



Vinyl Chemicals (India) Ltd.

BOARD OF DIRECTORS**Shri B.K. Parekh** - Chairman**Shri N.K. Parekh****Shri M.B. Parekh** - Managing Director**Shri R.M. Gandhi****Smt. Y.J. Mogrelia****Shri A.D. Mavinkurve****Shri Santosh Kumar****PRESIDENT & SECRETARY**

Shri P.C. Patel

AUDITORS

D.A. Kothari & 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 TRANSFER AGENTS

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

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**DIRECTORS' REPORT**

Your Directors present the Twenty Sixth Annual Report and the Audited Statements of Accounts for the year ended 31st March, 2012.

Financial Results:

The Financial performance of the Company is summarised as under:

| | | (₹ in lac) |
|---|--------------------------|----------------------|
| | <u>Current Year</u> | <u>Previous Year</u> |
| Profit before Interest, Depreciation and Tax | 743 | 622 |
| Less: Interest | * | 2 |
| Depreciation | * | * |
| Profit before Taxation | 743 | 620 |
| Less: Provision for Current Taxation | 242 | 189 |
| Provision for Deferred Tax | * | * |
| Profit for the year | 501 | 430 |
| Add: Profit Brought Forward from Previous Year | 276 | 2 |
| Profit available for appropriation | <u>777</u> | <u>432</u> |
| Appropriations | | |
| Proposed Dividend on Equity Shares | 110 | 92 |
| Tax on Dividend | 18 | 14 |
| Transfer to General Reserve | 55 | 50 |
| Total | <u>183</u> | <u>156</u> |
| Balance carried to Balance Sheet | <u><u>594</u></u> | <u><u>276</u></u> |

* less than ₹1 lac

In terms of the Scheme of Demerger of VAM Manufacturing Unit of the Company into Pidilite Industries Ltd., the Company has transferred a sum of ₹35,227 from 'Forfeited Shares Account' to 'Capital Reserves Account' and consequently the figures of the previous year have been regrouped in the Balance Sheet.

Dividend:

The Directors recommend the payment of dividend of ₹0.60 per equity share of ₹1 each (previous year ₹0.50 per share including Silver Jubilee Special Dividend of ₹0.25 per share) amounting to ₹1,10,02,267 (previous year ₹91,68,556) out of the current year's profit on 1,83,37,111 equity shares of ₹1 each. The dividend for the current year will be free of tax in the hands of shareholders.

Performance:

- The company's current business is in Chemicals – which is trading mainly in Vinyl Acetate Monomer.
- During the year, the sales turnover from Trading activity was ₹21148 lacs.
- During the year, the Company earned Net Profit of ₹501 lacs as against ₹430 lacs in the previous year.

Outlook:

The Company expects to perform reasonably well subject to prevailing market conditions and fluctuations in exchange rate.

Directors:

In accordance with the Articles of Association of the Company, the tenure of Shri Santosh Kumar as a Director expires at the conclusion of the ensuing Annual General Meeting. Shri Santosh Kumar has expressed his unwillingness to be re-appointed as a Director. The Directors 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 A.D. Mavinkurve and Shri N.K. Parekh, Directors of the Company, retire by rotation and being eligible, offer themselves for re-appointment.

Directors' Responsibility Statement:

Your Directors confirm that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed;
- the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March, 2012 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 Agreement with Stock Exchanges along with a certificate from the Auditors of the Company are given separately in this Annual Report.

Auditors:

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

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

There is no employee in respect of whom information under Section 217(2A) of the Companies Act, 1956 is required to be given.

Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988:

The information to the extent applicable to the Company is given in Annexure 1.

Appreciation:

The Directors wish to place on record their appreciation of the contribution made by the employees at all levels to the working of the Company. The Directors also wish to place on record their appreciation for the shareholders, dealers, consumers and banks for their continued support.

FOR AND ON BEHALF OF THE BOARD

Mumbai
Date: 23rd May, 2012

M.B. PAREKH
MANAGING DIRECTOR

N.K. PAREKH
DIRECTOR

**ANNEXURE I TO THE DIRECTORS' REPORT**

During the financial year 2011–2012, 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** - Not Applicable
 (b) **CONSUMPTION PER UNIT OF PRODUCTION** - Not Applicable
B. TECHNOLOGY ABSORPTION - Not Applicable

C. FOREIGN EXCHANGE EARNINGS & OUTGO:

Total Foreign Exchange used and earned:

| | 2011-2012 | 2010-2011 |
|---|----------------|----------------|
| | ₹ | ₹ |
| 1. Foreign Exchange used: | | |
| i. Expenditure | - | - |
| ii. Imports (CIF basis) | 1,76,32,05,365 | 1,36,46,99,662 |
| 2. Earnings on account of Export of Goods (FOB) | | |
| i. In Foreign Exchange | 81,64,742 | - |
| ii. Deemed Export | - | - |

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.

The price and demand of various chemicals undergo fluctuations. Similarly, there are fluctuations in foreign currency rates. Hence, there is an inherent risk in trading activities.

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. The total number of employees as on 31st March, 2012 was 13.



AUDITORS' REPORT

The Shareholders of
Vinyl Chemicals (India) Ltd.

We have audited the attached Balance Sheet of Vinyl Chemicals (India) Ltd. as at 31st March, 2012 and the Statement of Profit and Loss 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.

We conducted our audit in accordance with the 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, 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 of the matters specified in paragraphs 4 and 5 of the said Order.
- II. Further to our comments in Annexure referred to above, we report that :
 - a. 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 ;
 - b. In our opinion, the Company has kept proper books of account as required by law so far as appears from our examination of the books.
 - c. The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account ;
 - d. In our opinion, the Balance Sheet, the Statement of Profit and Loss and the 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;
 - e. On the basis of written representation received from the directors, as on 31st March, 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2012 from being appointed as a director in terms of clause (g) of subsection (1) of Section 274 of the Companies Act, 1956.
 - f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts 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:
 - i. In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2012.
 - ii. In the case of Statement of Profit and Loss, of the profit for the year ended on that date; and
 - iii. In the case of the 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
Firm Reg. No. 105299W

D.A.KOTHARI
PROPRIETOR
Membership Number 6301

Mumbai
Dated : 23rd May, 2012.

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, clauses 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 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 ₹ 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 thereunder.
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, 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, 2012, 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 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 others from banks 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 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

