

INDOKEM LIMITED

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**43rd Annual Report - 2008-2009
(Abridged)**

INDOKEM LIMITED

BOARD OF DIRECTORS

: MR. MAHENDRA K. KHATAU
(CHAIRMAN & MANAGING DIRECTOR)
MRS. LEELA K. KHATAU
MR. KAILASH PERSHAD
MR. S. RAJAGOPALAN

AUDIT COMMITTEE

: MR. KAILASH PERSHAD
(CHAIRMAN)
MR. MAHENDRA K. KHATAU
MR. S. RAJAGOPALAN

SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

: MR. KAILASH PERSHAD
CHAIRMAN
MR. MAHENDRA K. KHATAU
MRS. LEELA K. KHATAU

COMPANY SECRETARY

: MR. VIJAY MISHRA

BANKERS

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

AUDITORS

: MESSERS. SHETH DOCTOR & ASSOCIATES

REGISTRAR & SHARE TRANSFER AGENT (SHARE COLLECTION CENTRE)

: MESSERS. SHAREX DYNAMIC (INDIA) PVT. LTD.
17/B, DENA BANK BUILDING 2ND FLOOR
HORNIMAN CIRCLE, FORT, MUMBAI - 400 001.
TEL.NO.227024 85/2264 13 76
FAX NO.22641349
WEBSITE: www.sharexindia.com
E-mail id: sharexindia@vsnl.com

REGISTERED OFFICE

: KHATAU HOUSE,
PLOT NO. 410/411,
MOGUL LANE, MAHIM
MUMBAI - 400 016
TEL.NO.: 91-22-24461975/24450050
FAX NO.: 91-22-24458139/24440826
WEBSITE : www.indokem.co.in
E-MAIL: secretarial@indokem.co.in

FACTORY

: PLOT NO. 2900
GIDC INDUSTRIAL ESTATE
DISTRICT BHARUCH
ANKLESHWAR, GUJARAT

NOTICE

NOTICE is hereby given that the Forty Third Annual General Meeting of the Members of Indokem Limited will be held at Khatau House, Plot No. 410/411, Mogul Lane, Mahim (W), Mumbai —400 016 on Wednesday the 30th September, 2009 at 4.00 P.M. for the purpose of transacting the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Profit and Loss Account for the year ended 31st March, 2009 and the Balance Sheet as at that date, together with the Reports of the Board of Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. Kailash Pershad, who retires by rotation and, being eligible, offers himself for reappointment.
3. 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

Vijay Mishra
Company Secretary

Registered Office :
Khatau House,
Plot No. 410/411,
Mogul Lane, Mahim,
Mumbai - 400 016.

Dated : 20th August, 2009.

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 September, 2009 to 30th September, 2009. (both days inclusive).
3. Members are requested to notify any change of their address including Transfer's etc. to the Company's Registrar & Share Transfer Agent office at Sharex Dynamic (India) Pvt. Ltd. 17/B, Dena Bank Building, 2nd Floor, Horniman Circle, Fort, Mumbai - 400001 or at Registered Office Khatau House, Plot No.410/411, Mogul Lane, Mahim, Mumbai-400016.
4. INFORMATION REQUIRED TO BE FURNISHED UNDER THE LISTING AGREEMENT :

Name	Age	Qualification	Experience	No. of Shares	Other Directorships as on 31/03/09
Mr. Kailash Pershad	69	B.E. (Mechanical)	Over 40 Years. In the fields of Finance, General Management & Marketing as a consultant and Adviser.	NIL	Godavari Biorefineries Ltd.

DIRECTORS' REPORT

To,
The Members,
Your Directors have pleasure in presenting their 43rd Annual Report and Accounts for the year ended 31st March, 2009.

FINANCIAL RESULTS :

Total Income (Net of Increase/Decrease in inventories)
Operating Profit before Interest & Finance charges, Depreciation & tax
Less : Interest & Finance charges
Profit/(Loss) after Interest & Finance charges but before Depreciation & Tax
Less : Depreciation
Profit/(Loss) before tax
Add : Provision for Wealth Tax/FBT
Add : Excess / (Short) provision for Tax in respect of earlier year.
Less : Income tax refund for earlier year (net)
Profit/(Loss) after tax
Less : Amount drawn from Capital Reserve
Less : Transfer From Debenture Redemption Reserve
Surplus brought forward from last year
Surplus/(Loss) carried to Balance Sheet

(Rs. In Lacs)

31.03.2009	31.03.2008
70,13.32	70,64.23
5,84.52	5,53.67
5,66.63	4,85.30
17.89	68.37
3,09.59	3,10.40
(2,91.70)	(2,42.03)
(6.76)	(8.34)
(2.86)	(0.03)
-	0.82
(3,01.32)	(2,49.58)
1.76	1.86
-	1,60.00
98.26	1,85.98
(2,01.30)	98.26

REVIEW OF OPERATIONS :
SALES, PROFITABILITY AND PRODUCTION :

In the current financial year, your Company's total sales have increased to Rs.69.24 Crs. as compared to Rs. 67.13 Crs. in the previous year. The production of vat dyes has decreased from 216 MT in the previous year to 159 MT in the current financial year. The reduction in sales of vat dyes is primarily due to stiff competition as well as volatile pricing for export markets. On the domestic front, your Company's sales of vat dyes were adversely affected due to volatility in prices and demand for certain products as well as shortage and increasing prices of raw materials.

