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INDO COUNT  
INDUSTRIES LIMITED

2007-08  
19<sup>TH</sup> ANNUAL REPORT



## Indo Count Industries Limited

### BOARD OF DIRECTORS

Mr. Deepak M. Pradhan  
 Mr. Dhananjay N. Mungale (IDBI Nominee) upto 05-07-2007  
 Mr. Dilip J. Thakkar  
 Mr. Jagdish Prasad Mohta  
 Mr. Mohit Kumar Jain - upto 19-06-2008  
 Mr. P. N. Shah  
 Mr. R. Anand  
 Mr. Sushil Kumar Jiwarajka

### HEAD OFFICE

301 & 1101, Arcadia,  
 Nariman Point,  
 Mumbai - 400 021

### DELHI OFFICE

705, Pragati Tower,  
 26, Rajendra Place,  
 New Delhi - 110 008

### CHAIRMAN AND MANAGING DIRECTOR

Mr. Anil Kumar Jain

### JT. MANAGING DIRECTOR

Mr. R. N. Gupta

### PRESIDENT (FINANCE) AND COMPANY SECRETARY

Mr. K. Muralidharan

### KOLKATA OFFICE

1-B, Janki Shah Road,  
 Hastings,  
 Kolkata - 700 001

### AUDITORS

B. K. Shroff & Co.,  
 Chartered Accountants,  
 3/7-B, Asaf Ali Road,  
 New Delhi - 110 002

### BANKERS

Canara Bank  
 Union Bank of India  
 Bank of India  
 Bank of Baroda

### REGISTERED OFFICE SPINNING AND ELECTRONIC UNITS

D-1, MIDC Industrial Area  
 Gokul Shirgaon  
 Kolhapur - 416 234  
 Maharashtra

### HOME TEXTILE UNIT

T-3, Kagal - Hathkanangle  
 Five Star MIDC Area  
 At post: Talandge  
 Taluka: Hatkanangale  
 Kolhapur - 416 216  
 Maharashtra

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## Indo Count Industries Limited

### NOTICE

**NOTICE** is hereby given that the 19<sup>th</sup> Annual General Meeting of **INDO COUNT INDUSTRIES LIMITED** will be held on Saturday the **27<sup>th</sup> September, 2008** at 12.00 Noon, at Hotel Shalini Palace, Rankala, Kolhapur - 416 010, Maharashtra to transact the following business:

#### ORDINARY BUSINESS

1. To receive, consider and adopt the audited accounts for the financial year ended 31<sup>st</sup> March, 2008 and the Report of Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr. P. N. Shah, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Deepak M. Pradhan, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. J. P. Mohta, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint auditors and fix their remuneration.

#### SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modification the following resolution as Special Resolution **"RESOLVED THAT** in partial modification of the resolution in respect of remuneration passed at the Annual General Meeting held on 28<sup>th</sup> September, 2007, and in accordance with the provisions of Section 198, 269, 309, 310 and 311 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, and subject to such approvals as may be necessary, consent of the Company be and is hereby accorded for payment of remuneration to Mr. Anil Kumar Jain, for a period of 3 years effective from 01-04-2008 upon such terms and conditions as set out in the explanatory statement herein, with authority to the Remuneration Committee/Board of Directors (herein after referred to as "The Board" which term shall be deemed to include any Committee which the Board may constitute to exercise its powers conferred by this resolution) to alter and vary the terms and conditions of the remuneration within the limits specified in Schedule XIII to the Companies Act, 1956, including any statutory modification or re-enactment thereof, for the time being in force or any amendments and/or modifications that may hereafter be made thereto by the Central Government in that behalf from time to time, or any amendments thereto as may be agreed to between the Board and Mr. Anil Kumar Jain.

