

INDOKEM LIMITED

**44th Annual Report
2009-2010**

INDOKEM LIMITED**C O N T E N T S**

	Page No.
Notice	2
Directors' Report	6
Corporate Governance Disclosures	9
Auditors' Report	16
Balance Sheet	18
Profit & Loss Account	19
Cash Flow Statement	20
Schedules to Balance Sheet	21
Schedules to Profit and Loss Account	25
Principal Accounting Policies	28
Notes on Accounts	29
Balance Sheet Abstract and Company's General Business Profile	32
Consolidated Balance Sheet	34
Consolidated Profit & Loss Account.	35
Consolidated Cash Flow Statement	36
Schedules to Consolidated Balance Sheet	37
Schedules to Consolidated Profit and Loss Account	41
Significant Accounting Policies and Notes to Accounts	43
Subsidiary Company	45, 59

44th ANNUAL GENERAL MEETING

Date	: Thursday, 30th September, 2010
Time	: 4.00 p.m.
Venue	: Khatau House, Plot No. 410/411, Mogul Lane, Mahim (W), Mumbai - 400 016

INDOKEM LIMITED

BOARD OF DIRECTORS

MR. MAHENDRA K. KHATAU	-	CHAIRMAN & MANAGING DIRECTOR
MRS. LEELABAI KISHORE KHATAU		
MR. S. RAJAGOPALAN		
MR. KAILASH PERSHAD		
MR. B. G. SONTAKKE		
MRS. ASHA MAHENDRA KHATAU		

MR. ROHAN R. GAVAS	-	COMPANY SECRETARY
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BANKERS

UNION BANK OF INDIA
BANK OF INDIA

AUDITORS

M/S SHETH DOCTOR & ASSOCIATES.

REGISTERED OFFICE

KHATAU HOUSE, PLOT NO. 410/411,
MOGUL LANE, MAHIM, MUMBAI 400 016
TEL: - 61236767, FAX: - 61236741
EMAIL :- iklsecretarial@rediffmail.com
WEBSITE :- www.indokem.co.in

REGISTRAR & SHARE TRANSFER AGENT

SHAREX DYNAMIC (I) PVT. LTD,
17/B, DENA BANK BUILDING, 2nd FLOOR,
HORNIMAN CIRLCE, FORT, MUMBAI 400 001.
TEL: - 227024 85/ 2264 1376 FAX: - 22641349,
EMAIL :- sharexindia@vsnl.com
WEBSITE :- www.sharexindia.com

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

NOTICE

NOTICE is hereby given that the Forty-Fourth Annual General Meeting of the members of Indokem Limited will be held on Thursday, 30th September, 2010 at 4.00 P.M. at Khatau House, Plot No. 410 / 411, Mogul Lane, Mahim (W), Mumbai – 400 016 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March, 2010, the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mrs. Leelabai K. Khatau who retires by rotation and being eligible, offers herself for re-appointment.
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.

SPECIAL BUSINESS:

4. To consider and, if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:
“RESOLVED THAT pursuant to the provisions of Section 198,269 and 309 and other applicable provisions, if any, of the Companies Act, 1956 and subject to such sanctions as may be necessary, the Company hereby approves the re-appointment of Shri. Mahendra K. Khatau as Chairman and Managing Director of the Company for a period of five years w.e.f. 1st April, 2010 to 31st March, 2015 on the remuneration and upon the terms and conditions as set out in the Explanatory Statement relating to this Resolution with liberty and powers to the Board of Directors to alter and vary the terms and conditions and remuneration in such manner as the Board of Directors may deem fit and as is acceptable to Shri. Mahendra K. Khatau within the limits specified in Schedule XIII of the Companies Act, 1956 or any amendments thereto.”
“RESOLVED FURTHER THAT in the event of any statutory amendment or modification or relaxation by the Central Government to Schedule XIII to the Companies Act, 1956 the Board of Directors be and is hereby authorised to vary or increase the remuneration, including salary, commission, perquisites, allowances etc., within such prescribed limit or ceiling and the agreement between the Company and Shri. Mahendra K. Khatau be suitably amended to give such modification, relaxation or variation without any further reference to the Members of the Company in the General Meeting.”
“RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take such steps as may be necessary to give effect to this resolution.”
5. To consider and, if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:
“RESOLVED THAT Mrs. Asha M. Khatau who was appointed as Additional Director by the Board to hold office up to the date of this Annual General Meeting, and in respect of whom a notice under section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose, Mrs. Asha M. Khatau as a candidate for the office of the Director be and is hereby elected and appointed as a director of the Company, liable to retire by rotation.”
6. To consider and, if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:
“RESOLVED THAT Shri. Bhalchandra G. Sontakke who was appointed as an Additional Director by the Board of Directors of the Company to hold office up to the date of this Annual General Meeting, and in respect of whom a notice under section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose, Shri Bhalchandra G. Sontakke as a candidate for the office of the Director be and is hereby elected and appointed as a Director of the Company, liable to retire by rotation.”
7. To consider and, if thought fit, to pass with or without modification(s) 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 is hereby amended by substituting the following Article in place of the existing Article 121:
“121 Until otherwise determined by a General Meeting and subject to Section 252 of the Act, the number of Directors shall not be less than Four or more than twelve excluding any debenture directors. The first Directors of the Company shall be :-
 1. Mr. Kishore D. Khatau
 2. Mr. Ranvir M. Khatau
 3. Dr. Otto Junker
 4. Mr. K. Stache
 5. Dr. Pranal Patel
 6. Mr. K.V. Aiyer