Sales of traded products such as direct dyes, sizing chemicals, vat pastes, textile auxiliaries, reactive dyes etc., increased to Rs. 53.45 Crs. as compared to Rs. 48.26 Crs. in the previous financial year.

PROSPECTS:

Critical factors such as raw material pricing and availability, demand and operating costs for both of your Company's divisions, trading as well as manufacturing, are expected to improve in the next financial year. Your Company has faced stiff competition in dyes on both export & domestic front, but yet has managed to retain market share and continues to fill its order book.

In spite of difficulties and problems your company's strategy is to increase and expand sales of high margin traded products as to improve its profitability. The textile industry continues to have increasing demand for the Companies products and therefore prospects seem bright for the years ahead.

Gujarat Industrial Development Corporation has initiated action against your Company for non-payemnt of their outstanding dues and has sealed the factory premises. This matter is now pending before the Hon'ble High Court of Gujarat and is Sub-judice. In view of the above, our operations at the factory have been suspended.

EXPORT SALES:

Your Company's export sales for the current financial year are lower compared to the previous financial year. Fluctuations in exchange rates, scarcity of key raw materials etc. during the year adversely affected our export contributions to a large extent.

DIVIDEND:

Due to absence of profit in the current year, your Directors express their inability to declare any dividend.

FINANCE:

Interest costs for the year have increased sharply during the year, as rates of interest for various facilities availed by your Company have been increased substantially due to increase in BPLR by our bankers. The Company continues its efforts to repay debts and other liabilities at the earliest so as to reduced the cost of debt.

INSURANCE:

All the assets of the Company including Plant and Machinery, Building, and Stocks etc. are adequately insured.

SUBSIDIARY COMPANIES:

Pursuant to Section 212 of the Companies Act, 1956, the Audited Accounts with the Auditors' and Directors' Reports of your Company's subsidiaries Kapsales Electricals Limited and Radio Components and Transistors Company Ltd. for the year ended 31st March, 2009 are annexed hereto.

Radio Components and Transistors Company Ltd has recorded a profit of Rs.2.64 lacs during the year as compared to Loss of Rs. 21.97 lacs in previous year.

Kapsales Electricals Limited has recorded a loss of Rs. 10.93 lacs during the year as compared to the loss of previous year Rs.9.48 lacs.

DIRECTORS' RESPONSIBILITY STATEMENT:

The Board of Directors of the Company confirms:

- i) That in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- ii) that such selected accounting policies were applied consistently and the directors 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 as at March 31, 2009 and the Loss of the Company for the year ended on that date;
- iii) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) that the annual accounts have been prepared on a going concern basis.

DIRECTORS:

Mr. Kailash Pershad retires by rotation at the conclusion of this Annual General Meeting and being eligible, offers himself for reappointment.

Mr. N. S. Parulekar has expired on 31st July, 2009. The Board placed on record its appreciation for the long association and valuable contribution of Mr. N. S. Parulekar during the tenure of his office as Director of Company.

CORPORATE GOVERNANCE:

Disclosures on the points relating to the Corporate Governance are given in Annexure - 1 to this report.

MANAGEMENT DISCUSSION AND ANALYSIS:

Your Company manufactures and trades dyes and chemicals for use in the textile industry both in India as well as worldwide and operates through two divisions, namely the manufacturing and trading divisions. The manufacturing division produces vat dyes and other textile chemicals at your Company's plant at Ankleshwar. The trading division trades in direct dyes, sizing chemicals, vat pastes, textile auxiliaries, reactive dyes etc. In the current financial year, the Company incurred a loss of Rs.301.32 lacs as compared to a loss of Rs.249.59 lacs in the previous year. The loss of the year is attributed to various factors that affected your Company's performance in the current financial year.

