



## BOARD OF DIRECTORS

Mr. Dilip J. Thakkar  
Mr. Kailash R. Lalpuria (w.e.f. 11-11-2010)  
Mr. Kamal Mitra  
Mr. P. N. Shah  
Mr. Prem Malik  
Mr. R. Anand  
Mr. Sushil Kumar Jiwarajka  
Mr. R. G. Kelkar (Union Bank of India Nominee)  
Mr. Nadeem Panjetan (EXIM Bank Nominee w.e.f. 21-04-2011)  
Mr. C. P. Ravindranath (EXIM Bank Nominee upto 21-04-2011)

## HEAD OFFICE

301 & 1101, Arcadia  
Nariman Point  
Mumbai - 400 021

## MARKETING OFFICE

# 23-25  
Vardhaman Industrial Complex  
Gokul Nagar  
Thane (W) - 400 601

## CHAIRMAN AND MANAGING DIRECTOR

Mr. Anil Kumar Jain

## JT. MANAGING DIRECTOR

Mr. R. N. Gupta

## DELHI OFFICE

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

## COMPANY SECRETARY

Mr. R. Sundaram

## KOLKATA OFFICE

1-B, Janki Shah Road  
Hastings, Kolkata - 700 022

## AUDITORS

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

## BANKERS

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

## REGISTERED OFFICE

Village Alte : Taluka : Hatkanangale,  
Dist. Kolhapur 416 109, Maharashtra

## SPINNING AND ELECTRONIC UNITS

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

## HOME TEXTILE AND

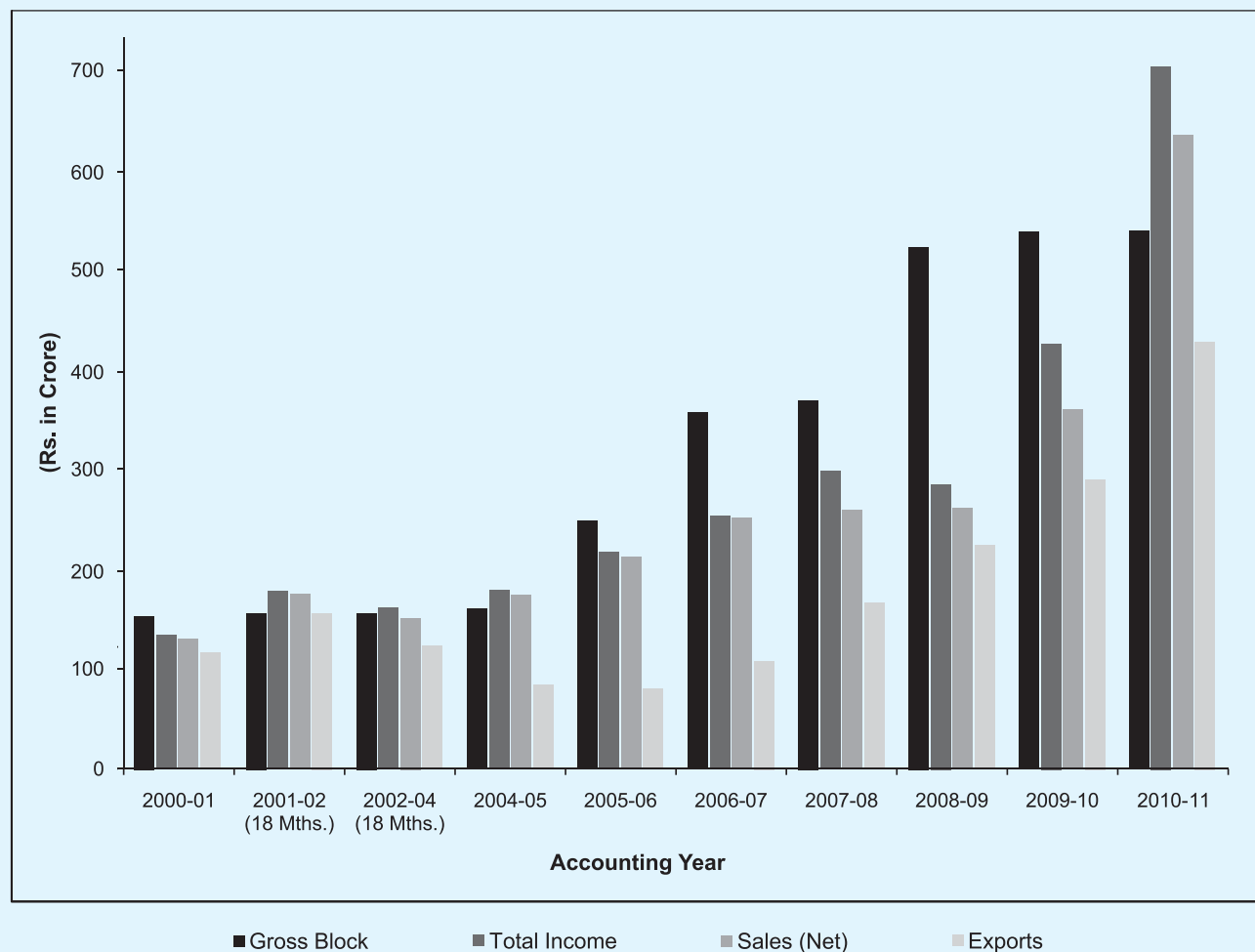
## CONSUMER DURABLE GOODS UNITS

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

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## Performance for Previous Ten Years



(₹ in Crore)

Particulars	2000-01	2001-02	2002-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
		(18 Months)								
Gross Block	154	157	157	161	249	358	370	524	539	540
Total Income	135	179	162	180	218	254	299	286	427	705
Sales (Net)	131	176	152	175	213	252	260	262	361	636
Exports	117	157	124	85	81	109	167	225	291	429



## Directors' Report

To  