D.A. KOTHARI & CO
CHARTERED ACCOUNTANTS
Firm Reg. No. 105299W

D.A.KOTHARI
PROPRIETOR
Membership Number 6301

Mumbai
Dated: 23rd May, 2012

**BALANCE SHEET AS AT 31ST MARCH, 2012**

| | Notes | 31st March, 2012 | 31st March, 2011 |
|--|-------|---------------------|---------------------|
| | | ₹ | ₹ |
| I Equity & liabilities | | | |
| 1. Shareholders' funds | | | |
| Share capital | 2 | 1,83,43,984 | 1,83,43,984 |
| Reserves and surplus | 3 | 14,20,97,474 | 10,47,72,995 |
| | | 16,04,41,458 | 12,31,16,979 |
| 2. Non-current liabilities | | | |
| Long-term borrowings | 4 | 49,47,308 | 49,47,308 |
| Deferred tax liability | | 62,753 | 53,130 |
| Other long-term liabilities | 5 | 17,43,815 | 17,43,815 |
| Long-term provisions | 6 | 5,70,511 | 4,24,807 |
| | | 73,24,387 | 71,69,060 |
| 3. Current liabilities | | | |
| Trade payables | | 29,60,44,792 | 36,35,65,956 |
| Other current liabilities | 7 | 2,60,73,883 | 57,15,883 |
| Short-term provisions | 8 | 1,44,16,228 | 1,10,55,924 |
| | | 33,65,34,903 | 38,03,37,763 |
| Total | | 50,43,00,748 | 51,06,23,802 |
| II Assets | | | |
| 1. Non-current assets | | | |
| Fixed assets | | | |
| Tangible assets (Net) | 9 | 24,12,587 | 24,45,527 |
| Long-term loans and advances | 10 | 3,01,71,604 | 1,39,73,449 |
| | | 3,25,84,191 | 1,64,18,976 |
| 2. Current assets | | | |
| Current investments | 11 | - | 2,50,00,000 |
| Inventories | 12 | 14,61,54,243 | 17,01,33,575 |
| Trade receivables | 13 | 29,17,83,133 | 25,23,21,930 |
| Cash and bank balances | 14 | 95,54,413 | 2,53,05,138 |
| Short-term loans and advances | 15 | 2,42,24,768 | 2,14,44,183 |
| | | 47,17,16,557 | 49,42,04,826 |
| Total | | 50,43,00,748 | 51,06,23,802 |
| Summary of significant accounting policies | 1 | | |
| The accompanying notes are an integral part of the financial statements | | | |

As per our report of even date

For and on behalf of the Board

For D.A.Kothari & Co.

Chartered Accountants

Firm Reg. No.105299W

P.C.Patel
President & Secretary**M.B.Parekh**
Managing Director**D.A.Kothari**

Proprietor

Mem.No.06301

N.K.Parekh
Director

Mumbai

Dated : 23rd May, 2012

Mumbai

Dated : 23rd May, 2012

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2012

| | Notes | 31st March, 2012 ₹ | 31st March, 2011 ₹ |
|--|-------|--------------------------|--------------------------|
| Income | | | |
| Revenue from operations | 16 | 2,11,48,22,732 | 1,57,24,41,443 |
| Other income | 17 | 21,02,261 | 53,61,159 |
| Total revenue (I) | | 2,11,69,24,993 | 1,57,78,02,602 |
| Expenses | | | |
| Purchase of traded goods | 18 | 1,95,63,32,293 | 1,50,69,58,491 |
| (Increase)/decrease in inventories of traded goods | 19 | 2,39,79,332 | (2,90,05,217) |
| Cost of traded goods sold | | 1,98,03,11,625 | 1,47,79,53,274 |
| Employee benefits expenses | 20 | 1,29,67,634 | 79,75,808 |
| Finance costs | 21 | 1,863 | 2,19,040 |
| Depreciation expense | 9 | 32,940 | 32,946 |
| Other expenses | 22 | 4,93,37,719 | 2,96,68,700 |
| Total expenses (II) | | 2,04,26,51,781 | 1,51,58,49,768 |
| Profit before tax | | 7,42,73,212 | 6,19,52,834 |
| Tax expense | | | |
| Current tax | | 2,41,52,000 | 1,89,00,000 |
| Deferred tax | 29 | 9,623 | 35,008 |
| Total tax expenses | | 2,41,61,623 | 1,89,35,008 |
| Profit for the year | | 5,01,11,589 | 4,30,17,826 |
| Earnings per share | | | |
| Basic | | 2.73 | 2.35 |
| Diluted | | 2.73 | 2.35 |

Summary of significant accounting policies 1

The accompanying notes are an integral part of the financial statements

As per our report of even date

For and on behalf of the Board

For D.A.Kothari & Co.
Chartered Accountants
Firm Reg. No.105299W

P.C.Patel
President & Secretary

M.B.Parekh
Managing Director

D.A.Kothari
Proprietor
Mem.No.06301

N.K.Parekh
Director

Mumbai
Dated : 23rd May, 2012

Mumbai
Dated : 23rd May, 2012

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012**

| | 31st March, 2012 | 31st March, 2011 |
|--|-----------------------------|-----------------------------|
| | ₹ | ₹ |
| Cash flow from operating activities | | |
| Profit/(loss) before tax | 7,42,73,212 | 6,19,52,834 |
| Non-cash adjustment to reconcile profit before tax to net cash flows | | |
| Depreciation | 32,940 | 32,946 |
| Interest expense | 1,863 | 53,590 |
| Interest income | (1,20,000) | (1,08,822) |
| Net (gain)/loss on sale of current investments | (19,82,261) | 61,409 |
| Dividend income | - | (15,13,122) |
| Operating profit/(loss) before working capital changes | 7,22,05,754 | 6,04,78,835 |
| Movements in working capital: | | |
| Increase/(decrease) in trade payables | (6,75,21,164) | 2,59,48,789 |
| Increase/(decrease) in long-term provisions | 1,45,704 | (77,143) |
| Increase/(decrease) in other current liabilities | 2,03,58,000 | 28,19,417 |
| Increase/(decrease) in other long-term liabilities | - | 12,23,668 |
| Increase/(decrease) in short-term provisions | (94,26,806) | (34,37,023) |
| Decrease/(increase) in inventories | 2,39,79,332 | (2,90,05,217) |
| Decrease/(increase) in long-term loans and advances | (1,61,98,155) | (38,32,503) |
| Decrease/(increase) in trade receivables | (3,94,61,203) | (10,72,65,488) |
| Decrease/(increase) in short-term loans and advances | (27,80,585) | (79,82,655) |
| Cash generated from Operations | (1,86,99,123) | (6,11,29,320) |
| Interest expense | (1,863) | (53,590) |
| Direct taxes paid | (2,41,52,000) | (1,89,00,000) |
| Cash flow before extraordinary items | (4,28,52,986) | (8,00,82,910) |
| Extraordinary items | - | - |
| Net Cash from Operating Activities (A) | (4,28,52,986) | (8,00,82,910) |
| Cash flow from investing activities | | |
| Purchase of current investments | 2,50,00,000 | 7,63,28,169 |
| Net (gain)/loss on sale of current investments | 19,82,261 | (61,409) |
| Dividend received | - | 15,13,122 |
| Interest income | 1,20,000 | 1,08,822 |
| Net cash flow from/(used in) investing activities (B) | 2,71,02,261 | 7,78,88,704 |

| | 31st March, 2012 ₹ | 31st March, 2011 ₹ |
|--|--------------------------|---------------------------|
| Cash flow from financing activities | | |
| Proceeds from/(repayment of) long-term borrowings | - | (56,20,269) |
| Net cash flow from/(used in) financing activities (C) | <u>-</u> | <u>(56,20,269)</u> |
| Net increase/(decrease) in cash and cash equivalents (A+B+C) | (1,57,50,725) | (78,14,475) |
| Cash and cash equivalents at the beginning of the year | 2,53,05,138 | 3,31,19,613 |
| Cash and cash equivalents at the end of the year | <u>95,54,413</u> | <u>2,53,05,138</u> |
| Components of cash and cash equivalents | | |
| Cash on hand | 25,204 | 29,937 |
| Balances with banks - in current account | 88,48,132 | 2,50,78,163 |
| - in unpaid dividend accounts * | 6,81,077 | 1,97,038 |
| Total cash and cash equivalents (Note 14) | <u>95,54,413</u> | <u>2,53,05,138</u> |

* The Company can utilize these balances only towards settlement of the respective unpaid dividend liabilities

As per our report of even date

For and on behalf of the Board

For D.A.Kothari & Co.