**RESOLVED FURTHER THAT** the Board be and is hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

7. To consider and if thought fit, to pass with or without modification the following resolution as Special Resolution **"RESOLVED THAT** in accordance with the provisions of Section 198, 269, 309, 310 and 311 read with Schedule XIII

and all other applicable provisions, if any, of the Companies Act, 1956, and subject to such approvals as may be necessary, consent of the Company be and is hereby accorded for reappointment of Mr. R. N. Gupta, as Joint Managing Director of the Company for a period of 3 years effective from 01-01-2008 upon such terms and conditions including remuneration as set out in the explanatory statement herein, with authority to the Remuneration Committee/Board of Directors (herein after referred to as "The Board" which term shall be deemed to include any Committee which the Board may constitute to exercise its powers conferred by this resolution) to alter and vary the terms and conditions of the remuneration within the limits specified in Schedule XIII to the Companies Act, 1956, including any statutory modification or re-enactment thereof, for the time being in force or any amendments and/or modifications that may hereafter be made thereto by the Central Government in that behalf from time to time, or any amendments thereto as may be agreed to between the Board and Mr. R. N. Gupta.

**RESOLVED FURTHER THAT** the Board be and is hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

8. To consider and if thought fit, to pass with or without modification the following resolution as Ordinary Resolution **"RESOLVED THAT** in accordance with the provisions of Section 198, 269, 309, 310 and 311 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, and subject to such approvals as may be necessary, consent of the Company be and is hereby accorded for appointment of Mr. Kamal Mitra, as Director (Works) for a period of 3 years effective from 01-10-2008 upon such terms and conditions including remuneration as set out in the explanatory statement herein, with authority to the Remuneration Committee/Board of Directors (herein after referred to as "The Board" which term shall be deemed to include any Committee which the Board may constitute to exercise its powers conferred by this resolution) to alter and vary the terms and conditions of the remuneration within the limits specified in Schedule XIII to the Companies Act, 1956, including any statutory modification or re-enactment thereof, for the time being in force or any amendments and/or modifications that may hereafter be made thereto by the Central Government in that behalf from time to time, or any amendments thereto as may be agreed to between the Board and Mr. Kamal Mitra.

**RESOLVED FURTHER THAT** the Board be and is hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

By Order of the Board

Place: Mumbai  
Date : 31<sup>st</sup> July, 2008

**K. Muralidharan**  
Company Secretary



## Indo Count Industries Limited

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956****ITEM NO. 6:**

On the recommendation of the Remuneration Committee meeting held on 25<sup>th</sup> July, 2008, the Board of Directors at their meeting held on 31<sup>st</sup> July, 2008 have approved revised remuneration payable to Mr. Anil Kumar Jain, the Chairman and Managing Director for a period of three years with effect from 1<sup>st</sup> April, 2008.

The details of remuneration payable to Mr. Anil Kumar Jain as approved by a resolution passed by the Board at its meeting held on 31<sup>st</sup> July, 2008 are as under:-

<b>Name</b>	: Mr. Anil Kumar Jain
<b>Designation</b>	: Chairman and Managing Director
<b>Period</b>	: 3 years with effect from 1 <sup>st</sup> April, 2008
<b>Basic Salary</b>	: Rs. 175,000/- per month
<b>House Rent Allowance</b>	: Rs. 105,000/- per month
<b>Ex-gratia</b>	: As applicable to senior executives of the Company from time to time

**Perquisites:**

**Medical Reimbursement/allowance:** Reimbursement of medical expenses actually incurred for self and family including spouse and wholly dependent parents.

**Leave Travel Concession/allowance:** For self and family once in a year in accordance with rules of the Company.

**Personal Accident Insurance:** Premium not exceeding Rs. 10,000/- per annum.

**Club Fees:** The Company shall pay and/or reimburse fees and expenses (excluding admission and life membership fees), subject to maximum of four clubs.

**Servant allowance:** The Company shall pay and/or reimburse servant allowance upto Rs. 5,000/- per month.

**Other benefits:**

- Earned/Privilege Leave:** As per rules of the Company
- Company's contribution to provident fund and superannuation fund:** As per rules of the Company
- Gratuity:** As per rules of the Company
- Chauffer driven company car, telephone and other communication facilities:** Use of Company's car, telephone and other communication facilities at the residence, for official purposes, as per rules of the Company.

The following perquisites shall not be included in computation of the ceiling on the remuneration as mentioned above:

- Contribution to provident fund, superannuation fund or annuity fund to the extent these, either singly or put together, are not taxable under the Income Tax Act, 1961.

b) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.

c) Encashment of leave as per rules of the Company.