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts and things and deal with all such matters and to take all such steps as may be necessary to give effect to this resolution.”

8. To consider and, if thought fit, to pass with or without modification(s) the following resolution as a Special resolution:
- "RESOLVED THAT the Company do hereby grants its approval and consent under section 314 of the Companies Act, 1956 and other applicable provisions if any, to the appointment of Mr. Manish M. Khatau son of Mr. Mahendra K. Khatau, Chairman and Managing Director of the company as Vice President – Corporate Strategies in the Management Cadre of the Company on a Basic Salary and other allowances aggregating to Rs.49,000/- per month and that the directors be and they are hereby authorised to grant from time to time to Mr. Manish M. Khatau such increment or increments as the Directors may, in their discretion think fit but, so that his basic salary along with other allowances aggregating shall not exceed Rs. 50,000/- per month.”

Place: Mumbai
Date: 13.08.2010

For Indokem Limited.
by Order of the Board

Rohan R. Gavas
Company Secretary

Registered Office:
“KHATAU HOUSE”, MOGULLANE,
MAHIM, MUMBAI 400 016

NOTES:

- (1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND TO VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
- (2) Instrument of proxy in order to be effective must be deposited at the Company's Registered Office at “Khatau House”, Mogul Lane, Mahim, Mumbai – 400 016. not less than 48 hours before the commencement of the Annual General Meeting.
- (3) An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of item Nos. 4,5,6 ,7 & 8 of the Notice is annexed hereto.
- (4) The Register of Members and Share Transfer Books of the Company will remain closed from 22nd September, 2010 to 30th September, 2010 (both days inclusive).
- (5) The Company has connectivity with both the Depositories i.e., Central Depository Services (India) Ltd. (CDSL) and National Securities Depository Limited (NSDL) and ISIN No. is INE716FO1012. Members are requested to dematerialize their shares for scrip-less trading.
- (6) Members holding shares in physical form are requested to notify immediately any change of address, if any, to the Company's Registrar & Share Transfer Agent and in case their shares are held in dematerialized form this information should be passed on directly to their respective depository participants and not to the Company/STA, without any delay.
- (7) Members desirous of getting any information on the accounts or operations of the Company, are requested to forward their queries to the Company at least seven working days prior to the meeting so that the required information can be made available at the meeting.

ANNEXURE TO NOTICE, EXPLANATORY STATEMENT

(Pursuant to Section 173 (2) of the Companies Act, 1956)

ITEM NO. 4

The members at their Annual General Meeting held on 29th September, 2005 had approved the re-appointment of Shri. Mahendra K. Khatau as Chairman and Managing Director w.e.f. from 1st April, 2005 to 31st March, 2010. The Board of Directors of the Company at their meeting held on 29th January, 2010 have, subject to the approval of the Members and other necessary approvals, re-appointed Shri. Mahendra K. Khatau as Chairman and Managing Director of the Company for a further term of five years w.e.f. 1st April, 2010.

The draft agreement to be entered into by the company with Chairman and Managing Director interalia, contain the following terms and conditions :-

A. Period :

The appointment will be effective from 1st April, 2010 for a period of five years i.e. up to 31st March, 2015.