Chartered Accountants
Firm Reg. No.105299W

D.A.Kothari

Proprietor
Mem.No.06301

Mumbai
Dated : 23rd May, 2012

P.C.Patel
President & Secretary

Mumbai
Dated : 23rd May, 2012

M.B.Parekh
Managing Director

N.K.Parekh
Director



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012

Note 1

Summary of significant accounting policies

- 1.1. The Company maintains its accounts on accrual basis following the historical cost convention, in compliance with the Accounting Standards specified to be mandatory by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.
- 1.2. During the year ended 31st March, 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the Company, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. The Company has also reclassified the previous year's figures in accordance with the requirements applicable in the current year.
- 1.3.
 - i. Tangible assets are stated at cost.
 - ii. Depreciation has been provided on Straight Line Method on assets, as per the rates specified in Schedule XIV of the Companies Act, 1956.
- 1.4. Traded Goods are valued at actual cost or net realisable value, whichever is lower.
- 1.5. Long Term Investment is stated at cost. Provision where necessary, is made to recognize a decline, other than temporary, in the value of investment.
- 1.6. Accounting for Taxes on Income:
 - i. Provision for current tax is made on the basis of taxable income for the current year in accordance with the provisions of the Income Tax Act, 1961.
 - ii. Deferred tax resulting from timing differences between book and tax profits is accounted for under the liability method, at the current rate of tax, to the extent that the timing differences are expected to crystallize. Deferred tax assets are recognized and carried forward only if there is a virtual /reasonable certainty that they will be realized and are reviewed for the appropriateness of their respective carrying values at each balance sheet date.
- 1.7. Foreign currency transactions are recorded at the exchange rates prevailing on the date of transaction. Foreign currency designated assets and liabilities are restated at year end rates or at contract rate and the resultant gain or loss is taken to Statement of Profit and Loss except in respect of fixed assets where the gain/loss is capitalized.
- 1.8. Employees' Benefits:
 - i. Contribution to Provident and Family Pension Fund are funded as a percentage of salary.
 - ii. Gratuity liability is funded as per group gratuity scheme of Life Insurance Corporation of India.
 - iii. Leave encashment liability is provided for on the basis of actuarial valuation as at the year end.
- 1.9. Revenue Recognition:
 - i. Income from sale of goods is recognized upon transfer of significant risks and rewards of ownership of the goods to the customer which generally coincides with delivery and acceptance of the goods sold.
 - ii. Claims which are not of material nature/insurance claims etc. are accounted for when no significant uncertainties are attached to their eventual receipt.
 - iii. Negotiated price reduction obtained from supplier is accounted for as a part of 'Miscellaneous Income'.
- 1.10. Provisions, Contingent Liabilities and Contingent Assets:
 - i. Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be outflow of resources.
 - ii. Disclosures for a contingent liability is made, without a provision in books, when there is an obligation that may, but probably will not, require outflow of resources.
 - iii. Contingent Assets are neither recognized nor disclosed in the financial statements.
- 1.11. Earnings per share:

In determining the earnings per share, the Company considers the net profit after tax and post tax effect of any extra-ordinary/ exceptional item is shown separately. The number of shares considered in computing basic earnings per share is the number of shares outstanding at the end of the year.

| | | 31st March, 2012 | 31st March, 2011 |
|--|-------------|---------------------|---------------------|
| | ₹ | ₹ | ₹ |
| Note 2 | | | |
| Share capital | | | |
| Authorised | | | |
| 3,49,66,001 equity shares of ₹ 1 each | | 3,49,66,001 | 3,49,66,001 |
| (Previous year 3,49,66,001 equity shares of ₹ 1 each) | | | |
| Issued | | | |
| 1,83,43,984 equity shares of ₹ 1 each | | 1,83,43,984 | 1,83,43,984 |
| (Previous year 1,83,43,984 equity shares of ₹ 1 each) | | | |
| Subscribed and paid-up | | | |
| 1,83,37,111 equity shares of ₹ 1 each | 1,83,37,111 | | 1,83,37,111 |
| (Previous year 1,83,37,111 equity shares of ₹ 1 each) | | | |
| Less: Share premium received on 6,873 forfeited equity shares transferred to capital reserve * | - | | (35,227) |
| Add: Amount received on 6,873 (Previous year 6,873) forfeited equity shares | 6,873 | | 42,100 |
| | | 1,83,43,984 | 1,83,43,984 |
| | | 1,83,43,984 | 1,83,43,984 |

* Out of a sum of ₹42,100 lying to the credit of 'Forfeited Share Account', the Company has transferred a sum of ₹35,227 representing the surplus amount received on 6,873 forfeited equity shares under 'Share Capital Account' to 'Capital Reserve Account' under 'Reserves & Surplus'. Hence, the figures appearing in the said accounts for the current year and the previous year are regrouped accordingly.

a. There was no change in number of shares at the beginning and at the end of the reporting period.

b. Shares held by associates

Out of equity shares issued by the Company, shares held by its associates are as below:

Pidilite Industries Ltd, the associate company

74,51,540 (previous year 74,51,540) shares of ₹ 1 each fully paid 74,51,540 74,51,540

c. Details of shareholders holding more than 5% shares in the Company

No shareholder other than stated above in Note 2(b) was holding more than 5% shares in the Company as at 31st March, 2012 and as at 31st March, 2011.

Note 3

Reserves & surplus

Capital reserve

| | | |
|---|-----------|-----------|
| Balance as per last financial statement | 54,46,752 | 54,11,525 |
| Add: Share premium received on 6,873 forfeited equity shares transferred from share capital | - | 35,227 |
| Closing balance | 54,46,752 | 54,46,752 |

General reserve

| | | |
|--|-------------|-------------|
| Balance as per last financial statement | 7,17,40,204 | 6,67,40,204 |
| Add: Amount transferred from surplus balance in the statement of profit and loss | 55,00,000 | 50,00,000 |
| Closing balance | 7,72,40,204 | 7,17,40,204 |



| | | 31st March, 2012 | 31st March, 2011 |
|--|-------------|---------------------|---------------------|
| | ₹ | ₹ | ₹ |
| Notes 3 (Contd.) | | | |
| Surplus/(deficit) in the statement of profit & loss | | | |
| Balance as per last financial statement | 2,75,86,039 | | 2,24,137 |
| Add: Profit for the year | 5,01,11,589 | | 4,30,17,826 |
| Less: Appropriations | | | |
| Proposed final equity dividend (amount ₹0.60 per share) (previous year ₹0.50 per share) | 1,10,02,267 | | 91,68,556 |
| Tax on proposed equity dividend | 17,84,843 | | 14,87,368 |
| Transfer to General Reserve | 55,00,000 | | 50,00,000 |
| Net surplus/(deficit) in the statement of profit and loss | | 5,94,10,518 | 2,75,86,039 |
| | | 14,20,97,474 | 10,47,72,995 |
| Note 4 | | | |
| Long-term borrowings | | | |
| Unsecured borrowings | | | |
| Deferred sales tax loan | | 49,47,308 | 49,47,308 |
| (Repayment due on 30th April, 2017) | | | |
| | | 49,47,308 | 49,47,308 |
| Note 5 | | | |
| Other long-term liabilities | | | |
| Others | | | |
| VAT/CST payable | | 17,43,815 | 17,43,815 |
| | | 17,43,815 | 17,43,815 |
| Note 6 | | | |
| Long-term provisions | | | |
| Provision for employee benefits | | | |
| Provision for leave benefits | | 5,70,511 | 4,24,807 |
| | | 5,70,511 | 4,24,807 |
| Note 7 | | | |
| Other current liabilities | | | |
| Investor Education and Protection Fund will be credited by following amount (as and when due) | | | |
| Unpaid dividend | | 6,81,377 | 64,606 |
| Others | | | |
| VAT/CST payable | | 1,62,45,709 | 15,49,955 |
| TDS payable | | 2,19,606 | 1,26,934 |
| Other Liabilities | | 89,27,191 | 39,74,388 |
| | | 2,60,73,883 | 57,15,883 |

