

INDOKEM LIMITED



INDOKEM

**34th Annual Report
1999-2000**

34TH ANNUAL REPORT 1999-2000**BOARD OF DIRECTORS**

: SHRI MAHENDRA K. KHATAU
Chairman & Managing Director
SHRI N.S. PARULEKAR
SHRI ANIL K. KHATAU
SHRI S.V. MUZUMDAR
SMT. LEELA K. KHATAU
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 LTD.

AUDITORS

: Messrs. NANUBHAI DESAI & COMPANY

SHARE COLLECTION CENTRE

: Khatau House
1st Floor,
Mogul Lane, Mahim (W),
Mumbai - 400 016.
Tel. No.: 446 1975

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



NOTICE

NOTICE is hereby given that the Thirty-Fourth Annual General Meeting of the Members of Indokem Limited (formerly known as Khatau Junker Limited) will be held at Khatau House, First Floor, Mogul Lane, Mahim (W), Mumbai - 400 016 on Thursday the 9th November, 2000 at 11.45 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, 2000 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 Shri. N.S. Parulekar, who retires by rotation and, being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri. Arup Basu, who retires by rotation and, being eligible, offers himself for reappointment.
4. 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.

SPECIAL BUSINESS

5. To consider and, if thought fit, to pass with or without modifications, the following Resolution as a Special Resolution :

"RESOLVED that pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and are hereby amended in the following manner :

The following new Article 24A be inserted after the present Article 24 :

Dematerialisation of Securities

Definitions :

(A) Beneficial Owner

"Beneficial Owner" means a person whose name is recorded as such with a depository;

SEBI BOARD

"SEBI Board" means the Securities and Exchange Board of India;

Bye-Laws

"Bye-Laws" mean bye-laws made by a depository under Section 26 of the Depositories Act, 1996;

Depositories Act

"Depositories Act" means the Depositories Act, 1996, including any statutory modifications or re-enactment thereof for the time being in force;

Depository

"Depository" means a company formed and registered under the Companies Act, 1956, and which has been granted a certificate of registration under sub-section (1A) of Section 12 of the Securities and Exchange Board of India Act, 1992;

Record

"Record" includes the records maintained in the form of books or stored in a computer or in such other form as may be determined by regulations made by the SEBI Board ;

Regulations

"Regulations" mean the regulations made by the SEBI Board.

(B) Security :

Security means such security as may be specified by the SEBI Board.

(C) Dematerialisation of securities :

Either on the Company or on the investor exercising an option to hold his securities with a depository in a dematerialised form, the Company shall enter into an agreement with the depository to enable the investor to dematerialise the securities, in which event the rights and obligations of the parties concerned shall be governed by the Depositories Act.

(D) Options to receive security certificates or hold securities with depository :

Every person subscribing to securities offered by the Company shall have the option to receive the security certificates or hold securities with a depository.

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Where a person opts to hold a security with a depository, the Company shall intimate such depository the details of allotment of the security, and on receipt of such information the depository shall enter in its record the name of the allottee as the beneficial owner of that security.

(E) Securities in depositories to be in fungible form :

All securities held by a depository shall be dematerialised and shall be in a fungible form; Nothing contained in Sections 153, 153A, 153B, 187B, 187 and 372 of the Act shall apply to a depository in respect of the securities held by it on behalf of the beneficial owners.

(F) Rights of depositories and beneficial owners :

- (1) Notwithstanding anything to the contrary contained in the Articles, a depository shall be deemed to be a registered owner for the purposes of effecting transfer of ownership of security on behalf of the beneficial owner;
- (2) Save as otherwise provided in (1) above, the depository as a registered owner shall not have any voting rights or any other rights in respect of securities held by it;
- (3) Every person holding equity share capital of the Company and whose name is entered as beneficial owner in the records of the depository shall be deemed to be a member of the Company. The beneficial owner shall be entitled to all the rights and benefits and be subjected to all the liabilities in respect of the securities held by a depository.

(G) Depository to furnish information :

Every depository shall furnish to the Company information about the transfer of securities in the name of the beneficial owner at such intervals and in such manner as may be specified by the bye-laws and the Company in that behalf.