**MINIMUM REMUNERATION:**

Notwithstanding anything hereinabove stated, where in any financial year closing on or after 31<sup>st</sup> March, 2009, the Company incurs a loss or has no profits or its profits are inadequate, the company shall pay to Mr. Anil Kumar Jain the remuneration by way of salary, HRA, Ex-gratia and other allowances not exceeding the limits prescribed under para 2 of section II, Part II of schedule XIII to the Companies Act, 1956 or including any statutory modifications or re-enactments thereof for the time being in force or such other limits as may be prescribed by the Government from time to time as a minimum remuneration.

The above information may also be treated as an abstract of the memorandum of interest of the Chairman and Managing Director, Mr. Anil Kumar Jain, pursuant to the provisions of section 302 of the Companies Act, 1956.

Board recommends the resolution set out in item No. 6 of the notice, for your approval.

Except Mr. Anil Kumar Jain, none of the Directors of the Company is, in any way, concerned or interested in the resolution.

**DISCLOSURE REQUIRED TO BE MADE TO THE SHAREHOLDERS PURSUANT TO PARA 1(B) OF SECTION II OF PART II OF SCHEDULE XIII TO THE COMPANIES ACT, 1956, FORMING PART OF NOTICE CALLING THE 19<sup>TH</sup> ANNUAL GENERAL MEETING:**

**I. General Information**

Sr. No.	Particulars	Information
1.	Nature of Industry	Textiles and Consumer Durable Goods.
2.	Date or Expected date of commencement of Commercial Production	Not Applicable as the units are already existing.
3.	In case of new companies, expected date of commencement of activities as per project approved by financial institution appearing in the prospectus	Not Applicable
4.	Financial performance based on given indicators	Not Applicable
5.	Export performance and net foreign exchange collaborations	FOB Value exports Rs. 167.19 crore for the year ended 31-03-2008
6.	Foreign investments or Collaborators, if any	Not Applicable



## Indo Count Industries Limited

## II. INFORMATION ABOUT THE APPOINTEE

Sr. No.	Particulars	Information
1.	Background details	Mr. Anil Kumar Jain is the Promoter of the Company experienced in Textiles, Electronics and Finance.
2.	Past Remuneration	Salaries and Allowances Rs. 22.42 lacs. Contribution to P F Rs. 1.58 lacs
3.	Recognition or awards	After successful implementation of first phase of Spinning Division comprising 26208 spindles during 1991, Mr. Jain undertook expansion of capacity from time to time to bring up to the present level of 59,520 spindles. After successfully completing these expansions, Mr. Anil Kumar Jain ventured in to setting up the Electronic Division in October 2004 which has contributed significantly to the Company's performance. Thereafter, he initiated the project for vertical integration in to home textiles business involving weaving, processing and cut/sew facilities at a cost of Rs. 206 crore in the year 2005. This project was also successfully implemented as per schedule which commenced commercial production on 27 <sup>th</sup> March, 2007.
4.	Job profile and his suitability	Mr. Jain has been overseeing the operations of the company since inception under the superintendence of a highly professional Board of Directors. He has exhibited his leadership and managerial qualities by steering the company's various projects and operations successfully. He will continue to manage the company's affairs.
5.	Remuneration proposed	Existing remuneration as approved by the shareholders at the Annual General Meeting held on 28 <sup>th</sup> September, 2007 will continue to be paid to Mr. Jain, not exceeding Rs. 400,000/- per month or Rs. 48,00,000/- per annum as specified in para 2 of section II, Part II of schedule XIII to the Companies Act, 1956.

Sr. No.	Particulars	Information
6.	Comparative remuneration profile with respect to industry size of the Company, profile of the position and person (in case of expatriates the relevant details w.r.t. the country of his origin)	The remuneration proposed is in line with the industry standards. Mr. Jain, is of Indian origin.
7.	Pecuniary relationship directly or indirectly with the Company or the relationship with the managerial personnel, if any.	The Company employs Mrs. Gayatri Devi Jain (Wife) as a Export Executive, Mrs. Shikha Jain (Daughter In law) as Marketing Manager, and Ms Neha Jain (Daughter) as Marketing Executive on a monthly remuneration of Rs. 9,840/-, Rs. 19,000/- and Rs. 9,000/- respectively. The Company has retained services of M/s. Unic Consultant, a proprietorship concern of Mr. Mohit Kumar Jain (son) as marketing consultants to the Company for a period of 3 years from 03-07-2006 on a monthly remuneration of Rs. 9000/- plus reimbursement of out of pocket expenses on actual basis with the permission of CLB vide its letter dated 01-07-2007.