Note 8**Short-term provisions****Others**

| | 31st March, 2012 ₹ | 31st March, 2011 ₹ |
|--|--------------------------|--------------------------|
| Provision for taxation (net of advance income-tax) | 16,29,118 | 4,00,000 |
| Proposed dividend on equity share capital | 1,10,02,267 | 91,68,556 |
| Tax on proposed equity dividend | 17,84,843 | 14,87,368 |
| | 1,44,16,228 | 1,10,55,924 |
| | 1,44,16,228 | 1,10,55,924 |

Note 9**Tangible assets**

| Tangible assets | Gross block (At cost) | | | Accumulated depreciation | | | Net block | | |
|----------------------|------------------------------|--------------------------|--------------------------------|-------------------------------|------------------------|----------------|--------------------------------|--------------------------------|-------------------------------|
| | Balance as at 1.4.2011 | Additions/ (disposal) | Balance as at 31.03.2012 | Balance as at 31.3.2011 | Charge for the year | On disposal | Balance as at 31.03.2012 | Balance as at 31.03.2012 | Balance as at 31.3.2011 |
| | ₹ | ₹ | ₹ | ₹ | ₹ | ₹ | ₹ | ₹ | ₹ |
| Land | 18,57,310 | - | 18,57,310 | - | - | - | - | 18,57,310 | 18,57,310 |
| Plant and equipment | 6,56,361 | - | 6,56,361 | 90,934 | 31,176 | - | 1,22,110 | 5,34,251 | 5,65,427 |
| Furniture & fixtures | 25,000 | - | 25,000 | 2,210 | 1,764 | - | 3,974 | 21,026 | 22,790 |
| Total | 25,38,671 | - | 25,38,671 | 93,144 | 32,940 | - | 1,26,084 | 24,12,587 | 24,45,527 |
| Previous Year | 25,38,671 | - | 25,38,671 | 60,198 | 32,946 | - | 93,144 | 24,45,527 | |

Note 10**Long-term loans and advances****Other loans and advances****Advances recoverable in cash or in kind or for value to be received**

| | | |
|---------------------------|-----------|-----------|
| Unsecured considered good | 10,61,081 | 10,22,467 |
|---------------------------|-----------|-----------|

Balances with statutory/government authorities

| | | |
|-----------------------|-------------|-----------|
| SAD refund receivable | 1,96,92,505 | 35,23,965 |
|-----------------------|-------------|-----------|

| | | |
|-----------------------|-----------|-----------|
| VAT refund receivable | 75,05,581 | 75,05,580 |
|-----------------------|-----------|-----------|

| | | |
|--|-------------|-------------|
| | 2,71,98,086 | 1,10,29,545 |
|--|-------------|-------------|

| | | |
|--|----------|----------|
| Advance income-tax (net of provision for taxation) | 9,12,437 | 9,21,437 |
|--|----------|----------|

| | | |
|--------------------------------------|-----------|-----------|
| Deposits (Unsecured considered good) | 10,00,000 | 10,00,000 |
|--------------------------------------|-----------|-----------|

| | | |
|--|--------------------|--------------------|
| | 3,01,71,604 | 1,39,73,449 |
|--|--------------------|--------------------|



| | 31st March, 2012 | 31st March, 2011 |
|---|---------------------|---------------------|
| ₹ | ₹ | ₹ |
| Note 11 | | |
| Current Investments (valued at cost) | | |
| Unquoted mutual fund | | |
| Birla Sun Life Savings Fund Growth Option | - | 2,50,00,000 |
| [Nil units (previous year 13,38,000 units) of ₹ Nil (previous year ₹ 18.68) per unit] | | |
| | - | 2,50,00,000 |
| Note 12 | | |
| Inventories (valued at cost or market value whichever is lower) | | |
| Traded goods (including stock-in-transit ₹ 5,31,91,441) (previous year ₹ 8,77,19,981) | 14,61,54,243 | 17,01,33,575 |
| | 14,61,54,243 | 17,01,33,575 |
| Note 13 | | |
| Trade receivables | | |
| Outstanding for a period exceeding six months from the date they are due for payment | | |
| Unsecured, considered good | 7,99,651 | 10,86,486 |
| Other receivables | | |
| Unsecured, considered good | 29,09,83,482 | 25,12,35,444 |
| | 29,17,83,133 | 25,23,21,930 |
| Note 14 | | |
| Cash and bank balances | | |
| Cash & cash equivalents | | |
| Balances with banks | | |
| In current accounts | 88,48,132 | 2,50,78,163 |
| In unpaid dividend accounts | 6,81,077 | 1,97,038 |
| | 95,29,209 | 2,52,75,201 |
| Cash on hand | 25,204 | 29,937 |
| | 95,54,413 | 2,53,05,138 |
| Note 15 | | |
| Short-term loans and advances | | |
| Other loans and advances | | |
| Advances recoverable in cash or in kind or for value to be received | | |
| Unsecured considered good | 24,94,618 | 33,03,854 |
| Balances with statutory/government authorities | | |
| SAD refund receivable | 2,14,81,893 | 1,79,88,662 |
| Prepaid expenses | 1,08,722 | 61,667 |
| Loans to employees | 1,31,535 | 82,000 |
| Deposits (Unsecured considered good) | 8,000 | 8,000 |
| | 2,42,24,768 | 2,14,44,183 |

| | 31st March, 2012 | 31st March, 2011 |
|---|-----------------------|-----------------------|
| ₹ | ₹ | ₹ |
| Note 16 | | |
| Revenue from operations | | |
| Sale of products (traded goods) | | |
| Vinyl Acetate Monomer | 2,04,57,21,206 | 1,46,56,72,084 |
| Acetic Acid | - | 5,06,37,609 |
| Other operating revenue | | |
| Discount received | 6,80,51,805 | 5,37,33,071 |
| Insurance claims received | 10,49,721 | 23,98,679 |
| | 2,11,48,22,732 | 1,57,24,41,443 |
| Note 17 | | |
| Other income | | |
| Interest income on | | |
| Deposit | 1,20,000 | 1,08,822 |
| Dividend income on | | |
| current investments | - | 15,13,122 |
| Net gain on sale of current investments | 19,82,261 | - |
| Miscellaneous income | | |
| Miscellaneous receipt | - | 1,03,595 |
| Gain on prepayment of sales-tax deferral | - | 36,35,620 |
| | - | 37,39,215 |
| | 21,02,261 | 53,61,159 |
| Note 18 | | |
| Purchase of traded goods | | |
| Vinyl Acetate Monomer | 1,95,63,32,293 | 1,46,45,15,409 |
| Acetic Acid | - | 4,24,43,082 |
| | 1,95,63,32,293 | 1,50,69,58,491 |
| Note 19 | | |
| (Increase)/Decrease in inventories of traded goods | | |
| Inventories at the beginning of the year | 17,01,33,575 | 14,11,28,358 |
| Less: Inventories at the end of the year | 14,61,54,243 | 17,01,33,575 |
| | 2,39,79,332 | (2,90,05,217) |
| Note 20 | | |
| Employee benefits expenses | | |
| Salary, wages, allowances, bonus etc. | 1,22,93,627 | 70,60,553 |
| Contribution to provident and other funds | 3,17,689 | 6,79,306 |
| Staff welfare expenses | 3,56,318 | 2,35,949 |
| | 1,29,67,634 | 79,75,808 |
| Note 21 | | |
| Finance costs | | |
| Interest expense | 1,863 | 53,590 |
| Other borrowing costs | - | 1,65,450 |
| | 1,863 | 2,19,040 |



