4, 2010

Rajen Ashar
Partner
Membership No.48243

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date)

- (i) (a) *We have been informed that the company is in the process of updating the Fixed Asset Register.*

As informed to us the fixed assets have been physically verified by the management during the year according to a phased programme as designed by the management. This, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. *We have been further informed that the discrepancy, if any, between the book records and physical verification would be accounted once the Fixed Assets Register is updated.*

 - (b) Despite substantial transfer of fixed assets held for disposal, in our opinion it has not affected the going concern.
- (ii) (a) The inventory has been physically verified by the management during the year. In our opinion, and according to the information and explanation given to us, the frequency of verification is reasonable.
 - (b) The procedures of physical verification, in our opinion, are reasonable and adequate in relation to the size of the Company and nature of its business.
 - (c) The Company is maintaining proper records of inventory. No discrepancies were noticed on verification between the physical stocks and the book records.
- (iii) The Company has neither granted nor taken any loans, secured or unsecured to and from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the sub-clauses (a) to (g) of the clause 4 (iii) of the Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems 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. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal controls system.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the transactions for the

ANNEXURE TO THE AUDITORS' REPORT

year that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.

- (b) In our opinion and according to the information and explanation given to us, during the year, there is no transaction made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakh in respect of any party.
- (vi) In our opinion and according to the information and explanation given to us, the Company has not accepted deposits from the public and therefore, the provisions contained in sections 58A, 58AA or any other relevant provisions of the Act and Rules framed there under are not applicable to the Company. As informed to us, the Company has refunded principal amount of deposit in case of matured deposits.
- (vii) *The Company does not have an internal audit system.*
- (viii) As informed to us provisions of clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 regarding maintenance of cost records are not applicable to the Company;
- (ix) (a) Based on the records produced before us, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues such as provident fund, investor education and protection fund, employees state insurance, income-tax, sales-tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues wherever applicable and there are no amounts in arrears as at March 31, 2010 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no dues of customs duty, wealth tax, which have not been deposited on account of any dispute except disputed Income tax and sales tax as under:
- | Assessment year
Income tax dues | Amount
In Rs (000's) | Authority with whom Appeal
pending |
|--|---------------------------------|---|
| 2000-01 | 3,340 | Commissioner of Income Tax Appeals II |
| 2005-06 | 85 | Commissioner of Income Tax Appeals |
| 2007-08 | 65,384 | Commissioner of Income Tax Appeals II |
- (x) In our opinion, the accumulated losses of the Company are not more than fifty percent of its net worth as at 31st March 2010. The Company has not incurred cash losses during the financial year covered by our audit. The Company had incurred cash losses during the immediately preceding financial year.
- (xi) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xii) In our opinion, the company is not a nidhi / mutual fund / society. Therefore the provisions of clause 4(xiii) of the order are not applicable to the Company.
- (xiii) According to the information and explanations given to us the Company is not dealing or trading in shares, securities, debentures and other investments. The investments by way of bonds, mutual funds and shares are held by the Company in its own name.
- (xiv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xv) The Company has not availed term loans during the year and hence provisions of sub clause (xvi) of clause 4 of the Order is not applicable to the Company.
- (xvi) According to the information and explanations given to us and on an overall examination of balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment
- (xvii) The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956, during the year hence the question of whether the price at which shares have been issued is prejudicial to the interest of the company does not arise.
- (xviii) The Company has not issued any debentures hence the question of whether securities or charge have been created does not arise.
- (xix) The Company has not raised any money by public issues during the year covered by our report.
- (xx) According to the information and explanations given to us, no material fraud on or by the Company has been noticed or reported during the year.

For G. M. KAPADIA & CO.
Chartered Accountants
Firm Registration No.104767W

(Rajen Ashar)
Partner
(Membership No. 48243)

Mumbai

Dated: August 4, 2010



BALANCE SHEET AS AT 31ST MARCH, 2010

	<u>Schedule No</u>	<u>As at</u> <u>31st March 2010</u>	<u>Rupees in 000'</u> <u>As at</u> <u>31st March 2009</u>
SOURCES OF FUNDS			
1 Shareholders' Funds :			
(a) Share Capital	1	4,040	4,040
(b) Reserves & Surplus	2	150,999	150,999
2 Loan Funds :		155,039	155,039
Unsecured Loans	3	—	33,739
Total		155,039	188,778
APPLICATION OF FUNDS			
1 Fixed Assets :	4		
(a) Gross Block		24,272	25,581
(b) Less : Depreciation		(19,248)	(19,411)
(c) Net Block		5,024	6,170
Assets held for disposal		6,738	3,361
2 Investments	5	13,571	51,080
3 Deferred Tax Asset		1,156	—
4 Current Assets, Loans & Advances:			
(a) Inventories	6	4,900	2,235
(b) Property under development		13,994	13,994
(c) Sundry Debtors	7	9,332	6,650
(d) Cash & Bank Balances	8	39,361	62,475
(e) Loans & Advances	9	57,796	26,689
		125,383	112,043
Less :			
Current Liabilities & Provisions :			
(a) Current Liabilities	10	4,382	2,431
(b) Provisions	11	90	90
		4,472	2,521
Net Current Assets		120,911	109,522
5 Profit & Loss Account		7,639	18,645
Total		155,039	188,778
Significant accounting policies & notes on accounts	16		

