

# INDOKEM LIMITED

**45<sup>th</sup> Annual Report  
2010-2011**

# INDOKEM LIMITED

## CONTENTS

	Page No.
Notice	2
Directors' Report	4
Management Discussion and Analysis	7
Corporate Governance Disclosures	8
Auditors' Report	15
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 to 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	
Consolidated Accounts	43
Subsidiary Company	44 - 58

## 45<sup>th</sup> ANNUAL GENERAL MEETING

**Date** : Thursday, 29th September, 2011  
**Time** : 4.00 p.m.  
**Venue** : Khatau House, Plot No. 410/411,  
Mogul Lane, Mahim (W),  
Mumbai - 400016

**BOARD OF DIRECTORS**

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

**COMPANY SECRETARY**

MR. ROHAN R. GAVAS

**BANKERS**

UNION BANK OF INDIA  
BANK OF INDIA

**AUDITOR**

M/S. SHETH DOCTOR & ASSOCIATES

**REGISTERED OFFICE**

KHATAU HOUSE, PLOT NO. 410/411,  
MOGUL LANE, MAHIM, MUMBAI - 400016  
TEL.NO.: 6123 6767 / 6123 6711  
EMAIL: [iklsecretarial@gmail.com](mailto:iklsecretarial@gmail.com)  
WEBSITE: [www.indokem.co.in](http://www.indokem.co.in)

**REGISTRAR & SHARE TRANSFER AGENT****SHAREX DYNAMIC (INDIA) PVT. LTD.**

UNIT NO. 1, LUTHRA INDUSTRIAL PREMISES,  
ANDHERI-KURLA ROAD, SAFED POOL,  
ANDHERI (EAST), MUMBAI – 400072.  
TEL.NO.: 2851 5606 / 2851 5644.  
EMAIL: [sharexindia@vsnl.com](mailto:sharexindia@vsnl.com)  
WEBSITE: [www.sharexindia.com](http://www.sharexindia.com)

**Registered Office:** "Khatau House", Plot No. 410/411, Mogul Lane, Mahim, Mumbai – 400016.

**NOTICE**

NOTICE is hereby given that the Forty-Fifth Annual General Meeting of the members of Indokem Limited will be held on Thursday, 29<sup>th</sup> September, 2011 at 4.00 P.M. at Khatau House, Plot No. 410 / 411, Mogul Lane, Mahim (W), Mumbai – 400016 to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31<sup>st</sup> March, 2011, 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 Mr. Kailash Pershad who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. S. Rajagopalan who retires by rotation and being eligible, offers himself for re-appointment.
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.

Place: Mumbai  
Date: 29.07.2011

For **Indokem Limited**  
by Order of the Board

**Rohan R. Gavas**  
(Company Secretary)

Registered Office:  
"KHATAU HOUSE", MOGUL LANE,  
MAHIM, MUMBAI – 400016

---

**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) The Register of Members and Share Transfer Books of the Company will remain closed from 21<sup>st</sup> September, 2011 to 29<sup>th</sup> September, 2011 (both days inclusive).
- (4) 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.

- (5) 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.
- (6) 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.

Place: Mumbai  
Date: 29.07.2011

**For Indokem Limited**  
by Order of the Board

**Rohan R. Gavas**  
(Company Secretary)

Registered Office:  
"KHATAU HOUSE", MOGUL LANE,  
MAHIM, MUMBAI – 400016

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

Name of the Director	Mr. Kailash Pershad	Mr. S. Rajagopalan
Age	71 Years	72 Years
Expertise in specific functional area	Over 40 Years in the fields of Finance, General Management in Marketing as a consultant and Advisor	37 Years Experience with leading manufacturing Companies in the areas of Accounts, Finance and Audit
Qualifications	B.E.-MECHANICAL	B.COM. / A.I.C.W.A. (ASSOCIATE ICWA)
Other Directorship as on 31.03.2011	NIL	REFNOL RESINS & CHEMICALS LTD.
Chairman/Member of the Committee of the Board of Public Companies on which he is a Director as on 31.03.2011	NIL	NIL
No. of Shares held	NIL	NIL

**DIRECTORS' REPORT**

To,  
The Members,

Your Directors have pleasure in presenting the Forty Fifth Annual Report of the Company together with its Audited Profit and Loss Account for the year ended 31<sup>st</sup> March, 2011 and the Balance Sheet as on the date:

(₹ in Lacs)

**FINANCIAL RESULTS**

	For the year ended 31st March, 2011	For the year ended 31st March, 2010
Income	<u>2,819.65</u>	<u>5,098.59</u>
Profit / (Loss) before Interest, Depreciation and Taxes	<u>(270.78)</u>	<u>(150.17)</u>
Less : Interest	<u>380.43</u>	<u>476.48</u>
Depreciation	<u>300.49</u>	<u>302.07</u>
Profit / (Loss) before tax	<u>(951.70)</u>	<u>(928.72)</u>
Add : Excess / Short provision for tax in respect of earlier year	<u>0.19</u>	<u>(0.25)</u>
Profit / (Loss) After Tax	<u>(951.51)</u>	<u>(928.96)</u>
Less : Amount drawn from Capital Reserve	<u>Nil</u>	<u>1.68</u>
Profit / (Loss) brought forward from last year	<u>(1,128.58)</u>	<u>(201.30)</u>
Surplus/ Loss carried to Balance Sheet	<u>(2,080.09)</u>	<u>(1,128.58)</u>