B. Overall Remuneration :

The remuneration payable to him shall be as follows:

- i) Salary: Rs.75,000/- per month with annual increment of such amount as may be decided by the Board.
- ii) Perquisites : Perquisites are classified into as follows :
 - iii) Housing :

Rent Free furnished Accommodation owned or leased / rented. In case the Company provides no accommodation, Mr Khatau shall receive house rent allowance of Rs.25,000/- (Rupees Twenty Five Thousand only) per month.
 - iv) Housing Maintenance Allowance : Rs.10,000/- (Rupees Ten Thousand only) p.m.
 - v) Reimbursement of gas, electricity, water charges & furnishing up to Rs.6000 p.m.
 - vi) Medical Reimbursement : Reimbursement of expenses incurred by Mr. Khatau for himself and his family subject to ceiling of one month's salary in a year or two month salary over a period of two years.
 - vii) Leave Travel Concession :

Leave Travel allowance for himself and his family is Rs.75000/- p.a. once in a year in accordance with rules of the Company.
 - viii) Personal Accident Insurance / Mediclaim Policies :-

In accordance with the rules of the Company, however the premium thereof not to exceed Rs.17400/- for both the policies.
 - ix) Club Fees: - Fees of the Clubs subject to a two clubs. No admission and life membership fees shall be paid
 - x) Car with driver and Telephone :-

The Company will provide a Car with Driver and Telephone at the residence of Mr. Khatau. The provision of car for use on Company's business and Telephone at residence will not be considered as perquisite. Personal long distance calls and use of car for private purposes shall be billed by the Company to Mr. Khatau.
 - xi) Earned Leave :-

On full pay and allowance and perquisite as per the rules of the Company. Encashment pf leave for a maximum of 60 days at the end of the tenure will be permissible, which shall not be included in the computation of minimum remuneration.
 - xii) Company's contribution towards Provident Fund to the extent it is not taxable under Income Tax Act, 1961
 - xiii) Gratuity not exceeding half a month's salary for each completed year of service. The aforesaid perquisites stated shall not be included in the computation of minimum remuneration.

The aforesaid perquisites stated in (xii) and (xiii) shall not be included in the computation of minimum remuneration.

During the tenure of appointment he will not be entitled to sitting fees for attending the meeting of the Board of Directors of the Company.

The Draft Agreement between the Company and Shri. Mahendra K. Khatau is available for inspection at the Registered Office of the Company during the business hours on any working day.

Except Shri. Mahendra K. Khatau, Mrs. Leela K Khatau and Mrs. Asha M. Khatau none of the directors are interested directors in the resolution of item no 4.

ITEM NO. 5 Appointment of Director

Mrs. Asha M. Khatau was appointed as Additional Director with effect from 30th October, 2009. As per provision of the Companies Act, 1956, the above Director, hold office only upto the forthcoming Annual General Meeting of the Company. The Company has received a notice along with the requisite deposit under section 257 of the Act, proposing their appointment as Director of the Company.

Keeping in view the experience, the expertise of this person, her appointment as Director of the Company is recommended by the Board.

None of the existing Directors except M.K. Khatau, Mrs. Leela K. Khatau and Asha M. Khatau is interested and concerned in the said resolution.

ITEM NO. 6 Appointment of Director

Mr. Mr. Bhalchandra G. Sontakke was appointed as Additional Director with effect from 30th October, 2009

As per provision of the Companies Act, 1956, the above Director, hold office only upto the forthcoming Annual General Meeting of the Company. The Company has received a notice along with the requisite deposit under section 257 of the Act, proposing their appointment as Director of the Company.

Keeping in view the experience, the expertise of this person, his appointment as Director of the Company is recommended by the Board.

None of the existing Directors is interested and concerned in the said resolution.

ITEM NO. 7 Alteration of Articles of Associations :-

Pursuant to Section 252 of the Companies Act, 1956, for a public limited Company minimum 3 directors are required to be appointed and maximum number of Directors should be 12. Hence in order to make our Articles of Associations in consonance with the provisions of Companies Act, 1956 and to make optimum composition of Board it is advisable to reconstitute the Composition the Board as minimum should be Four Directors instead of six and Maximum directors will remain 12 directors.

None of the existing Directors is interested and concerned in the said resolution.

ITEM NO. 8 Appointment of Mr. Manish M. Khatau.

Mr. Manish M. Khatau is employed as Vice President – Corporate Strategies of the Company. He is a Bachelor of Commerce and has vast experience in Corporate strategy. The Management of the Company has decided to pay him remuneration w.e.f. 21.12.2009 which includes Basic Salary and other allowances aggregating to Rs. 49,000/- Per month.