(H) Option to opt out in respect of any security :

If a beneficial owner seeks to opt out of a depository in respect of any security, the beneficial owner shall inform the depository accordingly.

The depository shall on receipt of information as above make appropriate entries in its records and shall inform the Company. The Company shall, within thirty(30) days of the receipt of intimation from the depository and on fulfillment of such conditions and on payment of such fees as may be specified by the regulations issue the certificate of securities to the beneficial owner or the transferee as the case may be.

(I) Sections 83 and 108 on the Act not to apply :

Notwithstanding anything to the contrary contained in the Articles:

- 1) Section 83 of the Act shall not apply to the shares held with a depository.
- 2) Section 108 of the Act shall not apply to transfer of security effected by the transferor and the transferee both of whom are entered as beneficial owners in the records of a depository.

(J) Register and Index of beneficial owners :

The Register and Index of beneficial owners maintained by a depository under Section 11 of the Depositories Act, shall be deemed to be an Index of Members and Register and Index of Debentureholders as the case may be for the purpose of the Act."

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

H.K. BIJLANI

Sr. General Manager-Secretary & Legal

Registered Office:

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

Dated : 28th September, 2000

**INDOKEM LIMITED****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 Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item No.5 as set out above is annexed herewith.
3. The Register of Members and Transfer Books of the Company has remained closed from 12th September 2000 to 15th September, 2000 (both days inclusive).
4. Members are requested to notify any change of their address to the Company's Share collection centre at Khatau House, Mogul Lane, Mahim (W), Mumbai - 400 016.

EXPLANATORY STATEMENT

PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.

Item No.5 :

With the enactment of the Depositories Act, 1996, and amendments to certain provisions of the Companies Act, 1956, a new Article is proposed to be introduced, briefly stating the frame-work of the System of Depository as per the provisions of the Depositories Act, 1996 with view to facilitating operation of the Depository System. In view of this, consequent changes are required to be incorporated in the Articles of Association of the Company by inserting a new Article 24A so as to be in line with the amended provisions of the Companies Act, 1956, read with the provisions of the Depositories Act, 1996.

The Special Resolution at item No. 5 is, therefore proposed, pursuant to Section 31 of the Companies Act 1956.

None of the Directors of the Company is concerned or interested in the Resolution.

The Articles of Association of the Company referred to in the Resolution at item No. 5 together with the proposed alteration is available for inspection of the members at the Company's Registered Office during the business hours on any working day.

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

H.K. BIJLANI
Sr. General Manager-Secretary & Legal

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

Dated : 28th September, 2000

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DIRECTORS' REPORT

To,
The Members,

Your Directors have pleasure in presenting their Annual Report and Accounts for the year ended 31st March, 2000.

FINANCIAL RESULTS:

	01-04-1999 to 31-03-2000 (Rs. in lacs)	01-04-1998 to 31-03-1999 (Rs. in lacs)
Total income (Net of Increase / (Decrease) in the stock of Finished / Semi-Finished goods)	8,164.76	8,693.75
Operating Profit before interest & Finance Charges, Depreciation & Tax	748.88	1017.97
Less : Interest & Finance Charges	623.80	673.58
Profit / (Loss) after Interest & Finance Charges but before Depreciation & Tax	125.08	344.39
Less : Depreciation	306.63	311.02
Profit / (Loss) before tax	(181.55)	33.37
Less : Provision for Wealth Tax	0.19	0.19
Profit / (Loss) after tax	(181.74)	33.18
Add : Prior Period / Extra-ordinary Income / (Expenses)	(10.23)	(5.21)
Balance	(191.97)	27.97
Add : Amount drawn from Share Premium Account	13.17	13.17
Less : Capital Issue Expenses	13.17	13.17
Amount drawn from Debentures Red. Reserve and Amalgamation Reserve	488.03	-
(Deficit / Surplus Brought Forward from last year	(1,794.45)	(1,822.43)
(Deficit) carried to Balance Sheet	1,498.39	(1,794.46)

REVIEW OF OPERATIONS :**SALES:**

The turnover for the year stands at Rs. 77.98 crores as against Rs.83.55 crores in the previous year. Viewed in the context of depressed market scenario all over, the company's performance during the year can be considered satisfactory. Although the demand in the Export markets has continued to be steady, prices have come down due to competition, primarily from China.