**BUSINESS OPERATIONS AND FUTURE PROSPECTS:**

The year 2010-2011 was another challenging year for the Company. During this period, your company has reached turnover of ₹ 27,66.49 Lacs inspite of the closer of the Ankleshwar factory, Company could achieve this turnover because of the maintenance of quality, consistency in supply due to renovation and implementation with latest technology / machinery at our Dahisar Mori Units well as Research and Testing Laboratory. Considering the future market and demands new products are being introduced in Softners, Binders which will help the company to increase the turnover of the Company.

On the Export front also we have been able to get repeated enquiries, due to consistent supplies, quality & our samples are getting approved from new parties thereby improving the prospects in the Export front as well. Company is in the process of expanding its business in the domestic and Export market.

Company has sold part of its office premises situated in "Khatau House", Mogul Lane, Mahim, Mumbai-400016 in month of March, 2011, the proceeds from the sale of the said property has been utilized to pay off old dues of banks thereby reducing the interest liability and to take care of working capital for increasing the business of the Company.

Further Company has taken the Consent of its Shareholders through Postal Ballot conducted on 18.03.2011 for disposal of whole / part of its Factory Building/Sheds etc alongwith the land on as is where is basis, situated at Plot No. 2900, in GIDC, Ankleshwar, Gujarat State. And from the sale proceeds of the above property could be utilized for meeting the obligations towards workmen, banks and statutory dues.

Further disputes and litigations of workers at Ankleshwar Factory have been amicably settled and revised packages have been worked out for them and with this we will be able to resolved long pending issues of factory workers at Ankleshwar.

**EXPORTS:**

Your Company's Exports Sale for Current Financial Year is ₹ 118.60 Lacs as compared to the previous year's sale ₹ 492.27 Lacs. Efforts are being made to increase Export Business of Vat Dyes and for these we are concentrating on processing of Vat Dyes production at our Ambarnath Factory.

**DIVIDEND:**

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

**SUBSIDIARIES:**

Radio Components and Transistors Company Ltd a wholly owned subsidiary of Indokem Limited has been merged with Indokem Limited w.e.f. 1<sup>st</sup> April, 2010 pursuant to order of Hon'ble Bombay High Court dated 25<sup>th</sup> March, 2011, hence, its accounts is not required to be enclosed.

Our another subsidiary Kapsales Electricals Limited was registered as a SICK Unit with BIFR and now it has been de-registered from BIFR vide its order dated 4<sup>th</sup> March, 2011 & its Annual Accounts as on 31.12.2010 is annexed herewith & consolidated accounts are prepared as on 31.03.2011 as per Indian Accounting Standard.

After Deregistration, Indokem Limited has sold its total holdings of Equity in Kapsales Electricals Limited. Consequently on sale of this equity, Kapsales Electricals Limited ceased to be a subsidiary of Indokem Limited.

**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.

**AMALGAMATION & ACQUISITION:**

The Hon'ble High Court of Judicature at Bombay vide its Order dated 25<sup>th</sup> March, 2011 sanctioned the 'Scheme of Amalgamation' of our wholly owned subsidiary, Radio Components and Transistors Company Ltd with effect from 1<sup>st</sup> April, 2010 (Appointed Date), hence Radio Components and Transistors Company Ltd stands amalgamated with Indokem Limited.

**INSURANCE:**

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

**DIRECTORS:**

At the forthcoming Annual General Meeting, Mr. Kailash Pershad and Mr. S. Rajagopalan, will retire by rotation pursuant to Article 141 of the Articles of Association of the Company. Being eligible, offer themselves for reappointment.

**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(IB) 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.

**AUDITORS OBSERVATION**

As regards the Auditors qualification on the Accounts in the matter of Stores and Inventory Records of Ankleshwar Plant, value of Inventory at Ankleshwar plant and physical verification forming part of the accounts (Schedule 19), being Note No. 2 which is self explanatory.

With reference to para (d) of Auditors' Report and Schedule 19.9 of note to the accounts regarding provision for contingent liability for the settlement of workers at Ankleshwar Plant, Company would like to state that this MOU was signed on 12<sup>th</sup> April, 2011 hence provision for the same will be made in the ensuing financial year.

**CORPORATE GOVERNANCE & MANAGEMENT'S DISCUSSIONS AND ANALYSIS:**

Corporate Governance as required by Listing Agreement with the Stock Exchanges, the report on Management Discussions and Analysis, Corporate Governance as well as the Auditors Certificate regarding compliance of conditions of Corporate Governance, from part of the Annual Report.

Further, a separate Management Discussion & Analysis Report is also enclosed with this report.