The Members

### INDO COUNT INDUSTRIES LIMITED

Your Directors have pleasure in presenting the TWENTY SECOND ANNUAL REPORT together with the Audited Financial Statement for the year ended 31st March 2011.

#### Financial Results

(₹ in Crore)

Particulars	2010-11	2009-10	2010-11	2009-10
	STAND ALONE		CONSOLIDATED	
Total Income	704.68	427.25	750.36	453.75
Gross Operating Profit (before exceptional items)	67.50	28.92	72.27	33.02
Less : Interest	30.54	27.32	30.64	27.32
Profit before Depreciation, Taxation and Exceptional Item	36.96	1.60	41.63	5.70
Less : Depreciation	17.64	18.09	19.57	20.02
Cash Profit	32.36	(9.93)	37.03	(5.81)
Profit/(loss) Before Tax and Exceptional Item	19.32	(16.49)	22.06	(14.32)
Exceptional item - Exchange loss	(4.60)	(11.52)	(4.60)	(11.52)
Less : Provision for Taxation	5.68	9.40	(6.80)	(9.30)
Net Profit/(loss) After Taxation	9.04	(18.61)	10.66	(16.54)
Share of Minority Interest	—	—	(0.10)	(0.12)
Balance Brought Forward	(34.28)	(15.67)	(33.96)	(17.30)
Deficit carried to Balance Sheet	(25.24)	(34.28)	(23.40)	(33.96)

#### Dividend

Company intend to plough back the profits towards margin for the Working Capital for future growth. Hence your Directors regret inability to recommend a dividend for the year.

#### PERFORMANCE REVIEW

##### Company as whole

During the year under review the Company has achieved a total income of ₹ 704.68 crore as against ₹ 427.25 crore on stand alone basis, thereby registering an impressive growth of around 65%.

##### Textile Division

During the year under review this division has achieved a sales turnover of ₹ 554.70 crore as against ₹ 349.24 crore during the previous year. Major part of this growth is attributed to Home Textile business.