As per our attached report of even date

For G.M.Kapadia & Co.,
Chartered Accountants

Rajen Ashar

Partner

Mumbai, Dated : August 4, 2010

For and on behalf of the Board

T. R. Kilachand Chairman & Managing Director
P.T.Kilachand Whole Time Director
V.V.Sahasrabudhe Director
A. H. Mehta VP - Corporate Affairs & Company Secretary

Mumbai, Dated : August 4, 2010

POLYCHEM LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

		Rupees in 000	
	Schedule No.	'Year ended 31st March 2010	Year ended 31st March 2009
INCOME			
Net Sales	12	41,400	41,542
Other Income	13	21,215	8,744
(Decrease)/Increase in WIP Stock	14	1,770	(3,208)
(Decrease)/Increase in DEPB Licences		240	—
Total		64,625	47,078
EXPENDITURE			
Manufacturing and Other Expenses	15	55,894	47,819
Depreciation		881	1,028
Total		56,775	48,847
Profit before exceptional Items & Tax		7,850	(1,769)
Exceptional items :			
Reversal on Impairment of Assets		3,427	—
Profit/(Loss) before Tax		11,277	(1,769)
Provision for Taxation :-			
Current Tax		—	—
Deferred Tax Asset		1,156	—
Fringe Benefit Tax		—	(185)
Profit/(Loss) after tax		12,433	(1,954)
(Short)/Excess Provision for Tax of earlier years		(1,333)	30,098
		11,100	28,144
Deficit brought forward from Previous year		(225,638)	(253,204)
		(214,538)	(225,060)
Prior period Items		(94)	(578)
		(214,632)	(225,638)
General Reserve as per Contra		206,993	206,993
Deficit carried to Balance Sheet		(7,639)	(18,645)
Basic and Diluted Earnings per share (Ref note no. 9 of schedule 16)		27.47	69.66

Significant Accounting Policies and Notes on Accounts 16

As per our attached report of even date

For G.M.Kapadia & Co.,
Chartered Accountants

Rajen Ashar

Partner

Mumbai, Dated : August 4, 2010

For and on behalf of the Board

T. R. Kilachand	<i>Chairman & Managing Director</i>
P.T.Kilachand	<i>Whole Time Director</i>
V.V.Sahasrabudhe	<i>Director</i>
A. H. Mehta	<i>VP - Corporate Affairs & Company Secretary</i>

Mumbai, Dated : August 4, 2010



CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

Rupees in 000's

	As at 31st March 2010	As at 31st March 2009
PROFIT / (LOSS) BEFORE TAX	11,277	(1,769)
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Adjustment for:		
Depreciation	881	1,028
Interest Income	(3,149)	(7,007)
Interest Received IT Refund	(6,761)	(22)
Interest Payment - IT	1,169	—
(Profit)/Loss on Fixed Assets discarded	(5,573)	(377)
MF Redemption Income	(4,426)	—
Irrecoverable balances written off	—	224
Amount no longer payable -written back	(716)	—
FA - Impairment	(3,427)	—
Loss on Sale of Shares	—	1,035
Prior period expenses	(94)	(578)
	(10,819)	(7,466)
Exceptional Items :		
Provision no longer required	—	—
Operating Profit/(Loss) before working capital changes	(10,819)	(7,466)
(Increase)/Decrease in sundry debtors	(2,682)	753
(Increase)/Decrease in Other Receivables	1,360	(173)
Increase/(Decrease) in sundry Creditors & other payables	1,334	(6,143)
(Increase)/Decrease in Inventories	(2,665)	4,319
Cash (used in) / generated from operations	(13,472)	(8,710)
Tax payments	(26,874)	(1,428)
Fringe Benefit Tax	—	(180)
Net cash generated from / (used in) Operating activities	(40,346)	(10,318)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(588)	(322)
Proceeds from sale of fixed assets	6,475	1,125
Proceeds from sale of investments	41,935	38,389
Proceeds for purchase of investments	—	(76,488)
Interest received	3,858	7,790
Net cash generated from Investing activities	51,680	(29,506)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of Loans	(33,739)	—
Net cash (used in) financing activities	(33,739)	—
Net (Decrease)/ Increase in cash and cash equivalents	(22,405)	(39,824)
Cash and cash equivalents at the beginning of the year	61,527	101,351
Cash and cash equivalents at the end of the year	39,122	61,527
Reconciliation of cash and cash equivalents		
As per Balance Sheet - Schedule 8	39,361	62,475
Less : Interest accrued on bank deposits	(239)	(948)
As per Cash flow statement	39,122	61,527