## III. OTHER INFORMATION

Sr. No.	Particulars	Information
1.	Reason of loss or inadequate profits	During the financial year ended 31 <sup>st</sup> March, 2008, the company had incurred net loss before tax of Rs. 18.46 crore caused by external factors like 14% appreciation of Rupee against US \$, steep increase in the cost of raw materials and fuel.
2.	Steps taken or proposed to be taken for improvement	(a) Company's spinning unit has been debonded from 100% EOU in to DTA, which will entitle the unit export benefits and nil excise duty. (b) In order to avoid the impact of spiraling fuel prices, the spinning unit has obtained power connection from MSEB, keeping the captive DG as standby. (c) Home textile business has been receiving orders from





## Indo Count Industries Limited

Sr. No.	Particulars	Information
		<p>prestigious customers like Wal-mart, Springs Global, Ikea, J C Penney, Li &amp; Fung, etc. and the unit is expected to improve its capacity utilization in the years to come.</p> <p>(d) Home Textile unit has also started sourcing yarn from the spinning unit in a large way.</p> <p>All these efforts are expected to bring down the input costs and enable the company to retain the benefits of integration.</p>
3.	Expected increase in productivity and profits in measurable terms	<p>The productivity of home textile unit is expected to improve to 40%, 50% and 65% in the next 3 years beginning financial year 2009.</p> <p>The EBITDA margins are expected to improve to about 13% in the financial year 2010.</p>

#### IV. DISCLOSURES

Sr. No.	Particulars	Information
1.	Remuneration package of the managerial personnel	<p>For the year ended 31-03-2008 the details of remuneration paid to managerial persons under the Companies Act are as under:</p> <ol style="list-style-type: none"> <li>1) Mr. Anil Kumar Jain – Rs. 24.00 lacs</li> <li>2) Mr. R. N. Gupta – Rs. 4.56 lacs</li> <li>3) Mr. Deepak M. Pradhan – Rs. 6.75 lacs</li> </ol>
2.	All elements of remuneration package such as salary, benefits, bonuses, stock options, pension etc. of all the directors.	<p>Disclosed in the Corporate Governance Report forming part of Directors' Report.</p> <p>Besides, it is proposed to appoint Mr. Kamal Mitra, as a Whole Time Director ("Director – Works" to designate), with effect from 01-10-2008, subject to consent of the shareholders at the ensuing Annual General Meeting and other necessary permission. The non working</p>

Sr. No.	Particulars	Information
		directors are not paid any remuneration, except for sitting fees for attending the Board/ Committee meetings.
3.	Details of fixed component and performance linked incentive along with the performance criteria	The remuneration proposed is of fixed component. No incentive is linked to performance is proposed.
4.	Service contracts, notice period, severance fees.	Appointment has been made by a resolution and no severance fees is payable to the appointee in lieu of notice period.
5.	Stock option details, if any, and whether the same has been issued at a discount as well as the period over which accrued and over which exercisable	The Company do not propose to issue any shares to the managerial person under Stock Option Scheme.

#### ITEM NO. 7:

On the recommendation of the Remuneration Committee meeting held on 25<sup>th</sup> July, 2008, the Board of Directors at their meeting held on 31<sup>st</sup> July, 2008 have approved the re-appointment of Mr. R. N. Gupta as Jt. Managing Director for a period of 3 years with effect from 1<sup>st</sup> January, 2008, subject, however, to the approval of members at the general meeting.

Following are the terms and conditions of the re-appointment of Mr. R. N. Gupta:-

<b>Name</b>	: Mr. R. N. Gupta
<b>Designation</b>	: Joint Managing Director
<b>Period</b>	: 3 year with effect from 01-01-2008
<b>Basic Salary</b>	: Rs. 32,000/- per month
<b>House Rent Allowance</b>	: Rs. 6,250/- per month
<b>Medical</b>	: Rs. 15,000/- per annum
<b>Leave Travel Assistance</b>	: Rs. 18,000/- per annum
<b>Bonus/Ex-gratia</b>	: As applicable to senior executives of the Company from time to time

#### Other Benefits:

Earned/Privilege Leave	As per rules of the Company.
Company's Contribution to Recognised Provident Fund and superannuation fund	As per rules of the Company.
Gratuity	As per rules of the Company.
Chauffer driven company car, telephone and other communication facilities at the residence for official purpose	As per rules of the Company.