| | 31st March, 2012 ₹ | 31st March, 2011 ₹ |
|---|--------------------------|--------------------------|
| Note 22 | | |
| Other expenses | | |
| Insurance | 4,96,822 | 4,16,092 |
| Repairs to others | 43,318 | 3,326 |
| Printing and stationery | 18,428 | 34,702 |
| Postage and telephone | 1,37,901 | 1,05,521 |
| Travelling and conveyance | 5,96,974 | 5,15,737 |
| Motor car expenses | 2,13,686 | 2,01,320 |
| Cash discount | 27,71,961 | 3,99,755 |
| Commission on sales | - | 10,78,666 |
| Selling expenses | 22,43,107 | 19,23,091 |
| Directors' sitting fees | 1,68,000 | 1,59,000 |
| Commission to non-executive directors | 3,00,000 | - |
| Payments to auditor (refer details below) | 1,97,437 | 2,17,291 |
| Bank charges | 3,10,075 | 27,95,392 |
| Exchange loss on foreign currency transactions and translation (net) | 3,88,48,720 | 1,63,73,780 |
| Loss on sale of current investments (net) | - | 61,409 |
| Miscellaneous expenses | 29,91,290 | 53,83,618 |
| | 4,93,37,719 | 2,96,68,700 |
| Payments to auditor | | |
| As auditor | | |
| Audit fee | 55,150 | 55,150 |
| Tax audit fee | 27,575 | 27,575 |
| Limited review | 33,090 | 30,884 |
| In other capacity | | |
| For taxation matters | 55,150 | 55,150 |
| For other services (certification fees) | 26,472 | 48,532 |
| | 1,97,437 | 2,17,291 |
| 23. Contingent liabilities | | |
| Guarantees | 1,10,85,000 | 83,50,000 |
| 24. Details of dues to micro and small enterprises | | |
| The Company did not have at any time during the year, amount due to small and medium enterprises (SME), which is outstanding for more than 45 days. Further, no interest is paid/payable to such SME creditors. The above information has been determined to the extent such parties have been identified on the basis of information available with the Company. | | |

| | 31st March, 2012 ₹ | 31st March, 2011 ₹ |
|---|--------------------------|--------------------------|
| 25. Related party disclosure | | |
| Names of related parties and related party relationship | | |
| i. Relationship: | | |
| Pidilite Industries Ltd. - Holds 40.64 % of equity shares of the Company | | |
| ii. Key management personnel - Shri M.B.Parekh, Managing Director | | |
| iii. Other Directors - Sarva Shri B.K. Parekh, N.K. Parekh, R.M. Gandhi, A.D. Mavinkurve, Santosh Kumar and Smt.Y.J. Mogrelia | | |
| iv. Transactions with related party are as follows: | | |
| a. Sales and related income | 1,75,70,73,775 | 1,22,07,95,181 |
| b. Sitting fees to directors | 1,68,000 | 1,59,000 |
| c. Commission to directors | 3,00,000 | - |
| d. Commission to managing director | 38,29,000 | - |
| e. Reimbursements made | 7,85,906 | 7,47,367 |
| f. Outstanding balance : | | |
| Debtors | 18,07,74,751 | 18,96,14,385 |
| Except iv (b), (c) & (d), the rest of above transactions are with Pidilite Industries Ltd. | | |
| No amounts have been written off or written back during the year in respect of debts due from or to related parties. | | |
| 26. Earnings per share (EPS) | | |
| a. Computation for both basic and diluted earnings per share of ₹ 1 each (previous year ₹ 1/- each): | | |
| Profit as per statement of profit & loss available for equity shareholders | 5,01,11,589 | 4,30,17,826 |
| b. Number of equity shares for basic and diluted earnings per share computation | 1,83,37,111 | 1,83,37,111 |
| c. Basic and diluted earnings per share (₹) | 2.73 | 2.35 |
| 27. Segment information | | |
| The Company's current business activity has only one primary reportable segment, namely trading in chemicals. | | |
| 28. Gratuity | | |
| The following table sets out the status of the Gratuity Plan as required under AS 15 (Revised): | | |
| Statement showing changes in present value of obligations | | |
| Present value of obligations as at the beginning of the year | 12,50,712 | 6,98,393 |
| Interest cost | 1,03,184 | 55,871 |
| Current service cost | 67,989 | 54,817 |
| Actuarial (gain)/loss on obligations | (27,933) | 4,41,631 |
| Present value of obligations as at the end of the year | 13,93,952 | 12,50,712 |
| Statement showing changes in the fair value of plan assets | | |
| Fair value of plan assets at the beginning of the year | 22,73,179 | 20,85,485 |
| Expected return on plan assets | 1,81,854 | 1,66,839 |
| Actuarial gain/(loss) on plan assets | - | 20,855 |
| Fair value of plan assets at the end of the year | 24,55,033 | 22,73,179 |



| | 31st March, 2012 ₹ | 31st March, 2011 ₹ |
|---|--------------------------|--------------------------|
| Percentage of each category of plan assets to total fair value of plan assets as at 31st March, 2012 | | |
| Administered by Life Insurance Corporation of India | 24,55,033 | 22,73,179 |
| Actuarial gain/(loss) recognized: | | |
| Actuarial gain/(loss) for the year - obligation | 27,933 | (4,41,631) |
| Actuarial gain/(loss) for the year - plan assets | - | 20,855 |
| Total gain/(loss) for the year | 27,933 | (4,20,776) |
| Actuarial gain/(loss) recognized in the year: | 27,933 | (4,20,776) |
| The amounts to be recognized in the balance sheet | | |
| Present value of obligations as at the end of the year | 13,93,952 | 12,50,712 |
| Fair value of plan assets as at the end of the year | 24,55,033 | 22,73,179 |
| Funded status | 10,61,081 | 10,22,467 |
| Net Asset/(Liability) recognized in balance sheet | 10,61,081 | 10,22,467 |
| Expenses recognized in statement of profit & loss | | |
| Current service cost | 67,989 | 54,817 |
| Interest cost | 1,03,184 | 55,871 |
| Expected return on plan assets | 1,81,854 | 1,66,839 |
| Net Actuarial (gain)/loss recognized in the year | (27,933) | 4,20,776 |
| Expenses/(income) recognized in statement of profit & loss | (38,614) | 3,64,625 |

29. Deferred taxation**Deferred tax liability**

Fixed assets: Impact of difference between tax depreciation and depreciation charged for the financial reporting

| | | |
|---|---------------|---------------|
| Balance as per last financial statement | 53,130 | 18,122 |
| Charge/(credit) during the year | 9,623 | 35,008 |
| Closing balance | 62,753 | 53,130 |

The above working of deferred tax is based on assessment orders where assessments are completed and on return of income in other cases.

30. Unhedged foreign currency exposure

a. Details of forward contracts outstanding as at the balance sheet date:

| <u>Particulars</u> | <u>Purpose</u> | | |
|---|-------------------------|--------------|--------------|
| US\$ 69,80,936 (previous year US\$ 58,28,922) | Import of trading goods | 35,80,24,389 | 26,43,58,991 |

b. Details of unhedged foreign currency exposure as at the balance sheet date:

| <u>Particulars</u> | <u>Purpose</u> | | |
|---|-----------------------|---|-------------|
| US\$ Nil (previous year US\$ 19,59,512) | Import trade payables | - | 8,77,19,981 |

| | 31st March, 2012 ₹ | 31st March, 2011 ₹ |
|--|--------------------------|--------------------------|
| 31. Expenditure in foreign currency | | |
| C.I.F. value of traded goods | 1,76,32,05,365 | 1,36,46,99,662 |
| 32. Earnings in foreign exchange | | |
| Export at F.O.B. value | 81,64,742 | - |
| Insurance claims received | 2,26,044 | - |
| Rebate received | 7,68,31,993 | 5,37,33,071 |
| | 8,52,22,779 | 5,37,33,071 |

33. Previous year's figures have been regrouped wherever necessary.

As per our report of even date

For and on behalf of the Board

For D.A.Kothari & Co.