- i) The reduction in sales of vat dyes is primarily due to stiff competition from Chinese manufacturers as well as volatile pricing for export markets. On the domestic front, your Company's sales of vat dyes were adversely affected due to volatility in prices and demand for certain products as well as shortage and increasing prices of raw materials.
- ii) Raw materials consumed as a percentage of sales has increased from 73.43% in the previous financial year to 77.66% in the current year. This is primarily due to volatile prices and scarcity of raw materials, as well as rising oil prices. Our cost of raw materials has increased due to these factors as many of the key raw materials are petro based.
- iii) Interest and finance costs increased drastically due the ongoing recession and financial crises in the market. Despite adverse factors affecting the profitability of your Company, Management has put in efforts to reduce major costs such as manpower, fuel and water charges to reduce the impact of adverse market conditions faced by your Company.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

There is a good Internal Control System in the Company by way of adequate Internal control procedures and regular operations review etc. Efforts are being made to continuously improve the quality of internal control systems.

AUDITORS:

M/s. Sheth Doctor & Associates, Chartered Accountants, Auditors of the Company, retire at the forthcoming Annual General Meeting of the Company and, are eligible for reappointment.

AUDITORS' REMARKS:

No qualificatory remarks observed in the Auditors' Report.

EMPLOYEES:

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particular of Employees) Rules, 1975 is not applicable to the Company as none of the employees are drawing salary more than Rs.24 lacs per annum.

The employees have extended their full support and valuable contribution, which helped the Company to carry on the business under difficult conditions caused by liquidity crunch. The Company and the management convey their appreciation and thankfulness for the same.

CONSERVATION OF ENERGY:

A Statement showing particulars as per Form A, under Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is given as Annexure 2 and forms part of this Report.

FOREIGN EXCHANGE EARNINGS AND OUTGO:

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

		(Rs. in '000)
	31.03.2009	31.03.2008
i) EXPENDITURE IN FOREIGN EXCHANGE CAPITAL		
Value of imports on C.I.F. basis Raw Material	2,91,83	3,69,12
Travelling	3,04	50
Commission	Nil	12
Others	14	6,26
Total :	2,95,01	3,76,00
ii) EARNINGS IN FOREIGN EXCHANGE		
F.O.B. value of exports	9,62,18	10,32,36
Technical Fees earned	Nil	18,46
Total :	9,62,18	10,50,82

ACKNOWLEDGEMENT:

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

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For and on behalf of the Board

Mahendra K. Khatau
Chairman & Managing Director

Registered Office :
Khatau House,
Plot No.410/411,
Mogul Lane, Mahim,
Mumbai - 400 016.

Dated : 20th August, 2009

ANNEXURE – 1
CORPORATE GOVERNANCE DISCLOSURES :

In terms of the Schedule of implementation of Clause No.49 of the Listing Agreement on Corporate Governance, your Company has been complying with the requirements of the said Clause to the extent and in the manner stated hereunder:

A. Company's Philosophy on Corporate Governance

The Company's Philosophy on Corporate Governance envisages the attainment of the high level of transparency and accountability in the functioning of the Company and the conduct of its business internally and externally including its inter action with employees, shareholders, consumers, institutional and other lenders and places due emphasis on regulatory compliance.

The Company will continue its efforts in raising the standard in Corporate Governance and will also review its systems and procedures constantly to keep pace with the changing economic environment.

B. Board of Directors

The Board comprises the Managing Director and Non-Executive/Independent Directors. As on 30th July, 2009 the strength of the Board was five Directors. The Managing Director is the only Whole-time Director the remaining four being Non Executive Directors.

C. Remuneration of Directors

Managing Director

Rupees in Lacs

11.53

(Salary, Allowances, contribution to Provident Fund, Superannuation Fund, Gratuity Fund, Value of perquisites)

Non-Executive Directors :

Sitting Fees

0.50

TOTAL :

12.03

The Managing Director have a service contract of five years, with a notice period of three months by either party.

The Company has no Stock Option Scheme for any of its Directors.

D. Board Meeting :

The Board met Five times during the year on 28/04/2008, 29/07/2008, 15/09/2008, 24/10/2008 and 29/01/2009.

The attendance of Directors at the Board Meetings (BOD) and Annual General Meeting (AGM) was as follows:

Sr. No.	Name of Director		No. Of Board Meetings Attended	Attendance at Last AGM	Outside Committee Position held Member/Chairman	
1.	Mr. M.K. Khatau	Whole time Managing Director	5	Yes	-	-
2.	Mr. N.S. Parulekar	Non-Executive Director/	4	No	2	1
	(up to 31/07/2009)	Independent Director				
3.	Ms. Leela K. Khatau	Non-Executive Director	3	Yes	-	-
4.	Mr. Kailash Pershad	Non-Executive Director/	5	Yes	1	-
		Independent Director				
5.	Mr. S. Rajagopalan	Non-Executive Director/	2	Yes	-	1
		Independent Director				

E. Audit Committee :

The Audit Committee comprises three Directors, Mr. Kailash Pershad(Chairman)*, Mr. M.K. Khatau, Mr. S. Rajagopalan. The Company Secretary, Mr. Vijay Mishra acts as the Secretary of the Committee.