## Indo Count Industries Limited

The following perquisites shall not be included in computation of the ceiling on the remuneration as mentioned above:

- Contribution to provident fund, superannuation fund or annuity fund to the extent these, either singly or put together, are not taxable under the Income Tax Act, 1961.
- Gratuity payable at a rate not exceeding half month's salary for each completed year of service.
- Encashment of leave as per rules of the Company.

### MINIMUM REMUNERATION

Notwithstanding anything hereinabove stated, where in any financial year closing on or after 31<sup>st</sup> March, 2009, the Company incurs a loss or has no profits or its profits are inadequate, the company shall pay to Mr. R. N. Gupta, the remuneration by way of salary, HRA, Ex-gratia and other allowances not exceeding the limits prescribed under para 2 of section II, Part II of schedule XIII to the Companies Act, 1956 or including any statutory modifications or re-enactments thereof for the time being in force or such other limits as may be prescribed by the Government from time to time as a minimum remuneration.

The above information may also be treated as an abstract of the memorandum of interest of the Jt. Managing Director, Mr. R. N. Gupta, pursuant to the provisions of section 302 of the Companies Act, 1956.

Board recommends the resolution set out in item No. 7 of the notice, for your approval.

Except Mr. R. N. Gupta, none of the Directors of the Company is, in any way, concerned or interested in the resolution.

### ITEM NO. 8:

on the recommendation of the remuneration Committee, at its meeting held on 25<sup>th</sup> July, 2008 the Board of Directors have approved the appointment of Mr. Kamal Mitra as Director (Works) for a period of 3 years with effect from 1<sup>st</sup> October, 2008, subject, however, to the approval of members at the general meeting.

Mr. Mitra is a Bachelor degree holder in Textile Technology and has rich experience for more than 30 years in the Textile Industry. Mr. Mitra has been associated with the Company since December, 2003 as President (Operations). The Board feels the experience of Mr. Mitra would be immensely useful to the Company.

Following are the terms and conditions of the appointment of Mr. Mitra:-

<b>Name</b>	: Mr. Kamal Mitra
<b>Designation</b>	: Director (Works)
<b>Period</b>	: 3 years with effect from 01-10-2008
<b>Basic Salary</b>	: Rs. 66,000/- per month in the scale of Rs. 66,000/- — Rs. 5,000/- — Rs. 81,000/-
<b>Housing</b>	: Rs. 4,500/- per month maximum upto 40% of Basic as may be decided by the Board
<b>Medical</b>	: Rs. 15,000/- per annum
<b>Bonus/Ex-gratia</b>	: As applicable to senior executives of the Company from time to time

### Other Benefits:

Earned/Privilege Leave	As per rules of the Company.
Company's Contribution to Recognised Provident Fund and superannuation fund	As per rules of the Company.
Gratuity	As per rules of the Company.
Chauffer driven company car, telephone and other communication facilities at the residence for official purpose	As per rules of the Company.

The following perquisites shall not be included in computation of the ceiling on the remuneration as mentioned above:

- Contribution to provident fund, superannuation fund or annuity fund to the extent these, either singly or put together, are not taxable under the Income Tax Act, 1961.
- Gratuity payable at a rate not exceeding half month's salary for each completed year of service.
- Encashment of leave as per rules of the Company.

### MINIMUM REMUNERATION

Notwithstanding anything hereinabove stated, where in any financial year closing on or after 31<sup>st</sup> March, 2009, the Company incurs a loss or has no profits or its profits are inadequate, the company shall pay to Mr. Kamal Mitra, the remuneration by way of salary, HRA, Ex-gratia and other allowances not exceeding the limits prescribed under para 2 of section II, Part II of schedule XIII to the Companies Act, 1956 or including any statutory modifications or re-enactments thereof for the time being in force or such other limits as may be prescribed by the Government from time to time as a minimum remuneration.