**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 :

		₹ '000	
		31.03.2011	31.03.2010
<b>I) EXPENDITURE IN FOREIGN EXCHANGE CAPITAL</b>			
Value of Imports on C.I.F. basis Raw Material		1,33,00	31,39
Travelling		6,09	1
Commission		—	—
Others		95	163
	Total:	1,40,04	33,03
<b>II) EARNINGS IN FOREIGN EXCHANGE</b>			
<b>F.O.B. VALUE OF EXPORTS</b>	Total:	1,21,72	5,29,59

**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:**

As required under Section 217 (2AA) of the Companies Act, 1956, your Directors state that :

- 1) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures in the Financial Statements;
- 2) The Directors 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 for the Financial Year ended 31<sup>st</sup> March, 2011; and of the profit or loss of the Company for the year under review;
- 3) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the said Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- 4) The annual accounts have been prepared on a going concern basis.

**INDUSTRIAL RELATIONS:**

The industrial relations remained cordial during the year under review.

**ACKNOWLEDGEMENT:**

Your Directors records their appreciation of the co-operation and assistance extended by Financial Institution, Banks and Government Authorities as well as Valued Customers from time to time. They also record their appreciation of the devoted services rendered by the Executives, Staff Members and Workers of the Company.

The Directors also wish to place on record their gratitude to the Members for their continued support and confidence.

For and on behalf of the Board

Mumbai  
Date: 29.07.2011

**Mahendra K. Khatau**  
Chairman & Managing Director



## **MANAGEMENT DISCUSSION AND ANALYSIS**

Your Company, Indokem Limited is a foremost name in dyes and chemicals since last 50 years, started as a Trading House to manufacture, process and market a wide range of exclusive Dyestuff, Sizing Chemicals for Textile Industries.

The Company trades directly & through stockiest in textile dyes, sizing chemicals, vat pastes, Vat Dyes, textiles 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 and Marketing.

### **INTERNAL CONTROL SYSTEM**

The company has adequate internal control systems with control checks commensurate with its size and nature of business. These measures ensure efficient use and protection of all assets of the Company and also compliance with the policies, procedures and statutory requirements.

### **HUMAN RESOURCE MANAGEMENT**

The relationship with all employees in the Company continues to be cordial. The Company considers its Employees as one of its most valuable asset. We strongly encourage all aspects of self – development.

### **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.

## REPORT ON CORPORATE GOVERNANCE

The Board of Directors of the Company continues to lay great emphasis on the broad principles of Corporate Governance. Our pursuit towards achieving good governance is an ongoing process. Compliance with the requirements under Clause 49 of the Stock Exchange Listing Agreement is concerned, the Company is in full compliance.

### 1. Company's Philosophy on Corporate Governance:

Indokem Limited believes that good Corporate Governance is of immense important for achieving long term corporate goals and to enhance stakeholder's value. In this pursuit, your Company's philosophy on Corporate Governance is led by a strong emphasis on transparency, accountability and integrity and your Company has been practicing the principles of Corporate Governance over the years. All directors and employees are bound by a Code of Conduct that sets forth the Company's policies on important issues, including its relationship with Customers, Shareholders and Government.

### 2. Composition of Board

#### a) Composition and Category of Directors

The present strength of the Board is six directors of which Chairman and Managing Director (CMD) is an Executive Member of the Board. Out of five Non-Executive Directors, three are Independent Directors and two Directors are Non Independent Director.

Except the Managing Director, all other Directors are eligible to retire by rotation as per the provisions of the Companies Act, 1956. The Composition of the Board and other relevant details relating to the Directors are depicted in the table given below:

Name of the Director	Category of Directorship	Attendance particulars		No. of other directorships and committee (memberships other than IKL)		
		Board Meeting	Last AGM	Other Directorships#	Committee@	
					M	C
Mr. M.K. Khatau	CMD	4	Yes	12	-	-
Ms. Leela Khatau	NE	3	No	2	-	-
Mr. Kailash Pershad	NE/ID	3	No	-	-	-
Mr. S. Rajagopalan	NE/ID	3	No	1	-	-
Mr. B.G. Sontakke	NE/ID	3	No	1	-	-
Mrs. Asha M. Khatau	NE	3	No	6	-	-

M = Membership; C = Chairmanship; NE/ID = Non-Executive/Independent; NE/NID = Non-Executive/Non-Independent; CMD = Chairman & Managing Director

# Directorships in Private Limited Companies included;

@ comprises of Audit and Investors' Grievance Committee of Public Limited Companies

#### b) Meeting and Attendance

Four Board Meetings were held during the financial year ended 31<sup>st</sup> March, 2011, viz. on 30<sup>th</sup> April, 2010, 13<sup>th</sup> August, 2010, 29<sup>th</sup> October, 2010, 8<sup>th</sup> February, 2011.

#### c) Board Agenda

The Board meetings are scheduled well in time and Board members are usually given a notice of at least seven days before the meeting date. The Board members are provided with well structured and comprehensive agenda papers. All major agenda items are backed by in-depth background information and analysis, wherever possible, to enable the Board to take appropriate and informed decisions.

### 3. Audit Committee

#### a) Terms of Reference

Terms of Reference of Audit Committee include amongst other things mainly:

- Overseeing financial reporting process;
- Recommending the appointment of Statutory and Internal Auditors;