The Committee held Five meetings during the year on 28/04/2008, 29/07/2008, 15/09/2008, 24/10/2008, 29/01/2009.

The table below gives the attendance record.

Name of Director	No. of Meetings held	No. of Meetings Attended
Mr. N.S. Parulekar**	5	4
Mr. M.K. Khatau	5	5
Mr. S. Rajagopalan	5	2

The Committee's powers and role are stipulated at Clause 49 of the Listing Agreement.

* Mr. Kailash Pershad appointed as chairman of audit committee on 20th August 2009.

** Mr. N.S Parulekar retired from audit committee on 31st July 2009 due to death.

F. Shareholders/Investors' Grievance Committee :

The Company has formed an Investors/Shareholders Grievance Committee with the following terms of reference:

- Ensure redressal of the shareholders and investors complaints relating to transfer of shares non-receipt of Balance Sheet etc.
- Redressal of investor's complaints in respect of non-receipt of dividends/interests/payments on redemption of preference shares, debentures, bonds or such other instruments that are redeemable.

The Composition of the Committee as on 31st March, 2009 is as under:

- Mr. N.S. Parulekar (Chairman - Non Executive Director upto 31st July, 2009)
- Mr. M. K. Khatau
- Ms. Leela K. Khatau
- Mr. Kailash Pershad (Chairman- Non-Executive Director of the committee from 20th August, 2009)
- Mr. Vijay Mishra, Company Secretary acts as a Secretary of the Committee.

The quorum for the Committee Meeting is presence of two Directors.

During the year, the Committee held three meetings (on 28th April, 2008, 29th July, 2008, and 29th January, 2009). All the above Members attended the Meetings. We have not received any complaint from investors.

Further, the Board of Directors have delegated the powers to approve, transfer of the securities allotted by the Company to a Share Transfer Committee Meeting. The Committee held 18 Meetings during the year and approved the transfer of the shares lodged with the Company. All the transfers of shares received by the Company have been complied within the time limit.

G. Code of Conduct :

The Board has laid down a Code of Conduct for all Board Members and Senior Management of the Company. All Board Members and Senior Management Personnel have affirmed compliance with the Code on an annual basis the declaration to this effect signed by the Managing Director of the Company, forms part of this Annual Report.

H. Remuneration Committee :

The Company does not have a Remuneration Committee. The remuneration payable to the Managing Director is approved by the Board of Directors and then by the shareholders at the General Meeting and such other Authorities as may be necessary.

I. Key Information :

Key information such as annual operating plans, budgets, quarterly working results, minutes of audit committee and other committees are made available to the Directors.

The Board is informed of all affairs including materials, financial and commercial decisions from time to time.

J. Disclosures :

There are no materially significant related party transactions that may have potential conflict with the interests of the Company.

The Company has complied with the requisite regulations relating to capital markets. There are no penalties or strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

Quarterly Results are approved by the Audit Committee and taken on record by the Board of Directors and submitted to the Stock Exchange in terms of the requirements of Clause 41 of the Listing Agreement.

Quarterly Results are normally published in English and Marathi newspapers.

K. Web Site :

The Company Web Site : www.indokem.co.in

Queries relating to Investors' Grievance may be addressed to e-mail: secretarial@indokem.co.in

L. General Shareholder information :**1) Annual General Meetings :**

The last three Annual General Meetings of the Company were held as under :

Financial Year	Date	Time	Location
2007-2008	18/11/2008	4.00 p.m.	Khatau House, Mogul Lane Mahim, Mumbai - 400 016.
2006-2007	24/09/2007	4.00 p.m.	-----do-----
2005-2006	31/08/2006	4.00 p.m.	-----do-----

No Special resolutions were required to be put through postal ballot last year.

2) Financial Calendar :

Period	Board Meeting to approve Quarterly Financial Results
1st Quarter ending 30th June, 2009	30th July, 2009
2nd Quarter ending 30th September, 2009	last week of October, 2009
3rd Quarter ending 31st December, 2009	last week of January, 2010
4th Quarter ending 31st March, 2010	last week of April, 2010
Year ending 31st March, 2010 (Audited)	June/July, 2010.
Annual General Meeting for the year ending 31st March, 2010	September, 2010

3) Date of Book Closure :

From 24th September, 2009 to 30th September, 2009 (both days inclusive).

4) CEO/CFO Certification :

Certificate from Mr. Mahendra K. Khatau, Chairman and Managing Director and Mr. Vijay Mishra, General Manager Finance & Accounts and Company Secretary in terms of Clause 49(V) of the Listing Agreement with the Stock Exchange/s for the Financial Year ended 31st March, 2009 was placed before the Board of Directors of the Company in its meeting held on 20th August, 2009.