As per our attached report of even date

For G.M.Kapadia & Co.,
Chartered Accountants

Rajen Ashar
Partner

Mumbai, Dated : August 4, 2010

For and on behalf of the Board

T. R. Kilachand Chairman & Managing Director
P.T.Kilachand Whole Time Director
V.V.Sahasrabudhe Director
A. H. Mehta VP - Corporate Affairs & Company Secretary

Mumbai, Dated : August 4, 2010

POLYCHEM LIMITED

SCHEDULES FORMING PART OF THE ACCOUNTS

	As at 31st March 2010	Rupees in 000's As at 31st March 2009
Schedule 1		
SHARE CAPITAL		
Authorised		
40,000,000 equity shares of Rs. 10/- each	400,000	400,000
600,000 redeemable cumulative preference shares of Rs. 100/- each	60,000	60,000
500,000 cumulative convertible preference shares of Rs. 100/- each	50,000	50,000
Total	510,000	510,000
Issued, subscribed and paid-up		
4,04,045 equity shares of Rs. 10/- each	4,040	4,040
(4,04,045)	4,040	4,040
Total	4,040	4,040

Notes

1. Out of the above equity shares:
 - (a) 2500 (2500) equity shares of Rs. 10/- each have been allotted as fully paid up pursuant to a contract without payment being received in cash;
 - (b) 235,000 (235,000) equity shares of Rs. 10/- each have been allotted as fully paid-up bonus shares by capitalisation of Share Premium Account, General Reserve and Capital Redemption Reserve.

Schedule 2

RESERVES AND SURPLUS

Capital Reserve No. 1 As per last Balance Sheet	2,500	2,500
Capital Reserve No. 3 As per last Balance Sheet	1,062	1,062
Share Premium Account As per last Balance Sheet	142,437	142,437
Capital Redemption Reserve As per last Balance Sheet	5,000	5,000
General Reserve As per last Balance Sheet	206,993	206,993
Debit balance in Profit and Loss account as per contra	(206,993)	(206,993)
Total	150,999	150,999

Schedule 3

UNSECURED LOANS

Interest free sales tax deferral loan	—	33,739
Total	—	33,739

Schedule 4

FIXED ASSETS

(Rupees in '000)

Nature of Assets	Gross block			Depreciation				Net block		
	As at 01-04-2009	Additions	Deductions/ Adjustments	As at 31-3-2010	Upto 01-04-2009	For the Year	Deductions/ Adjustments	As at 31-3-2010	As at 31-3-2010	As at 31-3-2009
Free hold land	627	—	627	—	—	—	—	—	—	627
Building	5,948	147	—	6,095	3,582	136	—	3,718	2,377	2,366
Plant and Machinery	754	7	142	619	314	62	82	294	325	440
Vehicles	2,291	—	—	2,291	1,447	219	—	1,666	625	844
Furniture, fittings and office equipment	15,961	434	1,128	15,267	14,068	464	962	13,570	1,697	1,893
Total	25,581	588	1,897	24,272	19,411	881	1,044	19,248	5,024	6,170
Previous Year	27,585	322	2,326	25,581	19,962	1,028	1,579	19,411	6,170	

Note:

Building includes Rs 6095(000) (Previous Year Rs 5948(000) being cost of ownership flat. The Company holds 118 shares (Previous Year 118 Shares) of the face value of Rs 50/- each as required by the Bye-laws of the co-operative society.



	As at 31st March 2010	Rupees in 000's As at 31st March 2009
Schedule 5		
INVESTMENTS		
LONG TERM , NON TRADE INVESTMENTS: (At Cost)		
IN EQUITY SHARES / DEBENTURES OF JOINT STOCK COMPANIES, FULLY PAID UP		
<u>QUOTED</u>		
In equity shares		
600(600) Great Eastern Shipping Co Ltd of Rs 10/- each	219	219
175(175) ICICI Bank Ltd of Rs 10/- each	163	163
800(800) Infrastructure Development Finance Co Ltd of Rs 10/- each	140	140
100(100) Housing Development Finance Corp Ltd of Rs 100/- each	206	206
300(300) Mundra Port Special Economics Zone Ltd of Rs 10/- each	149	149
(Nil)1,700 Reliance Petroleum Ltd of Rs 10/- each	—	296
600(600) Hindustan Uniliver Ltd of Rs 1/- each	126	126
600(600) ITC Ltd of Rs 1/- each	111	111
260(260) Larsen & Toubro Ltd of Rs 2/- each	452	452
292(40) Reliance Industries Ltd of Rs 10/- each	393	97
105(105) State Bank of India of Rs 10/- each	147	147
28,66,154 Gujarat Poly-AVX Electronics Ltd (GPAEL) of Rs 10/- each	41,944	41,944
(28,66,154)		
62(62) Mafatlal Dyes & Chemicals Ltd of Rs 10/- each	—	—
6(6) DCM Shriram Industries Ltd of Rs 10/- each	—	—
9(9) Crecent Finstock Ltd of Rs 10/- each	—	—
1(1) DCM Ltd of Rs 10/- each	—	—
	44,050	44,050
Less : Provision	(30,479)	(30,479)
	13,571	13,571
 MUTUAL FUND		
<u>UNQUOTED</u>		
(Nil)12,50,000 SBI Mutual Fund - L1751G SDFS-13M Series 8 (Institutional) Growth (Units of Rs 10/- each)	—	12,500
(Nil)12,50,000 Kotak Mahindra Fund - FMP 12M Series 8 (Institutional) Growth (Units of Rs 10/- each)	—	12,500
(Nil)12,50,907 Kotak Mahindra Fund - FMP 12M Series 8 (Institutional) Growth (Units of Rs 10/- each)	—	12,509
	—	37,509
Total	13,571	51,080
	Cost (Rs)	Market (Rs)
Aggregate of Quoted Investments	44,050	14,534
Previous Year	44,050	9,814
Mutual Funds	—	—
Previous Year	37,509	—
Total	44,050	14,534
 Schedule 6		
INVENTORIES		
Stores, Spares and Packing material	192	193
Raw Material	1,543	887
Work in process	2,925	1,155
DEPB Licenses	240	—
Total	4,900	2,235