Though the sales growth were encouraging, the sharp and unprecedented increase in the cost of Raw Material coupled with other input cost like power and labour have affected the margins.

The year also saw an improvement in the US economy, turnaround gave sigh of relief to the Indian Exporters.

## Directors' Report

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The Spinning Division played a supporting role to the Home Textile Division.

The Government of Maharashtra has conferred First Award in Large Scale Industries (LSI) Textile Category for the Export Performance in the year 2009-10

With a view to multiply sales the Company has incorporated a Subsidiary Company namely INDO COUNT GLOBAL INC. in the United States of America, This will enable the Company to expand its clientele in USA, introduce its own Brand and improve the margin.

### Consumer durable goods/Electronic Division

During the year under review the Consumer Durable Goods/ Electronic Divisions has also contributed for the growth of the Company.

### Management Discussion and Analysis

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

### Segment

The Company is engaged in the manufacture and export of cotton yarn, grey knitted fabrics and cotton 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 Consumer Durable Goods/ Electronic Division is reported as a separate segment.

Segment reporting as per AS 17 has been complied with.

### Accounts

The Company has recognized in its books of accounts Deferred Tax Asset arising on account of tax effects of timing differences between the income tax and book depreciation. Your Directors expect that adequate profits will accrue in the future years from Company's business which will utilize the tax asset fully.

### 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 safeguarding and protecting Company's assets against loss. The internal auditors reports are periodically reviewed by the management and the Audit Committee and necessary corrective actions are taken from time to time.

### Human Resources

During the year, labour relations continued to be cordial.

Development of employee skills and imparting knowledge on social compliance audits, quality assurance are very important to the business, for which training is conducted regularly.

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:

- a) that in the preparation of the accounts for the financial year ended on 31st March 2011, the applicable accounting standards have been followed and there are no material departures.
- b) that the Directors have 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 Profit of the Company for the year under review.
- c) 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.
- d) that the Directors have prepared the annual accounts for the year ended on 31st March 2011 on a 'going concern' basis.

### Company's Subsidiary

In accordance with the general circular issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Profit and Loss Account and other documents of the subsidiary Company are not being attached with the Balance Sheet of the Company. The Company will make available the Annual Accounts of the subsidiary Company and the related details information to any member of the Company who may be interested in obtaining the same. The annual accounts of the subsidiary Company will also be kept open for inspection at the Registered Office of the Company. The Consolidated Financial Statements presented by the Company include the financial results of its subsidiary Company.

**Directors**

In accordance with the provisions of the Companies Act, 1956, Mr. R Anand, Mr. Sushil Kumar Jiwarajka, Mr. Prem Malik and Mr. Dilip Thakkar retire by rotation and being eligible, offer themselves for reappointment.

**Auditors**

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

The observations of Auditors on MTM losses on outstanding derivative contracts, as referred in Auditors' Report are suitably explained in the Notes on Accounts. It is pertinent to mention that these losses are notional until they are crystallized on due dates.

Your Directors feel that the Company can meet its obligations arising out of these contracts, which are purely hedged of its future receivables.

**Cost Auditor**

Pursuant to the directives of the Central Government under the provisions of Section 233B of the Companies Act, 1956, and subject to the approval of the Central Government, M/s A. G. Anikhindi & Co., Cost Accountants, Kolhapur, have been appointed as Cost Auditor to conduct cost audit relating to the products manufactured by your Company.

**Conservation of Energy, Technology Absorption & 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 forming part of this Report.

**Acknowledgements**

Your Directors are grateful to the customers, suppliers, banks, financial institutions and employees for their co-operation and assistance during the year under review.

**Cautionary Statement**

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations may be 'forward-looking statements' within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could influence the Company's operations include economic developments outside the country, global demand and supply conditions in the industry, input prices, changes in government regulations, tax laws and other factors such as litigation and industrial relations.