Chartered Accountants

Firm Reg. No.105299W

D.A.Kothari

Proprietor

Mem.No.06301

Mumbai

Dated : 23rd May, 2012

P.C.Patel

President & Secretary

Mumbai

Dated : 23rd May, 2012

M.B.Parekh

Managing Director

N.K.Parekh

Director



CORPORATE GOVERNANCE REPORT

In compliance with Clause 49 of the Listing Agreement with Stock Exchanges, the company submits the following report:

1. Company's Philosophy on Code of Governance:

The Company is committed to good Corporate Governance and has complied in all material respects with the requirements specified in the Listing Agreement with the Stock Exchanges.

2. Board of Directors:

During the financial year 2011-2012, 5 Board Meetings (including one adjourned meeting) were held on 13th May, 2011 (adjourned to 14th June, 2011), 28th July, 2011, 9th November, 2011 and 2nd February, 2012.

Details of composition of the Board, category, attendance of Directors at Board Meetings and last Annual General Meeting (AGM), number of other Directorships and other Committee memberships are given below:

| Sr. No. | Name | Category | No. of Board Meetings attended | Attendance at last AGM | No. of Directorships as on 31 st March, 2012 in other companies * | No. of Committee positions held in other companies @ | |
|---------|--------------------------------------|----------|--------------------------------|------------------------|--|--|---------------|
| | | | | | | Memberships | Chairmanships |
| 1 | Shri B.K. Parekh (Chairman) | NED (P) | 1 | No | 16 | 2 | - |
| 2 | Shri M.B. Parekh (Managing Director) | ED (P) | 3 | Yes | 9 | - | - |
| 3 | Shri N.K. Parekh | NED (P) | 4 | Yes | 8 | - | - |
| 4 | Shri R.M. Gandhi | NED (I) | 5 | Yes | 5 | 2 | 3 |
| 5 | Smt. Y.J. Mogrelia | NED (I) | 5 | Yes | - | - | - |
| 6 | Shri A.D. Mavinkurve | NED (I) | 5 | Yes | 1 | - | - |
| 7 | Shri Santosh Kumar | NED (I) | 4 | Yes | 4 | - | - |

* Includes Directorships in Private Limited Companies and Section 25 Companies

@ Includes position in Audit Committee and Shareholders/Investors Grievance Committee only

ED(P) – Executive Director, Promoter; NED(P) – Non Executive Director, Promoter; NED (I) – Non Executive Director, Independent.

Shri B.K. Parekh and Shri N.K. Parekh are related to each other. Shri M.B. Parekh is related to Shri B.K. Parekh.

3. Audit Committee:

During the financial year 2011-2012, 4 meetings of the Committee were held on 13th May, 2011, 28th July, 2011, 9th November, 2011 and 2nd February, 2012.

Details of composition of the Committee and attendance of the members at the meetings are given below:

| Sr. No. | Name | Designation | Category | No. of Meetings attended |
|---------|--------------------|-------------|----------|--------------------------|
| 1 | Shri R.M. Gandhi | Chairman | NED (I) | 4 |
| 2 | Shri B.K. Parekh | Member | NED (P) | - |
| 3 | Smt. Y.J. Mogrelia | Member | NED (I) | 4 |

The Managing Director is a permanent invitee to the Meetings. The Company Secretary is the Secretary of the Committee. Heads of Accounts, Internal Auditors and Statutory Auditors are also invited to attend the Meetings.

The powers and terms of reference of the Committee are as mentioned in Clause 49 of the Listing Agreement with the Stock Exchanges and Section 292A of the Companies Act, 1956.

4. Remuneration Committee:

During the financial year 2011-2012, 1 meeting of the Committee was held on 13th May, 2011 which was attended by all the Members of the Committee except Shri B.K. Parekh. The terms of reference of the Committee are as specified in Schedule XIII of the Companies Act, 1956 and Clause 49 of the Listing Agreement with the Stock Exchanges.

Details of composition of the Committee are given below:

| Sr. No. | Name | Designation | Category |
|---------|----------------------|-------------|----------|
| 1 | Shri R.M. Gandhi | Chairman | NED (I) |
| 2 | Smt. Y.J. Mogrelia | Member | NED (I) |
| 3 | Shri B.K. Parekh | Member | NED (P) |
| 4 | Shri A.D. Mavinkurve | Member | NED (I) |

Shri M.B. Parekh is the Managing Director having tenure of 5 years upto 31st March, 2012. At the AGM held on 28th July, 2011, the shareholders' have re-appointed him as Managing Director for a further period of 5 years w.e.f. from 1st April, 2012. In the past, Shri M.B. Parekh had waived all remuneration to which he is entitled to as the Company's Managing Director. The Board of Directors at their meeting held on 28th July, 2011 decided to pay remuneration to Shri M.B. Parekh to the extent of commission as a percentage of net profits of the Company from financial year 2011-12 and Shri M.B. Parekh has agreed to the same. Accordingly, for the said financial year the Commission payable to Shri M.B. Parekh is ₹38,29,000.

Notice period for the Managing Director is as applicable to the senior employees of the Company. No severance fee is payable to the Directors on termination of employment. The Company does not have a scheme for stock options for the Directors or the employees.

The details of sitting fees paid for attending the Board/Committee meetings and commission payable to the Non Executive Directors for the financial year ended 31st March, 2012 are as follows:

| Sr. No. | Name | Sitting Fees (₹) | Commission (₹) | Total (₹) |
|---------|----------------------|------------------|----------------|-----------|
| 1 | Shri B.K. Parekh | 22,000 | 50,000 | 72,000 |
| 2 | Shri N.K. Parekh | 36,000 | 50,000 | 86,000 |
| 3 | Shri R.M. Gandhi | 37,000 | 50,000 | 87,000 |
| 4 | Smt. Y.J. Mogrelia | 31,000 | 50,000 | 81,000 |
| 5 | Shri A.D. Mavinkurve | 22,000 | 50,000 | 72,000 |
| 6 | Shri Santosh Kumar | 20,000 | 50,000 | 70,000 |

The number of equity shares of face value of ₹1 each of the Company held by Non Executive Directors as on 31st March, 2012 are as follows:

Shri B.K. Parekh - 45,876; Shri N.K. Parekh - 75,951; Shri R.M. Gandhi - 2,700; Smt. Y.J. Mogrelia - 300; Shri A.D. Mavinkurve - Nil and Shri Santosh Kumar - 2,000.

5. Shareholders/Investors Grievance Committee:

During the financial year 2011-2012, 12 meetings of the Share Transfer Committee were held and 1 meeting of the Shareholders/Investors Grievance Committee was held on 6th January, 2012 which was attended by all the Members of the Committee.

Details of composition of the Shareholders/Investors Grievance Committee are given below:

| Sr. No. | Name | Designation | Category |
|---------|----------------------|-------------|----------|
| 1 | Shri A.D. Mavinkurve | Chairman | NED (I) |
| 2 | Shri R.M. Gandhi | Member | NED (I) |
| 3 | Shri B.K. Parekh | Member | NED (P) |



The Committee has the power to look into redressal of shareholders/investors complaints such as non-receipt of shares sent for transfer, non-receipt of dividends/Annual Reports etc.