POLYCHEM LIMITED

	As at 31st March 2010	Rupees in 000's As at 31st March 2009
Schedule 7		
SUNDRY DEBTORS		
(Unsecured and considered good)		
Debts outstanding for a period less than six months	9,332	6,437
Debts outstanding for a period More than six months	-	213
Total	9,332	6,650
Schedule 8		
CASH AND BANK BALANCES		
Cash on hand	41	74
Balances with scheduled banks		
- in Current Accounts	1,467	376
- in Deposit Accounts	37,853	62,025
(including interest accrued Rs239(000) Previous Year Rs 948(000))		
Total	39,320	62,401
Total	39,361	62,475
Schedule 9		
LOANS AND ADVANCES		
(Unsecured)		
Advances recoverable in cash or in kind or for value to be received	5,282	5,308
Advance Tax / IT Refundable (Net of Provisions)	52,514	21,381
Total	57,796	26,689
Notes:		
1 Considered good	57,796	26,689
2 Loans / Advances to others :		
- Loan to employees	1,861	1,020
Schedule 10		
CURRENT LIABILITIES		
Sundry Creditors :		
- Total outstanding dues to Micro and Small Enterprises	-	-
- Other Creditors	1,587	824
	1,587	824
Other Liabilities	2,795	1,607
Total	4,382	2,431
Schedule 11		
PROVISION		
For Income Tax (Net of Advances)	90	90
Total	90	90



	Year ended 31st March 2010	Rupees in 000's Year ended 31st March 2009
Schedule 12		
GROSS SALES		
Sales - Specialty Chemicals	44,872	46,757
Less: Excise duty	(3,472)	(5,215)
NET SALES	41,400	41,542
Schedule 13		
OTHER INCOME		
Interest on deposits, margin money, etc. (Tax deducted at source Rs 317(000) ,Previous year Rs1400(000))	3,149	7,007
Interest received on IT Refund	6,761	22
Rent Income	65	81
Profit on Sale of Fixed Assets	5,573	377
Amounts no longer payable written back	716	(224)
Sale of DEPB Licence	356	373
Dividend Income	24	34
Profit on Redemption of Mutual Funds	4,426	—
Miscellaneous Income	145	1,074
Total	21,215	8,744
Schedule 14		
(DECREASE)/INCREASE IN STOCK OF WORK IN PROCESS		
Work in Process - 31st March 2010	2,925	1,155
Work in Process - 1st April 2009	(1,155)	(4,363)
(Decrease)/Increase	1,770	(3,208)
(DECREASE)/INCREASE IN STOCK OF DEP B LICENCES		
As at 31st March 2010	240	—
As at 1st April 2009	—	—
(Decrease)/Increase	240	—
Total	2,010	(3,208)
Schedule 15		
MANUFACTURING AND OTHER EXPENSES		
Raw Materials consumed	26,886	23,116
Purchase of Semi-Finished Goods	—	307
Conversion and processing charges	6,243	5,914
<u>Payments to and provisions for employees</u>		
Salaries,wages and bonus	4,696	3,934
Contribution to provident and other funds	442	382
Gratuity and superannuation benefits	522	430
Other Benefits	341	98
Staff welfare expenses	751	681
	6,752	5,525
Operating and other expenses :		
Stores,spares and packing materials consumed	641	618
Electric power, oil,fuel and water charges	729	774
Rent	1,967	1,703
Rates and taxes	138	231
Selling and distribution expenses	1,385	1,560
Insurance	58	16
<u>Repairs and Maintenance</u>		
- Machinery	3	22
- Building	266	39
- Others	275	310
	544	371
Telephone expenses	610	561
Exchange Fluctuation Difference	284	(120)
Legal and professional fees	5,533	3,413
Directors sitting fees	9	20
Loss on sale of Shares	—	1,035
Interest on Income tax demand	1,169	—
Miscellaneous expenses	2,946	2,775
	16,013	12,957
Total	55,894	47,819

Schedules forming part of the Accounts

Schedule 16

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A .SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Company follows the mercantile system of accounting and recognises income and expenditure on accrual basis. The accounts are prepared under historical cost convention and are in conformity with the requirements of accounting standards prescribed by Companies (Accounting standard) Rules, 2006 and the provision of the Companies Act, 1956.