The above information may also be treated as an abstract of the memorandum of interest of Mr. Kamal Mitra, pursuant to the provisions of section 302 of the Companies Act, 1956.

Board recommends the resolution set out in item No. 8 of the notice, for your approval.

None of the Directors of the Company is, in any way, concerned or interested in the resolution.

By Order of the Board

Place: Mumbai  
Date : 31<sup>st</sup> July, 2008

**K. Muralidharan**  
Company Secretary

**Additional information:** As required in terms of para VI(A) of clause 49 of the listing agreement

**Brief profile of Mr. P. N. Shah, who retires by rotation and is eligible for re-appointment**

Mr. P. N. Shah, is a Chartered Account and is specialized in accounting, audit and taxation. Mr. Shah has been on the Board of the Company since 30<sup>th</sup> September, 1992.

**Outside Directorship:** a) P. I. Industries Ltd. b) Secure Meters Ltd. c) Taparia Tools Ltd. d) Lipi Data Systems Ltd. e) Wolkem India Ltd. f) LIC Mutual Fund Trustee Company Pvt. Ltd. g) Pranavaditya Spinning Mills Ltd.



## Indo Count Industries Limited

### Committee Chairmanship/Membership:

Name of the Company	Audit Committee	Remuneration Committee
P I Industries Ltd.	Chairman	Member
Taparia Tools Ltd.	Member	Member
Indo Count Industries Ltd.	Chairman	Member
Secure Meters Ltd.	Chairman	Member
Lipi Data Systems Ltd.	Chairman	Chairman
Pranavadiya Spinning Mills Ltd.	Chairman	—

### Brief profile of Mr. Deepak M. Pradhan, who retires by rotation and is eligible for re-appointment

Mr. Deepak M. Pradhan, B.A., Diploma in Textile Management and has rich experience in marketing for more than 34 years. Mr. Pradhan has been associated with the Company since inception and has been on the Board of the Company since 1<sup>st</sup> July, 1999.

**Outside Directorship:** R H Finvest Pvt. Ltd.

**Committee Chairmanship/Membership:** Member of Share Transfer Committee and Shareholders'/Investors' Grievances Committee of Indo Count Industries Ltd.

### Brief profile of Mr. J. P. Mohta, who retires by rotation and is eligible for re-appointment

Mr. J. P. Mohta is a Chartered Accountant by profession and specialized in the fields accounts, audit and finance. Mr. Mohta has been associated with the Company since 28<sup>th</sup> January, 2003.

**Outside Directorship:** Nil.

**Committee Membership/Chairmanship:** Nil

By Order of the Board

Place: Mumbai  
Date : 31<sup>st</sup> July, 2008

**K. Muralidharan**  
Company Secretary

### NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.  
The proxy form should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the aforesaid meeting.
2. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of special business to be transacted at the aforesaid meeting is annexed hereto.

3. Register of Members and the Share Transfer Books of the Company will remain closed on 1st October 2008.
4. Members are requested to:
  - (i) intimate, changes, if any, in their Registered Addresses immediately;
  - (ii) intimate about consolidation of folios if shareholdings are under multiple folios;
  - (iii) intimate for duplicate dividend warrants if they have not encashed their warrants for the previous year;
  - (iv) Unpaid dividend that are due for transfer to the Investor Education and Protection Fund (IEPF).

Financial Year	Due for Transfer on
31-03-2001	09-11-2008

Pursuant to the provisions of section 205C of the Companies Act, 1956, all unpaid dividend up to financial year ended 1999-2000 have been transferred to the Investor Education and Protection Fund (IEPF) of the Central Government. Once the unpaid amount is transferred to the IEPF, no claims shall lie against the IEPF or the company in respect of individual amounts which were unclaimed or unpaid. Hence it is in the interest of the members to claim above dividend before the same is transferred to IEPF.