The Secretarial Department of the Company, under the supervision of Shri P.C. Patel, President & Secretary and Shri K.S. Krishnan, Additional Secretary, who is nominated as the “Compliance Officer” as required by Securities and Exchange Board of India (SEBI)/Listing Agreement and M/s. TSR Darashaw Ltd., Registrar & Transfer Agents, attend to all Shareholders/Investors Grievances received directly or through SEBI, Stock Exchanges, Ministry of Corporate Affairs and Registrar of Companies.

Barring certain cases pending with Courts, the Company/TSR Darashaw Ltd. have attended to all the Shareholders/Investors grievances/correspondences generally within a period of 15 days from the date of receipt.

The total number of letters received from the shareholders was 807 of which 9 were in the nature of complaints. All the letters have been replied to and all the complaints have been solved to the satisfaction of shareholders. 1 request for transfer of shares and 9 requests for dematerialisation were pending for approval as on 31st March, 2012 which were dealt with by 9th April, 2012 and 5th April, 2012 respectively.

The Company has framed a Code of Internal Procedure and Conduct for Prevention of Insider Trading on the lines of the model code specified by SEBI. Shri P.C. Patel, President & Secretary is the Compliance Officer for the purpose.

6. General Body Meetings:

Details of Location, Date and Time of the AGM held during the last three years are given below:

| Financial Year | Venue | Date & Time | Details of Special Resolution passed with requisite majority |
|----------------|--|---------------------------------|---|
| 2010-2011 | M.C.Ghia Hall, Bhogilal Hargobindas Building, 18/20, K.Dubash Marg, Mumbai 400 001. | 28th July, 2011 at 12.00 noon | Payment of commission to Directors other than the Managing Director |
| 2009-2010 | Kamalnayan Bajaj Hall, Bajaj Bhavan, Jamnalal Bajaj Marg, Nariman Point, Mumbai 400 021. | 10th August, 2010 at 11.00 a.m. | Nil |
| 2008-2009 | Kamalnayan Bajaj Hall, Bajaj Bhavan, Jamnalal Bajaj Marg, Nariman Point, Mumbai 400 021. | 7th August, 2009 at 11.00 a.m. | Nil |

No Special Resolution was put through postal ballot during the last year. At the ensuing AGM, there is no resolution proposed to be passed through postal ballot.

7. Disclosures:

- There were no materially significant related party transactions, which had potential conflict with the interest of the Company at large.
- The Company has complied with all requirements of the Listing Agreement with the Stock Exchanges as well as the regulations and guidelines of SEBI. Consequently, no penalties were imposed or strictures passed against the Company by SEBI, Stock Exchanges or any other statutory authority on any matter related to capital markets during the last 3 years.
- The Company has complied with all applicable mandatory requirements of Clause 49 and it has also constituted a Remuneration Committee.

8. Means of Communication:

The quarterly results of the Company are normally published in Free Press Journal (English) and Navshakti (Marathi). The results are also displayed on the Company's website.

9. Information on Directors:

Information relating to Directors seeking re-appointment as required under Clause 49(IV)(G)(i) of the Listing Agreement is given in the Notice of AGM.

10. Information for Shareholders:

Detailed information in this regard is provided in the "Information for Shareholders" section, appearing in the Annual Report.

11. Declaration by the Managing Director under Clause 49(1)(D)(ii):

Declaration by the Managing Director of the Company under Clause 49(1)(D)(ii) of the Listing Agreement with Stock Exchanges is given below:

"Pursuant to Clause 49(1)(D)(ii) of the Listing Agreement with Stock Exchanges, I hereby declare that all Board Members and Senior Management Personnel of the Company have affirmed compliance with the Code of Conduct for the year ended 31st March, 2012."

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members of
Vinyl Chemicals (India) Ltd.

We have examined the compliance of conditions of Corporate Governance by Vinyl Chemicals (India) Limited for the year ended 31st March, 2012, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of the 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 certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/Investors Grievance Committee.

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

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

D.A. KOTHARI
PROPRIETOR
Membership No. 6301

Mumbai
Dated: 23rd May, 2012



INFORMATION FOR SHAREHOLDERS

1. Annual General Meeting:

| | |
|-----------------------------|---|
| Day, Date & Time | : Thursday, 26th July, 2012 at 12.00 noon |
| Venue | : Rangswar Hall, 4th Floor, Y.B. Chavan Centre, Gen. Jagannath Bhosale Marg, Next to Sachivalaya Gymkhana (Opp. Mantralaya), Mumbai 400 021. |

2. Financial Year : 1st April to 31st March

3. Book Closure Date : 12th July, 2012 to 26th July, 2012 (both days inclusive)

4. Dividend Payment:

Dividend will be paid on or after 1st August, 2012, subject to the approval of the shareholders at the Annual General Meeting.

5. Listing of shares on Stock Exchanges:

The equity shares of the Company are listed on Bombay Stock Exchange Ltd (BSE) and National Stock Exchange of India Ltd (NSE). The Annual Listing fee for the financial year 2012-2013 has been paid to BSE & NSE.

6. Stock Codes:

| Name of the Stock Exchange | Stock Code |
|----------------------------|------------|
| BSE | 524129 |
| NSE | VINYLINDIA |

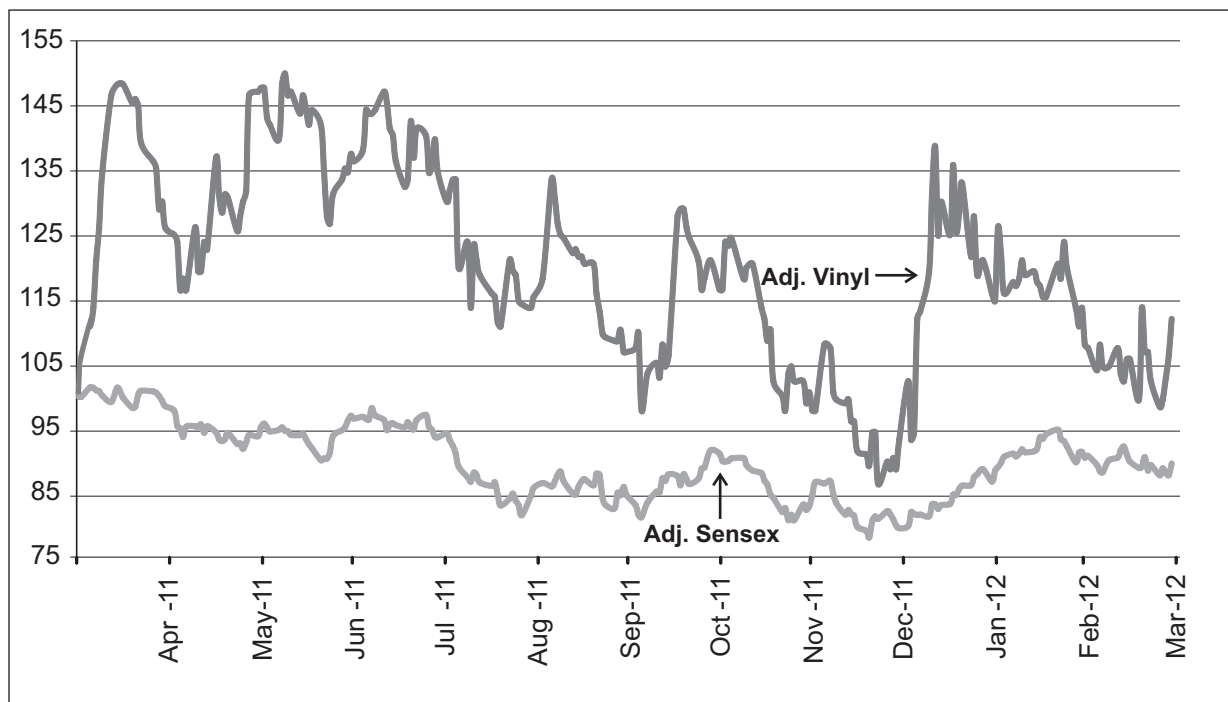
7. Market Price Data:

Share prices during the financial year 2011-2012 at BSE and NSE for one equity share of face value of ₹1 each were as under:

| Month & Year | BSE | | NSE | |
|-----------------|----------|---------|----------|---------|
| | High (₹) | Low (₹) | High (₹) | Low (₹) |
| April, 2011 | 13.30 | 8.66 | 14.15 | 8.60 |
| May, 2011 | 13.34 | 9.68 | 13.70 | 9.80 |
| June, 2011 | 13.75 | 11.00 | 13.90 | 11.00 |
| July, 2011 | 13.49 | 11.10 | 13.50 | 10.00 |
| August, 2011 | 12.01 | 9.16 | 12.50 | 9.00 |
| September, 2011 | 11.49 | 9.00 | 12.40 | 9.05 |
| October, 2011 | 13.00 | 8.50 | 12.90 | 8.30 |
| November, 2011 | 13.00 | 8.30 | 11.00 | 8.05 |
| December, 2011 | 10.00 | 7.08 | 10.45 | 7.05 |
| January, 2012 | 12.74 | 7.80 | 12.60 | 8.00 |
| February, 2012 | 11.70 | 9.52 | 11.15 | 9.50 |
| March, 2012 | 11.39 | 8.05 | 10.45 | 8.05 |

8. Stock Performance:

The performance of the Company's equity share of face value of ₹1 each in comparison to the BSE Sensex is given in the chart below:

**9. Registrar and Transfer Agents:**

TSR Darashaw Ltd.
Unit: Vinyl Chemicals (India) Ltd.
6-10, Haji Moosa Patrawala Indl. Estate
20, Dr. E. Moses Road, Mahalaxmi
Mumbai 400 011

Tel: (022) 6656 8484 **Fax:** (022) 6656 8494

E-mail: csg-unit@tsrdarashaw.com **Website:** www.tsrdarashaw.com

10. Share Transfer System:

The Company has delegated the authority to approve shares received for transfer in physical form as under:

| No. of shares | Authorisation given to |
|---------------|--|
| Upto 25000 | TSR Darashaw Ltd. |
| Upto 50000 | Any one of the Directors viz., Sarva Shri B.K. Parekh and M.B. Parekh or in their absence, the Company Secretary |
| Above 50000 | Share Transfer Committee comprising of the Directors viz. Sarva Shri B.K. Parekh, N.K. Parekh and R.M. Gandhi |

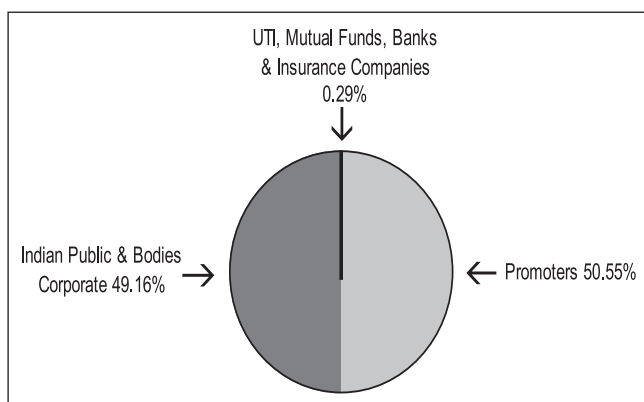
Presently the share transfers which are received in physical form are processed and the share certificates, duly transferred, are returned generally within a period of 15 days from the date of receipt, subject to the documents being valid and complete in all respects.



11. Distribution of Shareholding as on 31st March, 2012:

| No. of Equity Shares held | No. of Folios | % | No. of Shares | % |
|--|---------------|---------------|-----------------|---------------|
| Upto 5000 | 21980 | 99.19 | 6708308 | 36.58 |
| 5001 – 10000 | 91 | 0.41 | 687663 | 3.75 |
| 10001 – 20000 | 42 | 0.19 | 559698 | 3.05 |
| 20001 – 30000 | 19 | 0.08 | 482036 | 2.63 |
| 30001 – 40000 | 9 | 0.04 | 325444 | 1.78 |
| 40001 – 50000 | 7 | 0.03 | 318000 | 1.73 |
| 50001 – 100000 | 6 | 0.03 | 411484 | 2.25 |
| 100001 and above | 6 | 0.03 | 8844478 | 48.23 |
| Total | 22160 | 100.00 | 18337111 | 100.00 |
| No. of shareholders and shares in physical mode | 10056 | 45.38 | 1859708 | 10.14 |
| No. of beneficial owners and shares in electronic mode | 12104 | 54.62 | 16477403 | 89.86 |
| Total | 22160 | 100.00 | 18337111 | 100.00 |

12. Shareholding Pattern as on 31st March, 2012:



13. Dematerialisation of shares & liquidity:

As on 31st March, 2012, 1,64,77,403 (89.86%) equity shares of the Company were held in dematerialised form with National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL). The Company's equity shares are required to be compulsorily traded in the dematerialised form. The shares are available for dematerialisation under ISIN **INE 250B01029**. Requests for dematerialisation of shares are processed and generally confirmed within 15 days of receipt subject to the documents being valid and complete in all respects.

14. Outstanding GDRs/ADRs/Warrants/Convertible Instruments:

The Company has no outstanding GDRs/ADRs/Warrants or any Convertible instruments.

15. Plant Locations: Nil

16. Address for Correspondence:

Registered Office:

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

Tel: (022) 2282 2708 **Fax:** (022) 2204 3969

E-mail: cs.pcpatel@pidilite.com **Website:** www.vinylchemicals.com

17. Corporate Secretarial/Investors' Assistance Department:

The Company's Secretarial Department headed by Shri P.C. Patel, President & Secretary, is situated at the Registered Office mentioned above. Investors may contact Shri P.C. Patel or Shri K.S. Krishnan at the Registered Office in Mumbai for any assistance they may need.

18. Disclosure under Clause 5A(II) of the Listing Agreement:

Pursuant to the provisions of Clause 5A(II) of the Listing Agreement, the Company has sent 3 reminders on 1st July, 2011, 21st October, 2011 and 1st March, 2012 to those Shareholders whose share certificates have been returned undelivered. The Company will take necessary steps to transfer the unclaimed shares to Unclaimed Suspense Account.



Vinyl Chemicals (India) Ltd.

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

ATTENDANCE SLIP

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

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

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

I hereby record my presence at TWENTY SIXTH ANNUAL GENERAL MEETING of the Company held on Thursday, the 26th July, 2012 at 12.00 noon at Rangswar Hall, 4th Floor, Y.B. Chavan Centre, Gen. Jagannath Bhosale Marg, Next to Sachivalaya Gymkhana (Opp. Mantralaya), Mumbai 400 021.

SIGNATURE OF THE ATTENDING MEMBER/PROXY

* Applicable for investors holding shares in electronic form.

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



Vinyl Chemicals (India) Ltd.

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

PROXY FORM

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

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

as my/our Proxy to attend and vote for me/us and on my/our behalf at the TWENTY SIXTH ANNUAL GENERAL MEETING of the Company held on Thursday, the 26th July, 2012 at 12.00 noon at Rangswar Hall, 4th Floor, Y.B. Chavan Centre, Gen. Jagannath Bhosale Marg, Next to Sachivalaya Gymkhana (Opp. Mantralaya), Mumbai 400 021 and at any adjournment thereof.

Signed this _____ day of _____ 2012

* Applicable for investors holding shares in electronic form.

Affix
₹1
Revenue
Stamp

(Please sign across the stamp)

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