USE OF ESTIMATE

The preparation of financial statement in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of the assets and liabilities on the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Difference between actual results and estimates are recognized in the period in which the results get materialized.

FIXED ASSETS

Fixed assets are stated at cost of acquisition or construction less accumulated depreciation.

ASSETS HELD FOR DISPOSAL

Fixed Assets retired from active use and held for disposal are stated at the lower of book value and net realisable value and are disclosed separately in the financial statements.

DEPRECIATION

Depreciation on fixed assets is provided on written down value method in accordance with the Companies Act, 1956.

INVESTMENTS

Current investments are carried at lower of cost and fair value, Long term investments are carried at cost.

Provision is made to recognise decline, other than temporary in the carrying amount of long-term investments.

INVENTORIES

Stores, spares and packing materials, raw materials, work-in-process and finished goods are valued at cost or net realisable value, whichever is lower. Cost of stores, spares and packing materials and raw materials is determined on FIFO basis. Cost of work-in-process and finished goods is determined on the basis of absorption costing method.

PROPERTY UNDER DEVELOPMENT

Property under development represents free hold land converted into stock-in-trade on the basis of valuation made by approved valuers and development expenses incurred thereon.

EMPLOYEE BENEFITS

- a) Short term employee benefits (benefits which are payable within twelve months after the end of the period in which employees render services) are measured at cost.

- (b) Long term employee benefits (benefits which are payable after the end of twelve months in which the employees render services) and post employment benefits (benefits which are payable on completion of employment) are measured on a discounted basis by the Projected Unit Credit Method on the basis of actuarial valuation annually.

- (c) Contributions to Provident Fund, a defined contribution plan are made in accordance with the statute, and the recognised as an expense when employees have rendered service entitling them to the contributions.

- (d) The cost of providing gratuity, a defined benefit contribution plan, is determined using Projected Unit Credit Method on the basis of actuarial valuation carried out by actuaries at the balance sheet date. The gratuity obligation recognized in balance sheet represents the present value of the obligation as reduced by the fair value of plan assets. Actuarial gains and losses are recognised in the Profit & Loss Account

ACCOUNTING OF CENVAT CREDIT

CENVAT credit on raw material and capital goods is accounted for by reducing the purchase cost of raw materials and capital goods respectively.

REVENUE RECOGNITION

Revenue (income) is recognised when no significant uncertainty as to determination or realisation exists.

Sales are recognised ex-works and are inclusive of excise duty and net of sales tax.

FOREIGN CURRENCY TRANSACTIONS

- a) Foreign currency transactions are accounted at the exchange rate prevailing on the date of transaction.
- b) The difference between the rate at which the transactions are accounted as stated above and the contracted rate is spread over the life of the contract. The difference on account of fluctuation in the rate of exchange is dealt with in the Profit and Loss Account.
- c) Year end monetary assets are translated at year end rate of exchange.

DOUBTFUL DEBTS AND ADVANCES

Provision is made in the accounts for debts and advances which in the opinion of the management are considered doubtful of recovery.

BORROWING COSTS

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

TAXES ON INCOME

Provision for taxation is made on the basis of the taxable profits computed for the current accounting period (reporting period) in accordance with the Income Tax Act, 1961.

Deferred income taxes reflect the impact of current year's timing differences between taxable incomes and



accounting income of the year and reversal of timing differences of earlier years. Deferred tax assets are recognized to the extent there is reasonable certainty that these assets can be realized in future. The break up of deferred tax asset is as under :

Particulars	As on 31/03/2010 (Rs ,000)		As on 31/03/2009 (Rs '000)	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Difference between book and tax depreciation	1156.00	0.00	0.00	0.00
Total	1156.00	0.00	0.00	0.00

PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A provision is recognised when an enterprise had present obligations as a result of past event and it is probable that an outflow of resources will be required to settle the obligation in respect of which reliable estimates can be made.

Provisions are not discounted to their present value and are determined based on management estimates required to settle the obligations at the balance sheet date. These are reviewed at the balance sheet date and adjusted to reflect the current management estimates.