The local market largely depends on the offtake from textile industry. Due to better product mix, despite general decline in domestic trade, the company could sustain the domestic turnover.

Operating profit for the year has come down consequent to lower price realisation. However, lower interest and finance charges has partly neutralised the fall in operating profit. After providing for depreciation and prior period adjustments the Net loss is Rs.191.78 lacs. The deficit carried forward to Balance Sheet stands at Rs.1498.39 lacs.

MANUFACTURING OPERATIONS :

Production during the year is 327 M.T. against 360 M.T. in the previous year showing a marginal drop of 9%.

Aggressive cost reduction measures have been taken to control costs. As a result there is a significant drop in the operating expenses compared to previous year, especially in the area of personal cost, maintenance, travel etc.

DIVIDEND :

In view of the loss, Directors regret their inability to pay any dividend.

PROSPECTS :

Domestic market has improved considerably during the current year. As the realisation is also higher compared to the exports sales, this should result in improving the overall margin.

Exports market share is maintained and currently the order bookings are at satisfactory level. Few new specialty products, introduced during the year, have been approved by customers and large orders for these products have been received during the current year. The weakening of rupee with respect to US Dollar will further improve the export realisation and add to export earnings during the current year.



INDOKEM LIMITED

FINANCE :

During the year the company has repaid loans from company's bankers and other creditors amounting to Rs.252 lacs. This coupled with reduction in interest rates has resulted in lower interest cost at Rs.624 lacs against Rs.674 lacs in the previous year.

The company's is continuing its efforts in securing waiver/reduction of interest in respect of unpaid loans of erstwhile Agro Division. The company is hopeful of obtaining appropriate waiver/reduction.

FIXED DEPOSITS :

The Company held deposits aggregating to Rs.30.92 lacs as on 31st March 2000. As on that date, deposit amounting to Rs. 0.92 lacs remained unclaimed and remains same till date.

INSURANCE :

All the insurable assets of the company including Plant and Machinery, Building 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 (for the year ended 31/12/1999), Tracklightning Finance and Investments Limited, Royaltern Finance and Investments Limited and Indokem International Limited for the year ended 31st March 2000 are annexed hereto. The Board has decided to close down the overseas subsidiary, Indokem International Limited and the approval of Reserve Bank of India has been received. The Company is in the process of completing other formalities in this regard.

DIRECTORS :

Shri N.S.Parulekar and Shri Arup Basu retire from office by rotation but being eligible, offer themselves for reappointment.

AUDITORS' REMARKS :

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

AUDITORS :

M/s. Nanubhai Desai & Co, 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 carry on the business under difficult conditions caused by liquidity crunch and loss in business operations. 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 maintain its lead in export market mainly due to aggressive efforts in R & D.

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FOREIGN EXCHANGE EARNINGS AND OUTGO :

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

	1999-2000	(Rs.in Lacs) 1998-1999
(i) Expenditure in foreign exchange		
Value of imports on C.I.F. basis		
Raw Materials	381.83	485.20
Finished goods for trading	-	-
	381.83	485.20
Travelling 5.89	11.01	
Commission	-	2.67
Others	3.06	3.67
	390.78	502.55
(ii) Earnings in foreign exchange:		
F.O.B. value of exports	2156.08	3098.00
(including merchant exports)		

ACKNOWLEDGEMENT :

The Board expresses its appreciation to the Company's Bankers, the participating Financial Institutions, Customers and Government Agencies for their continuous help, co-operation and support.

For and on behalf of the Board

MAHENDRA K. KHATAU

Chairman & Managing Director

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

Dated : 28th September, 2000

Annexure - 1

Statement showing particulars as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 forming part of the Director's Report for the period ended 31st March 2000.

