



**33rd Annual Report
1998-99**

33RD ANNUAL REPORT 1998-99**BOARD OF DIRECTORS**

: SHRI MAHENDRA K. KHATAU
Chairman & Managing Director
SHRI ANIL K. KHATAU
SMT. LEELA K. KHATAU
SHRI S. V. MUZUMDAR
SHRI N. S. PARULEKAR
SHRI ARUP BASU
SHRI K. MADHAVKUMAR
(Nominee of UTI)
DR. S. C. AMIN
Executive Director

COMPANY SECRETARY

: H. K. BIJLANI

BANKERS

: UNION BANK OF INDIA
STATE BANK OF TRAVANCORE
CREDIT AGRICOLE INDOSUEZ
DEVELOPMENT CREDIT BANK LIMITED
BANK OF INDIA
STATE BANK OF INDIA COMMERCIAL & INTERNATIONAL BANK LTD.
ANDHRA BANK
THE SHAMRAO VITHAL CO-OP. BANK LIMITED

AUDITORS

: Messrs. DALAL DESAI & KUMANA

REGISTRARS & TRANSFER AGENT: K. R. FINANCIAL & MANAGEMENT SERVICES PVT. LIMITED
103, Omex Apartments,
64, Sahar Road, Koldongri,
Andheri (East), Mumbai - 400 069.

REGISTERED OFFICE

: Khatau House, 1st Floor,
Mogul Lane, Mahim (West),
Mumbai - 400 016.
Tel. No. : 4461975/4450050
Fax No. : 91-22-4458139/4440826/4450016

FACTORY

: Plot No. 2900
GIDC Industrial Estate
District Bharuch
Ankleshwar, GUJARAT

**INDOKEM LIMITED****NOTICE**

NOTICE is hereby given that the Thirty-Third Annual General Meeting of the Members of Indokem Limited (formerly known as Khatau Junker Limited) will be held at Tejpal Auditorium, August Kranti Marg, Gowalia Tank, Mumbai - 400 007 on Monday, the 27th September, 1999, at 11.00 a.m. for the purpose of transacting the following business :-

1. To receive, consider and adopt the Profit and Loss Account for the year ended 31st March, 1999 and the Balance Sheet as at that date, together with the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Anil K. Khatau, who retires by rotation and, being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. S. V. Muzumdar, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Ms. Leela K. Khatau, who retires by rotation and, being eligible, offers herself for reappointment.
5. To appoint Auditors to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

By Order of the Board
For **INDOKEM LIMITED**

H.K. BIJLANI
General Manager-Secretary & Legal

Registered Office:

Khatau House, 1st Floor,
Mogul Lane, Mahim,
Mumbai - 400 016.

Dated : 26th July, 1999

Notes :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER.
2. The Register of Members and Transfer Books of the Company will be closed from 24th August, 1999 to 27th August, 1999 (both days inclusive).
3. Address all your correspondence regarding your shareholding to :

K.R. Financial & Management Services Pvt. Ltd.
103, Omex Apartments,
64, Sahar Road,
Koldongri, Andheri (East),
Mumbai - 400 069.
Phone : 8232765, 8232769, 8232776

33RD ANNUAL REPORT 1998-99**DIRECTORS' REPORT**

To,
The Members,

Your Directors have pleasure in presenting their Annual Report and Accounts for the year ended 31st March, 1999.