B. NOTES ON ACCOUNTS

1. Contingent Liabilities in respect of:

	Current Year Rupees in '000	Previous year Rupees in '000
(i) <i>Claims against the Company not acknowledged as debts:</i>	1,239	1,239
Relates to Octroi matter, employees claims etc. No provision is made, as the Company is hopeful of successfully contesting the claims and as such does not expect any significant liability to crystallise.		
(ii) Guarantees given by the banks on behalf of the Company for import licence in favour of Customs, Central Excise and Others.	534	534
(iii) Bonds executed in favour of the Collector of Central Excise, Mumbai for export of goods	1,260	1,260
(iv) Disputed tax liabilities contested by the Company (Refer note no. 2)	120,502	85
(v) The Company has taken certain premises on sub-lease. The Landlord a Government Company issued a notice under the Public Premises (Eviction of Unauthorised Occupants) Act, 1971 against the Company for eviction and has demanded damages and other charges, which are disputed by the Company. The proceedings in this connection are pending before the Estate Officer. The Contingent liability in respect of damages, interest claimed		

by the Insurance Company cannot be quantified.

- The Company has preferred an appeal against the order of the Assessing Officer assessing income arising from sale of plot of land, held as stock in trade, as capital gain and raising a demand of Rs 117,077('000).The Company has deposited a sum of Rs 25000('000) against such demand, in addition , a refund of tax Rs 29,211 ('000) has also been adjusted.

The said appeal is pending and the Company has more than reasonable chance of success in such appeal.

Accordingly, no provision has been made in the accounts and amount paid/adjusted against demand have been shown under current assets.

- Company is also pursuing the pending income tax and sales tax cases.

4. Payment to Auditors:

	Current Year Rupees in '000	Previous year Rupees in '000
(a) As auditors	150	150
(b) As advisors, or in any other capacity, in respect of: —Taxation matters	103	110
(c) For Limited review	100	100
(d) For VAT Audit	50	40
(e) For Tax Authority Representation	443	66
(f) For service tax	46	56
Total	892	522

- Amount of lease rental charged to the profit and loss account in respect of premises taken on cancellable operating lease is Rs.155(000) [previous year, Rs. 174(000)]

- In view of unabsorbed losses and carried forward depreciation and in the absence of taxable income under provisions of the income tax act, 1961 in the current year, the company believes that there will be no tax liability. Accordingly no provision for income tax has been made in the accounts during the year.

- Balance of Sundry creditors, Loans and advances, Deposits are subject to confirmation and subsequent reconciliation and adjustments, if any.

8. **Employee Benefits**

(i) **Defined Contribution plans :**

Company's contribution to Provident Fund is Rs.3.15 lacs (Previous year Rs.2.78 lacs)

(ii) **Defined Benefits Plans :**

The following table sets out the funded status of the Gratuity Plan and the amounts recognised Company's financial statements as at 31st March, 2010.

POLYCHEM LIMITED

(a) Change showing changes in present value of obligations

	As at 31.03.2010 (Rs.000)	As at 31.03.2009 (Rs.000)
Present value of obligations as at beginning of year	1714	1504
Interest cost	137	120
Current Service Cost	98	79
Benefits Paid	—	—
Actuarial (Gain)/Loss on obligations	(17)	11
Present value of obligations as at end of year	1932	1714

(b) Changes in the fair value of plan assets

	1811	1368
Fair value of plan assets at beginning of year	1811	1368
Expected return on plan assets	150	121
Contributions	119	299
Benefits Paid	—	—
Actuarial Gain/(Loss)	18	23
Fair value of plan assets at end of year	2098	1811

(c) Fair Value of Plan Assets

	1811	1368
Fair value of plan assets at the beginning of year	1811	1368
Actual return on plan assets	168	144
Contributions	119	299
Benefits Paid	—	—
Fair value of plan assets at the end of the year	2098	1811
Funded status	166	97
Excess of Actual over estimated return on plan assets (Actual rate of return = Estimated rate return as ARD falls on 31st March)	18	23

(d) Actuarial Gain/(Loss) recognised

	17	(11)
Actuarial Gain/(loss) for the year - Obligation	17	(11)
Actuarial Gain/(Loss) for the year - Plan Assets	18	23
Total (Gain)/Loss for the year	35	12
Actuarial (Gain)/Loss recognized in the year	(35)	(12)

(e) The amounts to be recognised in the balance sheet and statement of profit and loss

	1932	1714
Present value of obligations as at the end of year	1932	1714
Fair value of plan assets as at the end of the year	(2098)	(1811)
Funded status	—	—
Net Asset/(Liability) recognised in the balance sheet	(166)	(97)

(f) Expenses Recognised in statement of profit and loss

	98	79
Current service cost	98	79
Interest Cost	137	120
Expected return on plan assets	(150)	(121)
Net Actuarial (Gain)/Loss recognised in the year	(35)	(12)
Expenses recognised in statement of Profit and loss	50	66

(g) To fund the obligation under the plan, contributions are made to Life Insurance Corporation of India who has invested funds as under :

Description	% of Investment
Central Government Securities	56.09
State Government Securities	11.18
Approved marketable government Guaranteed securities	2.96
Bonds/Debentures etc	22.03
Loans	0.36
Equity Shares	5.64
Preference Shares	0.02
Fixed Deposits and Money Market instruments	1.72
Total	100.00