SR. NO.	NAME	AGE YEARS	DESIGNATION	REMUNERATION	QUALIFICATIONS	EXPERIENCE YEARS	DATE OF COMMENCEMENT OF EMPLOYMENT	PARTICULARS OF LAST EMPLOYMENT EMPLOYER POST HELD PERIOD HELD YEARS
A. Employed throughout the period and were in receipt of remuneration for the period aggregate of not less than Rs. 6,00,000/- p.a.								
1.	Mr. M. K. Khatau	45	Chairman & Managing Director	1141539	B.Com	23	01.04.1995	- - -
2.	Dr. S. C. Amin	59	Executive Director	1003206	M.Sc., Ph.D(Leeds)	33	01.01.1990	Amar Dye-Chem Ltd. Managing Director 2

Notes:

1. Remuneration as shown above includes Salary, House Rent, Accommodation/Furniture/Car evaluated as per the Income Tax Rules 1962, Company's contribution to P.F., Superannuation Fund, L.T.A. Medical Allowance and Leave Encashment.
2. None of the employees referred to above is related to any of the Directors of the Company, except Chairman & Managing Director M. K. Khatau who is related to Mrs. Leela K. Khatau and Mr. Anil Khatau, Director of the Company.
3. All employments are contractual and as per the terms and conditions of the Company.

For and on behalf of the Board

MAHENDRA K. KHATAU

Chairman & Managing Director

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

Dated : 28th September, 2000

**INDOKEM LIMITED****Annexure - 2****FORM A**

Statement showing particulars as per Section 217(1)(e) of the Companies Act, 1956 read with the (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

CONSERVATION OF ENERGY :**POWER & FUEL CONSUMPTION****(1) Electricity**

(a) Purchased Unit ('000 unit)

Total Amount (Rs. '000)

Rate Per Unit (Rs./Unit)

(b) Own Generation

i) Through Diesel Generator

Unit per Ltr. of Diesel Oil

Cost (Rs./Unit)

(2) GasQty. ('000 NM³)

Total Amount (Rs. '000)

Average Rate (Rs./NM³)**(3) Furnace Oil/LDO/C-IX**

Qty. (Kilo Litres)

Total Amount (Rs. '000)

Average Rate (Rs./Ltrs)

(4) Other Internal Generation**(5) Production of**

Consumption of

Electricity

Gas

F.O/C-IX/
H.S.D.

(a) DYES

MT 317.37
(MT 359.81)13550 Unit/MT
(14069 Unit/MT)7746 NM³
(2029 NM³)– KL/MT
(6.95 KL/MT)

For and on behalf of the Board

MAHENDRA K. KHATAU

Chairman & Managing Director

Registered Office:

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

Dated : 28th September, 2000

AUDITORS' REPORT

To,
The Members of
INDOKEM LIMITED

We have audited the attached Balance Sheet of **INDOKEM LIMITED** as at March 31, 2000 and also the annexed Profit and Loss Account for the year ended on that date annexed thereto, and report that;

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in Annexure referred to in paragraph 1 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 purpose of our audit.
 - b) 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 and adequate returns for the purposes of the audit have been received from branches not visited by us.
 - c) The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account.
 - d) In our opinion and according to the information and explanations given to us, the Balance Sheet and the Profit and Loss Account, subject to Note No. 4 to Note on accounts (Schedule 20) comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956.
 - e) In our opinion and to the best of our information and according to the explanations given to us subject to :
 - i) Note No.1 of Schedule 20 relating to Non provision of interest on secured loans from banks and financial institutions and for penal interest/overdue interest on non-convertible debentures - Rs.752.15 lacs and Rs.27.02 lacs respectively.
 - ii) Note No.2 of Schedule 20 relating to non provision for old advances/exports incentives aggregating to Rs.258.30 lacs.
 - iii) Note No.4 of Schedule 20 relating to non provision for diminution in value of Rs.95.82 lacs in investments in a subsidiary company.
 - iv) Note No.10 of Schedule 20 relating to purchases and sales for the year include Rs.3408.00 lacs and Rs.3403.00 lacs respectively of goods repurchased from/resold to the associated company. The loss for the year includes Rs.5.00 lacs in respect of these transactions.

And read together with the significant accounting policies and other notes given in schedule 19 & 20 give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :

- a) in the case of the Balance Sheet, of the state of affairs as at 31st March 2000 and
- b) in the case of the Profit and Loss Account, of the loss for the year ended on that date.

For and on behalf of
NANUBHAI DESAI & CO.
Chartered Accountants

PARESH S. DOCTOR
Partner

Mumbai, 28th September, 2000