FINANCIAL RESULTS :

	01-04-98 to 31-03-99 (12 months) (Rs. in lacs)	01-10-96 to 31-03-98 (18 months) (Rs. in lacs)
Total income (Net of Increase / (Decrease) in the stock of Finished / Semi-Finished goods)	8,693.75	14,215.33
Operating Profit before interest & Finance Charges, Depreciation & Tax	950.53	1,199.20
Less : Interest & Finance Charges	606.14	1256.08
Profit / (Loss) after Interest & Finance Charges but before Depreciation & Tax	344.39	(56.88)
Less : Depreciation	311.02	485.69
Profit / (Loss) before tax	33.37	(542.57)
Less : Provision for Wealth Tax	0.19	-
Profit / (Loss) after tax	33.18	(542.57)
Add : Prior Period / Extra-ordinary Income / (Expenses)	(5.21)	25.66
Add : Investment Allowance Reserve Written back	-	62.72
Balance	27.97	(454.19)
Add : Amount drawn from Share Premium Account	13.17	19.75
Less : Capital Issue Expenses	13.17	19.75
Amount drawn from General Reserve	-	-
(Deficit / Surplus Brought Forward from last year	(1,822.43)	(1368.24)
(Deficit) carried to Balance Sheet	(1,794.46)	(1822.43)

REVIEW OF OPERATIONS :

The current year turnover of Rs. 83.55 crores is slightly lower compared to previous period (annualised) turnover of Rs. 89.93 crores. While the turnover of traded goods has come down, this was made good by increase in the export of manufactured Dyestuffs. Turnover of traded goods have suffered due to continued slump in the textile industry who are our main customers.

The operating Profit for the year has improved to Rs. 9.50 crores compared to Rs. 8.00 crores on annualised basis for the previous period. With considerable reduction in interest and finance charges by almost Rs. 2.30 crores (annualised basis), the Net result for the year is a profit of Rs. 0.28 crores compared to a loss of Rs. 4.54 crores in the previous period. The reduction in the interest burden is consequent to repayment of term loans to Banks and Financial Institutions.

**EXPORTS :**

Exports of Company's manufactured dyestuffs has further gone up during the year. F.O.B. value of exports stands at Rs. 24.34 crores and has registered a growth of 32% compared to previous period (annualised). Company's export are to hard currency countries viz U.S.A. and Europe.

MANUFACTURING OPERATIONS :

The company's factory at Ankleshwar has performed well during the year thanks to un-interrupted material inputs, power supply and even load on capacity. The plant has worked to the optimum capacity load thereby production has gone up by 14% on annualised basis (C.Y. 360 tons P. Y. Annualised 315 tons).

The factory is highly conscious of environmental obligations and has installed advanced effluent treatment facilities.

Thanks to higher exports, the Company could avail of duty free imports on raw materials and has brought down the material cost. Besides, the Company has further brought down the material cost by import substitution where imports are considerably cheaper than domestic prices.

DIVIDEND :

In view of inadequacy of Profits, Directors regret their inability to pay any Dividend on Equity Shares.

PROSPECTS :

The domestic market for traded dyestuffs has further shrunk due to closure of textile mills and lower offtake by other performing textile mills. The Company is compensating this to an extent by sale of manufactured dyes, a *major position of which was hitherto exported*. However the export market is also affected due to sluggish demand in the textile industry overseas. The exports during the current Financial year upto June has shown a negative growth as compared to corresponding previous period (April-June 99 Rs. 458 lacs and April-June 98 Rs. 718 lacs). The Company is exploring all possible avenues to arrest the downward trend in the export front.

FINANCE :

Financial position has slightly improved during the year as a result of improved performance and better operating results. The Company could repay some of the long term borrowings from banks, Financial institutions and mutual funds to the tune of Rs. 489 lacs. *'One time settlement'* has been reached with Financial Institution and mutual funds whereby certain waiver of interest has been obtained. All these have contributed to lower interest burden viz Rs. 6.06 crores during the year as against Rs. 8.37 crores in the previous period (annualised). The Company is pursuing its efforts to make similar settlement with other Secured Creditors waiver of interest in respect of remaining outstanding term loans availed earlier by erstwhile Agro Division.

Bankers are extending the required support for the day to day operations for which the Company expresses its gratitude to them.