(h) Assumptions

	Gratuity 2009-10	2008-09
Discount Rate (per annum)	8.00%	8.00%
Expected rate of return on plan assets (per annum)	8.00%	8.00%
Expected rate of increase in compensation levels (per annum)	6.00%	6.00%

9. Earnings per share is calculated by dividing the profit/(loss) attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year as under:

	2009-10	2008-09
Net Profit/(Loss) for the year after tax (Rs'000)	12,433	(1,954)
Excess/(Short) provision for tax of earlier Years (Rs'000)	(1,333)	30,098
Profit/(Loss) attributable to equity shareholders(Rs'000)	11,100	28,144
Weighted Average No of Equity Shares outstanding during the year	404,045	404,045
Basic/Diluted Earning per share	27.47	69.66
Nominal value per share (Rs.)	10/-	10/-

10. Related Party Transactions

(a) Names of related parties and description of relationship

Sr. No.	Nature of relationship	Name of the related parties
1.	Substantial Interest	Ginners and Pressers Limited Connell Bros. Co.(I) Pvt.Ltd. Gujarat Poly-AVX Electronics Ltd. Rasayani Traders Pvt. Ltd. Sun Tan Trading Co. Ltd.
2.	Key Managerial personnel	Mr. T.R.Kilachand Managing Director Mr. P.T.Kilachand Whole Time Director

(b) Details of Transactions are as below :

(Rupees in '000s)

Particulars	Substantial Interest		Key Managerial Personnel		Total	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
Expenses payable	1170	637	—	—	1170	637
Expenses recoverable	1224	1133	—	—	1224	1133
Managerial Remuneration	—	—	—	—	—	—
Outstanding Balance Payable	74	5	—	—	74	5



11. Segment information

(A) Segment information for primary segment reporting (by business segments):

The Company has two business segments :

- (i) Property Development
- (ii) Specialty chemicals

(Rupees in 000's)

Particulars	Current Year			Previous Year		
	Property Development	Specialty Chemicals	Total	Property Development	Specialty Chemicals	Total
REVENUE						
From External Customers	—	41,400	41,400	—	41,542	41,542
Add : Inter-Segment Sales	—	—	—	—	—	—
TOTAL REVENUE	—	41,400	41,400	—	41,542	41,542
SEGMENT RESULT	—	4,323	4,323	—	3,992	3,992
<u>Unallocated income:</u>						
Interest and other income			21,215			9,197
<u>Unallocated expenses:</u>						
Other expenses			14,261			14,958
Interest expense			—			—
PROFIT/(LOSS) BEFORE TAX			11,277			(1,769)
Provision for current tax			1,156			(185)
PROFIT/(LOSS) AFTER TAX			12,433			(1,954)
OTHER INFORMATION						
Segment Assets	13,994	17,746	31,740	13,994	12,124	26,118
Unallocated Corporate Assets			120,132			151,536
Total Assets			151,872			177,654
Segment Liabilities	—	726	726	—	811	811
Unallocated Corporate Liabilities			3,746			40,449
Total Liabilities			4,472			41,260
Additions to Fixed Assets During Year	—	220	220	—	212	212
Depreciation	—	150	150	—	143	143
Significant non-cash expense other than depreciation:	1,169	—	1,169			—
Loss on fixed assets discarded						109
Irrecoverable balances Written off						224

(B) Segment information for secondary segment reporting (by geographical segments):

The Company operates only within India and hence the question of disclosure of segment information by geographical segments does not arise.

POLYCHEM LIMITED

12 Additional information pursuant to the provisions of paragraphs 3, 4C and 4D of part II of schedule VI to the Companies Act, 1956:

(A) SALES (NET OF EXCISE DUTY):

Class of Goods	Unit	Quantity	Rupees (in '000s)	Previous Year	
				Quantity	Rupees (in '000s)
Specialty Chemicals:					
Cross Linked Polystyrene	Kgs.	219,225	27,094	163,020	21,687
LMPS	Kgs.	84,540	10,537	105,105	13,860
SBA PC 50/30	Kgs.	47,120	3,306	67,630	4,896
Others	Kgs.	3,421	463	8,025	1,099
Total			41,400		41,542

(B) RAW MATERIALS CONSUMED:

Class of Goods	Unit	Quantity	Rupees (in '000s)	Previous Year	
				Quantity	Rupees (in '000s)
Specialty Chemicals:					
Styrene Monomer	Kgs	388,938	21,599	310,859	17,976
Butyl Acrylate	Kgs	9,540	815	14,940	1,409
Others	Kgs	23,536	4,472	19,843	3,731
Total			26,886		23,116

(C) QUANTITATIVE DETAILS WITH REGARD TO CLASS OF GOODS MANUFACTURED:

Class of goods	Unit	Licensed capacity	Installed capacity	Actual production	Previous Year		
					Licensed capacity	Installed capacity	Actual production
Specialty Chemicals	Kgs.	NA	500,000	366,761	NA	500,000	319,953

Notes: Licensed and installed capacity are as certified by the management.