Since Mr. Manish M. Khatau is son of Mr. Mahendra K. Khatau, Chairman and Managing Director of the Company, it is required to obtain consent of Members for payment of remuneration exceeding Rs. 10,000/- per month.

Mr. M.K. Khatau, Mrs. Asha M. Khatau and Mrs. Leela K. Khatau are relatives of Mr. Manish M. Khatau, hence are interested in the above resolution.

For Indokem Limited.
By Order of the Board

Place : Mumbai
Date : 13/08/2010

Rohan R. Gavas
Company Secretary

Details of Director seeking re-appointment in forthcoming Annual General Meeting

Name of the Director	Mrs. Leelabai K. Khatau
Age	78 yrs
Expertise in specific functional area	Industrialist
Qualifications	B.A.
Other Directorship as on 31.03.2010	1) Emerald Capital Services Pvt. Ltd. 2) Priyamvada Holdings Limited.
Chairman/ Member of the Committee of the Board of Public Companies on which she is a Director as on 31.03.2010	Nil

DIRECTORS' REPORT

To,
The Members,

Your Directors have pleasure in presenting their Forty Fourth Annual Report on the business and operations of the Company together with the Audited Statement of Accounts for the year ended 31st March, 2010.

(Rupees in Lacs.)

FINANCIAL RESULTS

	For the year ended 31.03.2010	For the year ended 31.03.2009
Income	50,98.59	70,13.33
Profit / (Loss) before Interest, Depreciation and Taxes	(1,50.17)	5,84.52
Less : Interest	4,76.48	5,66.63
Depreciation	3,02.07	3,09.59
Profit / (Loss) before tax	(9,28.72)	(2,91.70)
Add : Provision for Wealth Tax / FBT	Nil	(6.76)
Add : Excess / (Short) provision for tax in respect of earlier year	(0.25)	(2.86)
Profit / (Loss) After Tax	(9,28.97)	(3,01.32)
Less : Amount drawn from Capital Reserve	1.68	1.76
Profit / (Loss) brought forward from last year	(2,01.30)	98.26
Surplus/ (Loss) carried to Balance Sheet	(11,28.59)	(2,01.30)

DIVIDEND:

In order to conserve resources, your Directors do not recommend any dividend for the year under consideration.

OPERATIONS AND FUTURE PROSPECTS:

The Company has sold its housing complex situated at Bharuch, Gujarat in September, 2009 and also a portion of the office premises situated at Khatau House, Mahim in March, 2010.

Proceeds from the sale of said properties were utilized to meet outstanding dues of Gujarat Industrial Development Corporation, Development Credit Bank Limited and other major banks. Consequently, upon payment of GIDC dues, possession of Ankleshwar factory is reverted back to the Company. However the operations at Ankleshwar factory remains suspended in view of the fact that the plant remained in-operative for a considerable time. In the current financial year Company's total sales have decreased from 69.24 Crores to 51.90 Crores as compared to previous year.

EXPORTS:

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

DIRECTORS:

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mrs. Leelabai K. Khatau, Director, retires by rotation and is eligible for re-appointment. The Board recommends her appointment.

The Board of Directors has re-appointed Mr. Mahendra K. Khatau as Chairman & Managing Director, subject to the approval of the members at the ensuing Annual General Meeting for a term of five years w.e.f. 01/04/2010 to 31/03/2015.

AUDITORS:

M/s. Sheth Doctor & Associates, Chartered Accountants, Auditors of the Company, hold office until conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received letters from them to the effect that their appointment, if made, would be within the prescribed limits under section 224(I B) of the Companies Act, 1956. The Audit Committee of the Board has recommended the re-appointment of M/s. Sheth Doctor & Associates, Chartered Accountants as Auditors of the Company.

INSURANCE:

All properties and insurable interest of the Company including buildings, plant and machineries, stores and spares have been adequately insured.

SUBSIDIARY:

Pursuant to section 212 of the Companies Act, 1956, the Audited Accounts with Auditors, and Directors' Reports, of your Company's subsidiaries Kapsales electricals Limited and Radio Components and Transistors Company Ltd. For the year ended 31.03.2010 are annexed hereto.

Radio Components and Transistors Ltd. Has recorded a profit of Rs. 2.47 Lacs during the year as compared to Rs 2.64 Lacs in previous year.

Kapsales Electricals Limited has recorded a loss of Rs.37.92 Lacs during the year as compared to the loss of Rs.10.93 lacs of previous year.