On behalf of Board of Directors

**ANIL KUMAR JAIN**

*Chairman &*

*Managing Director*

Place : Mumbai

Dated : 17th May 2011

**ATTENTION SHAREHOLDERS**

Dear Shareholder,

This is to inform that the Ministry of Corporate Affairs (MCA) has issued circular no. 17/2011 dated April 21, 2011 regarding "Green Initiatives in the Corporate Governance – Clarification regarding service of documents by e-mode instead of Under Posting Certificate", whereby MCA has allowed paperless compliances by the Companies, by stating that the service of document by a Company can be made through electronic mode.

Keeping in view the initiative by the MCA and the circular issued by it, we propose to send the documents like Notice calling the Annual General Meeting, Corporate Governance Report, Directors' Report, Audited Financial Statements, Auditors' Report, etc beginning from the year ended 31<sup>st</sup> March 2011, in electronic form to the email address provided by you and made available to us by the Depository.

Please note that as a member of the Company, you shall be entitled to be furnished copy of the Balance Sheet of the Company and all other documents required by law to be attached thereto including Directors' and Auditors' Report, at any time, free of cost, upon requisition from you.

We are sure that you would appreciate the "Green Initiative" taken by the MCA to save our environment and your Company's desire to participate in such initiative.

Thanking you,

Yours faithfully

**FOR INDO COUNT INDUSTRIES LIMITED**

**ANIL KUMAR JAIN**

*Chairman & Managing Director*

Date : 17th May, 2011

## Annexure to Directors' Report

Information Under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and Forming part of the Directors' Report for the financial year ended on 31st March 2011.

### A. CONSERVATION OF ENERGY

#### Form - A

#### Form for Disclosure of particulars with respect to conservation of energy

Particulars	2010-11	2009-10
a) Power and Fuel		
<b>ELECTRICITY</b>		
a) Purchased (Units)	572,41,999	562,75,068
Total amount (₹ )	27,17,52,930	24,89,56,566
Rate/unit	4.75	4.42
b) Own generation:		
i) through diesel generator		
Unit	179,200	120,209
Unit/liter of diesel oil	3.37	3.28
Cost per unit	12.96	11.98
ii) Furnace oil		
Quantity (KL)	—	—
Amount ₹ in Lac	—	—
Average Rate (₹ )	—	—
b) Electricity consumption		
per unit of production of :-		
i) yarn per kg.	4.79	4.73
ii) Fabric processed per kg.	3.33	3.56

### B. TECHNOLOGY ABSORPTION

#### Form - B

#### Technology Absorption, Adaptation and Innovation

#### 1. Specific areas in which R & D was carried by the Company

- Decolourisation of effluent.
- Installation of variable frequency drive (VFD) in boiler and termopack.

- Development of Bleach Free Printed Linen.

#### 2. Benefit derived from above R & D activities

- Cost control.
- Better quality product and Value addition.
- Wider acceptability of Product in US Markets.

#### 3. Future plan of action.

- To develop new finishes to attain International Standard.
- To introduction of Micro CVC Product for US Market.

### D. Expenditure on R & D

- Capital - ₹ Nil
- Recurring - Expenditure has been shown under different heads in Profit & Loss Account amounting to ₹ 43.80 lac Total R & D Expenditure as a percentage of total turnover 0.06%.

### 2. Technology absorption, adaptation and innovation

The Company has not imported any technology since inception.

### C. FOREIGN EXCHANGE EARNINGS AND OUT-GO

- Activity related to initiatives taken to increase export markets for products and services and export - plans.

Since inception, the Company has been a predominant exporter of its production and net foreign exchange earner.