(D) VALUE OF RAW MATERIALS CONSUMED:

	Rupees (in '000s)	% age of Consumption	Previous Year	
			Rupees (in '000s)	% age of Consumption
Imported	—	—	307	1.33
Indigenous	26,886	100.00	22,809	98.67
Total	26,886	100.00	23,116	100.00

(E) VALUE OF STORES, SPARES AND PACKING MATERIALS CONSUMED:

	Rupees (in '000s)	% age of Consumption	Previous Year	
			Rupees (in '000s)	% age of Consumption
Imported	—	—	—	—
Indigenous	641	100.00	618	100.00
Total	641	100.00	618	100.00

13. Figures for the previous year have been regrouped wherever necessary to correspond with the figures of the current year.

Signatures to Schedules 1 to 16
As per our attached report of even date

For G.M.Kapadia & Co.,
Chartered Accountants

Rajen Ashar
Partner
Mumbai, Dated : August 4, 2010

For and on behalf of the Board

T. R. Kilachand Chairman & Managing Director
P.T.Kilachand Whole Time Director
V.V.Sahasrabudhe Director
A. H. Mehta VP - Corporate Affairs & Company Secretary

Mumbai, Dated : August 4, 2010



Balance sheet abstract and Company's general business profile

I. Registration details

Registration no.

Balance sheet date

State code

II. Capital raised during the year (amount in Rupees thousands)

Public issue

Bonus issue

Rights issue

Private placement

III. Position of mobilisation and deployment of funds (amount in Rupees thousands)

Total liabilities

Total assets

Sources of funds

Paid-up capital

(including share capital suspense and equity warrants)

Secured loans

Application of funds

Net fixed assets

Investments

Miscellaneous Expenditure

Reserves and surplus

Unsecured loans

Assets held for disposal

Net Current assets

Accumulated Losses

IV. Performance of the Company (amount in Rupees thousands)

Turnover

+ (-) Profit/ (loss) before tax

Earnings per share (Rupees)

Refer Note 9 of Schedule 16

Total expenditure

+ (-) Profit/ (loss) after tax

Dividend %

V. Generic names of three principal services of the Company (as per monetary terms)

Item Code no (ITC Code)

Product description

S P E C I A L T Y C H E M I C A L S

For and on behalf of the Board

T. R. Kilachand

P.T.Kilachand

V.V.Sahasrabudhe

A. H. Mehta

Chairman & Managing Director

Whole Time Director

Director

*VP - Corporate Affairs &
Company Secretary*

Mumbai, Dated : August 4, 2010

POLYCHEM LIMITED

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

BOARD OF DIRECTORS	MR.TANIL KILACHAND MR.H.C.SHAH (Expired on 21st September, 2009) MR.P.T.KILACHAND MR.V.V.SAHASRABUDHE MR.CHETAN DESAI } MR.DEVANG VYAS }	<i>Chairman & Managing Director</i> <i>Whole-time Director</i> (Additional Directors w.e.f. 04.08.2010)
COMPANY SECRETARY	MR A.H.MEHTA	
AUDITORS	M/s. G. M. KAPADIA & CO.	<i>Chartered Accountants</i>
LEGAL ADVISORS	M/s. DAPHTARY FERREIRA & DIVAN	
REGISTERED OFFICE	7, Jamshedji Tata Road, Churchgate Reclamation, Mumbai 400 020.	

WORK	CORPORATE MANAGEMENT TEAM
SPECIALTY CHEMICALS D/26, MIDC, Phase II, Dombivali (E) - 421 201.	MR. TANIL KILACHAND Managing Director MR. P.T.KILACHAND Whole-time Director MR. A.H.MEHTA VP-Corporate Affairs & Company Secretary

Note :

As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Shareholders are requested to kindly bring their copies to the Meeting.

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POLYCHEM LIMITED

ATTENDANCE SLIP

TO BE HANDED OVER AT THE ENTRANCE OF THE MEETING HALL

Full Name of the member attending :

Full Name of the first joint-holder :

(to be filled in if first named joint-holder does not attend the meeting)

Name of Proxy :

(to be filled in if Proxy Form has been duly deposited with the Company)

I hereby record my presence at the Fifty Third ANNUAL GENERAL MEETING of the Company held at Mumbai 400 001 at 3.30 p.m. on Thursday, 23rd September, 2010.

Client ID No. :

DP ID No. :

Registered Folio No. :

No. of Shares held :

Member's/Proxy's Signature
(to be signed at the time of
handing over this slip)



POLYCHEM LIMITED

FORM OF PROXY

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

I/We of in the district of being a member/ members 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 on my/our behalf at the Fifty Third Annual General Meeting of the Company to be held on Thursday, 23rd September, 2010 and at any adjournment thereof.

Client ID No. :

Signed this day of 2010

DP ID No. :

Registered Folio No. :

No. of Shares held :

Affix
Revenue
Stamp

(Signature of member)

BOOK-POST

If undelivered, please return to:

POLYCHEM LIMITED

7, Jamshedji Tata Road,
Churchgate Reclamation,
Mumbai 400 020.