COMPLIANCE OF YEAR 2000 (Y2K) :

The year 2000 (Y2K) problem received special attention and a detailed exercise was carried out to identify all possible areas of exposure which may affect internal operations both in information systems as well as in operations.

The Y2K problem has also been highlighted to the Key players in our supply chain and necessary confirmation for compliance has been obtained, wherever applicable. Steps have also been initiated to regularly interact with them in order to ensure awareness of the related problems, necessary actions for compliance are being ensured through continuous review. Contingency plans are being put in place to ensure that any disruption due to non compliance by external Agencies do not seriously affect our operations.

Since the project has been implemented by our own I.T. Department, no additional cost has been incurred.

FIXED DEPOSITS :

The Company held deposits aggregating to Rs. 31.26 lacs as on 31st March, 1999. As on that date, deposit amounting to Rs. 1.26 lacs remained unclaimed and remains same till date.

INSURANCE :

All the insurable assets of the Company including Plant and Machinery, Buildings and Inventories are adequately insured.

SUBSIDIARY COMPANIES :

Pursuant to Section 212 of the Companies Act, 1956, the Audited Accounts with the Auditors' and Directors' Reports' of the subsidiary companies, Kapsales Electricals Limited (Last audited accounts as on 30th September, 1998), Tracklightning Finance and Investments Limited, Royaltern Finance and Investments Limited and Indokem International Limited for the year ended 31st March, 1999 are annexed hereto.

DIRECTORS :

Mr. Anil Khatau, Mr. S.V. Muzumdar and Ms. Leela K. Khatau retire by rotation and being eligible offer themselves for reappointment.

As the Company has liquidated entire Term Loan of M/s. Industrial Investment Bank of India Ltd. as per the terms of loan agreement, M/s. IIBI has withdrawn his Nominee Director, Mr. D.K. Guharoy from the Board with effect from 6th August, 1998 vide their letter No. IIBI : NDC : IL/3177/98 dated 06/08/98.

The Board of Directors records the valuable guidance and co-operation extended by Mr. D.K. Guharoy during the tenure of his office as a Director of the Company.

Shri S.V. Ghatalia has resigned as a Director of the Company on account of health problem with effect from 3rd December, 1998. The Board of Directors records the valuable guidance and co-operation extended by Mr. S.V. Ghatalia during the tenure of his office as a Director of the Company.

AUDITORS' REPORT :

The Company has explained the position in the notes to the Accounts on all Qualification made by the Auditors. The notes are self explanatory and fully explains the position and Company's stand on the same.

**AUDITORS :**

M/s Dalal Desai & Kumana, Chartered Accountants, Auditors of the Company, retire at the forthcoming Annual General Meeting of the Company and, are eligible for reappointment.

EMPLOYEES :

The employees have extended their full support which helped the Company to improve the performance. The Company and the management conveys their appreciation and thankfulness for the same.

Statement showing particulars as per Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 given in Annexure 1, forms part of this Report.

CONSERVATION OF ENERGY :

A Statement showing particulars as per Form A, under Section 217 (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is given as an Annexure 2 and forms part of this Report.

RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION :

Company has developed new range of VAT DYES having wider applicability and excellent application properties. Company could achieve higher sales due to addition of these products to the existing range. During the year R & D activities were also focussed on process development which has resulted in improving the product quality to international standards.

FOREIGN EXCHANGE EARNINGS AND OUTGO :

The details of expenditure and earning in foreign currencies during the period under review are as follows :

(i) Expenditure in foreign exchange

	(Rs. in lacs)	
	1998-99	1996-98
- Value of imports on C.I.F. basis		
Raw Material	485.20	701.19
Finished goods for trading	<u> </u>	<u> </u>
	485.20	701.19
Travelling	11.01	16.93
Commission	2.67	27.37
Others	3.67	8.22
	<u>502.55</u>	<u>753.71</u>

(ii) Earnings in foreign exchange:

- F.O.B. value of exports in aggregate	2434.27	2762.56
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