- (vi) quote ledger Folio No./DPID/Client ID in all their correspondence to the Company's Registrar & Transfer Agent:-

### M/s. Intime Spectrum Registry Ltd.

A-40, 2<sup>nd</sup> Floor,  
Naraina Industrial Area, Phase - II,  
Near Batra Banquet Hall, New Delhi - 110 028,  
Telephone Nos. 011- 51410592 – 94, 25897309  
Fax No. 011 - 51410591

5. MEMBERS ARE ADVISED TO SEND ALL SHARE TRANSFERS AND RELATED CORRESPONDENCE TO THE REGISTRAR AND SHARE TRANSFER AGENT AT THE ABOVE ADDRESS.
6. Members/Proxies should bring the attendance slip duly filled in for attending the aforesaid meeting.
7. Shareholders intending to require information about accounts to be explained in the Meeting are requested to inform the Company at least 7 days in advance of the Annual General Meeting.

By Order of the Board

Place: Mumbai  
Date : 31<sup>st</sup> July, 2008

**K. Muralidharan**  
Company Secretary





## Indo Count Industries Limited

### DIRECTORS' REPORT

To

The Members

**INDO COUNT INDUSTRIES LIMITED**

Your directors have pleasure in presenting the **NINETEENTH ANNUAL REPORT** and the audited statement of accounts of the year ended 31<sup>st</sup> March, 2008.

### FINANCIAL RESULTS

(Rs. in Crore)

Particulars	Current Year 01-04-2007 to 31-03-2008	Previous Year 01-04-2006 to 31-03-2007
Net Sales	276.80	251.93
Gross Operating Profit/(Loss)	16.88	20.63
Less: Interest	18.21	3.85
Profit/(loss) before Depreciation and Taxation	(1.33)	16.78
Less: Depreciation	17.13	8.46
Profit/(Loss) Before Tax	(18.46)	8.32
Provision for Taxation	0.29	1.08
Net Profit After Taxation	(18.75)	7.24
Balance Brought Forward	6.76	2.02
Profit available for appropriation	(11.99)	9.26
<b>APPROPRIATIONS</b>		
Transfer to:-		
General Reserve	0.00	0.00
From Capital Redemption Reserve	0.00	(5.00)
Debenture Redemption Reserve	0.00	7.50
Surplus/(Deficit) Carried to Balance Sheet	(11.99)	6.76
<b>TOTAL</b>	<b>(11.99)</b>	<b>9.26</b>

### PERFORMANCE REVIEW

#### Textile Division

The year under review was the first year of operations for the Home Textile Unit, which has recorded a net sales turnover of Rs. 116.06 crore (previous year Rs. 1.55 crore). The Division is equipped with state of the art plant and machinery and has fully integrated facilities from spinning to made ups.

The Home Textile Unit has been able to get export orders from reputed, world class, international customers like Wal-mart, Springs Global, Ikea, J C Penney, Li & Fung etc. after passing strict quality, environmental and social audit norms.

During the year under review, the margins of the Company's textile business were under pressure due to factors like steep appreciation of Rupee against US Dollar coupled with unprecedented increase in the prices of major inputs like cotton,

fuel, etc, which were beyond the control of the management and which could not be passed on to the customers entirely.

In order to arrest rising costs, your Company has (a) opted for power connectivity from the State Electricity Board and kept the captive DG sets as stand-by, thus saving on power cost (b) debonded its Spinning Unit from 100% export oriented unit (EOU) to domestic tariff area (DTA), which entitles the unit drawback benefits on exports and nil excise duty on local sales.

#### Electronic Division

The Company's electronic division earned a net profit of Rs. 1.60 crore in the year under review, (previous year Rs. 3.59 crore) on net sales turn over of Rs. 55.67 crore (previous year Rs. 128.43 crore). The operations of this division declined from second quarter, as the fiscal benefits were available only till May 2007.

Your company has received permission from the Government of Maharashtra to set up a consumer durable goods unit at MIDC, Kagal, Dist. Kolhapur along with the Home Textile unit, as a composite mega project for which certain incentives have been granted. However, policy on modalities for disbursing the benefits has still not been framed. Your company will examine the suitability of the policy when announced by the state government before availing of the incentives.

### BUSINESS OUTLOOK

#### Textile Division

Rupee has recently been showing depreciating trend against US\$, which would make the exports competitive. The spinning unit has started meeting the yarn requirements of Home Textile unit at economical prices which will result into better utilization of capacities for voluminous turnover.