FIXED DEPOSITS:

The Company has not accepted or renewed any Deposits from public during the year under review and there is no unpaid or unclaimed deposits lying with the Company.

BALANCE SHEET ABSTRACT & COMPANY'S GENERAL BUSINESS PROFILE:

Information pursuant to Department of Company Affairs Notification relating to the Balance Sheet Abstract and Company's General Business Profile is given in the Annual Report for the information of the Shareholders.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

Operations at our factory situated at Ankleshwar, Gujarat is suspended hence provisions pertaining to Conservation of Energy, Technology Absorption and Form A, and Form B (disclosure of particulars with respect to absorption) are not applicable. Particular with regard Foreign Exchange are as follows :-

FOREIGN EXCHANGE EARNINGS AND OUTGO:

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

		Rs.'000	
		31.03.2010	31.03.2009
I)	EXPENDITURE IN FOREIGN EXCHANGE CAPITAL		
	Value of Imports on C.I.F. basis Raw Material	31,39	2,91,83
	Travelling	1	3,04
	Commission	-	-
	Others	1,63	14
	Total:	33,03	2,95,01
II)	EARNINGS IN FOREIGN EXCHANGE		
	F.O.B. VALUE OF EXPORTS		
	Total:	5,29,59	9,62,18

PARTICULARS OF EMPLOYEES:

None of the employees of the Company fall under the provision of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, during the year under report.

DIRECTORS' RESPONSIBILITY STATEMENT:

In terms of provisions of Section 217 (2AA) of the Companies Act, 1956, the Directors on the Board confirm that:

- 1) In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures wherever applicable;
- 2) The Directors had 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 and of the profit of the Company for the year under review;
- 3) The Directors had 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;
- 4) The Directors have prepared the annual accounts on a going concern basis.

INDUSTRIAL RELATIONS:

The industrial relations remained cordial during the year under review.

CORPORATE GOVERNANCE:

Corporate Governance primarily involves transparency, full disclosure, independent monitoring of the state of affairs and being fair to all stakeholders. The Company has complied with the mandatory provisions of Corporate Governance. As prescribed under the Listing Agreement of the Stock Exchanges, a separate report on Corporate Governance appears after this report. A certificate from M/s. Sheth Doctor & Associates, Chartered Accountants, with regard to compliance of the Corporate Governance Code by the Company is annexed hereto and forms part of this report. Further, a separate Management Discussion & Analysis Report is also enclosed with this report.

APPRECIATION:

The Directors wish to express their appreciation of the support and co-operation of officials of the Central and State Government and take this opportunity to thank all its Bankers, suppliers, business associates and customers who continue to repose their trust in the Company.

The Directors are also grateful to the shareowners for their continued support, confidence and the faith reposed in the Company. Your Directors also acknowledge the valuable contributions of its employees at all levels with whose dedication and committed efforts, the Company has been able to enhance its position in the market place.

For and on behalf of the Board

Mumbai
Date: 13.08.2010

Mahendra K. Khatau
Chairman & Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS

Your Company deals in dyes and chemicals for use in the textile industry both in India as well as worldwide. The Company trades directly & through stockists in textile dyes, sizing chemicals, vat pastes, Vat Dyes, textile auxiliaries, reactive dyes etc. Company caters to both Domestic and International market. We have good team of technical and commercial professionals and expertise in dyes marketing.

In the current financial year Company's total sales have decreased from 69.24 Crores to 51.90 Crores as compared to previous year. The reduction in sales is primarily due to stiff competition as well as volatile pricing of export market.

INTERNAL CONTROL SYSTEM

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

HUMAN RESOURCE MANAGEMENT

The Company considers its Employees as one of its most valuable asset. We strongly encourage all aspects of self – development. The organizational structure is open and flat, with minimal differential between positions. The remuneration structure links rewards directly to performance.

SAFE HARBOUR CLAUSE

Statements in the Management Discussion and Analysis describing the Company's objectives and expectations may be "forward looking statement" within the meaning of applicable securities laws and regulations. These statements are based on certain assumptions and reasonable expectation of future events. Actual results could however differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include, among others, economic conditions affecting demand/ supply, price conditions in the domestic and overseas market in which the Company operates, changes in the Government regulations and tax structure, economic developments within India and the countries with which the Company has business contacts and other factors such as litigation and industrial relations.

Thus, the Company should and need not be held responsible, if, which is not unlikely, the future turns to be quite different. Subject to this management disclaimer, this discussion and analysis should be perused.