Value addition in the home textile products will ease the pressure on margins exerted by the negative factors like increase in input costs. Appreciating currency, rising labour costs and rigid pollution norms in China will contribute to making Indian textile goods competitive in the international markets.

The demand for cotton textile products continues to be stable. In general, conditions affecting the economy have bearing on the bottom line of your company.

Your company has put in place plans to exploit the opportunities for growth in the home textile business by becoming a preferred supplier of made ups to reputed international brands.

The Management is making its sincere efforts to penetrate into new export markets to widen the customer base and look to improved margins.

Considering the positive perception about the industry, the management is confident of bright future for textile business in the long run.

#### Electronic Division

The advancement in technology has added new dimensions to the demand, making it challenging to the manufacturers both on quality and the price front.



## Indo Count Industries Limited

As stated above, your company has received permission from the state government for commencement of production of consumer durable goods at Kagal and will decide on the availment of incentives once detailed guidelines on modalities for disbursement of the incentives are clarified.

### Investment in spinning capacity

In order to enhance the in-house availability of quality yarn for home textiles unit, your company has strategically invested in the share capital of a sick spinning unit under the provisions of SICA 1985, whereby the co management is with the company. The said unit, having 16,608 spindles is situated about 30 kms. from the existing facilities and offers scope for further expansion. In due course, the said unit will become a subsidiary of the company.

The Directors expect that this investment would be beneficial to the company in the long run.

### DIVIDEND

Due to inadequate profits, the Directors are unable to recommend dividend for the year.

### MANAGEMENT DISCUSSION AND ANALYSIS

Report on MDA is given in Annexure B forming part of this report.

### SEGMENT

The company is engaged in the manufacture and export of cotton yarn, knitted/woven fabrics and made ups, which are governed by the same set of risks and returns and as such are in the same segment.

The performance of the Electronic/Consumer Durable Goods Division is reported as a separate segment.

Segment reporting as per AS 17 has been complied with.

### INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The company has in place an elaborate internal control system to ensure proper authorization and accounting of transactions as also for protecting company's assets against loss. The internal auditors check the controls periodically and their report is reviewed by the management and the Audit Committee from time to time. The management feels that the system of internal controls are adequate considering the size of operations of the company.

### HUMAN RESOURCES

During the year, labour relations continued to be cordial.

Your company has been imparting training to the workers, to improve their working skills and to create awareness about safety measures in the plant premises.

Particulars of employees in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, are not given, as none of the employees qualify for such disclosure.

### CORPORATE GOVERNANCE

The corporate governance report together with a certificate from the Company's auditors confirming compliance of guidelines are

made part of this Report as per clause 49 of the listing agreement entered into with the stock exchanges.

### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under section 217 (2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

- that in the preparation of the accounts for the financial year ended on 31<sup>st</sup> March, 2008, the applicable accounting standards have been followed and there are no material departures.
- that the Directors have selected such accounting policies and applied them consistently and made judgements 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 loss of the company for the year under review.
- that the Directors have 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.
- that the Directors have prepared the annual accounts ended on 31<sup>st</sup> March, 2008 on a 'going concern' basis.

### DIRECTORS

In accordance with the provisions of the Companies Act, 1956, Mr. P. N. Shah, Mr. Deepak Pradhan and Mr. J. P. Mohta retire by rotation and being eligible, offer themselves for reappointment.

On the recommendation of Remuneration Committee, the Board of Directors at their meeting held on 31-07-2008, have proposed the appointment of Mr. Kamal Mitra as Director (Works) for approval of shareholders, which is included in the notice of ensuing Annual General Meeting. The Company has received a letter from Mr. Kamal Mitra consenting to the proposed appointment.

### AUDITORS

M/s. B. K. Shroff and Co., Chartered Accountants retire at the end of this Annual General Meeting and are eligible for re-appointment as auditors.

The observations of Auditors as referred in Auditors' Report are suitably explained in the Notes on Accounts and therefore do not call for any further comments.

***The Board of Directors at their meeting held on 31-07-2008 have recommended the re-appointment and payment of remuneration to Jt. Managing Director w.e.f. 01-01-2008 for the approval of shareholders, which is also included in the notice of the ensuing Annual General Meeting.***

### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING & OUTGO

Statement required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in Annexure "A" forming part of this Report.