- Total foreign exchange used and earned

(₹ in Crore)

Particulars	2010-11	2009-10
Used	7.55	9.28
Earned (FOB value of export goods)	429.12	290.89

On behalf of Board of Directors

**ANIL KUMAR JAIN**

Chairman &

Managing Director

Place : Mumbai

Dated : 17th May 2011





## Management Discussion and Analysis

### Textile Division

#### Industry structure and developments

The number of composite textile units in the country has remained around 200 for a long time. These are in the organized sector and engaged in the complete value chain right from spinning to finishing of fabrics. Of this, about 10% is in the made up segment, rest being in the clothing segment.

Composite mills score over others in terms of attracting large buyers as also investors who want to take exposure in to and grow with the sector.

Composite mills have their presence in domestic and export markets. Some have strong local brands.

Your Company has composite facilities and controls the complete value chain, having spinning, weaving, fabric processing, cut/sew and merchandising facilities. Presently, most of its production is exported. Your Company has plans to enter in to domestic market either through its own brand or in partnership with existing channels. The management hopes to initiate this process at opportune time.

#### Opportunities and threats

Being predominantly export based, the Company's products are exposed to global economic conditions.

The joint efforts put in by the government of developed and developing (G20) countries to pull the global economy out of recession are expected to result in early restoration of consumer and business confidence. Hitherto, US and European countries accounted for about 65% of the global demand for Home Textile products. Your Directors hope that the economic recovery would be faster and Indian textile exports will soon spring back to normal level and further grow.

The initiatives taken by the Government of India to help exporters are laudable and need to be continued to remain competitive in the global market.

#### Risks and concerns

Due to turmoil in the currency and financial markets globally, the credit rating of the buyers has suffered. Consequently, it has become difficult to take direct credit exposure on the buyers as credit protection is either not available or becoming increasingly dearer. As such, Indian exports have been seriously affected. Your Directors expect that the Government would offer adequate protection to exporters to tide over this critical period.

Your Company is also exposed to safety and foreign exchange risks, which are monitored continuously and proper de-risking strategy is drawn and acted upon.

### Outlook

From the reports available in public domain, it is believed that the global economic recovery is in its way. It is only hoped that the growth momentum gathers, steam soon and fast. Indian textile industry is generally competitive and considering the positive business conditions developing, outlook for cotton textiles appears to be good.

### Electronic Division

#### Industry structure and developments

The consumer electronics industry is occupied by few branded Indian and multi national companies. Though the products are under common VAT system, non uniform tariff structure in different states and fiscal concessions granted by some state governments to local investment, have impact on the product pricing. Competition in this industry is therefore skewed.

In the retail segment, some private brands have been investing to get visibility and have established market share for their products.

#### Opportunities and threats

The technology in consumer electronic products has been fast changing. Continuous Investment is required to adapt to the change and keep abreast with the technological development.

Your Company has plans to invest in upgradation of facilities and manpower skills to meet the challenges.

The new product offerings in the market place have spooked interest in the consumers. Product differentiation, affordable pricing and easy financing methods have ensured reach of these products to the interior parts of the country and the OEM/ODM units have larger role to play in the business growth. Considering the nearness to market, the logistics and handling of fragile/bulky goods, regional units such as yours, are preferred by these brands.

#### Risks and concerns

The business of electronic manufacturing services units depends on the outsourcing requirement of the brand owners and is seasonal.

Your Company has developed expertise in providing complete end to end solution to the customers by offering logistic handling services, warehousing facilities, etc.

### Outlook

The Company has established itself as a reliable electronic manufacturing services unit. Retail revolution has created new markets and the Directors believe there will be adequate opportunities for your Company to exist and expand the business.

# **Corporate Governance** (Annexure to Directors' Report)

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## **Corporate ethics**

### **1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE**

#### **Philosophy**

Corporate Governance is based on the principles of integrity, fairness, equity, transparency, accountability, and commitment to values. Therefore, since its inception, the Company has been practicing good Corporate Governance, by constituting Board, Audit, Project Management and Remuneration Committees with independent professional members disclosing periodically adequate and true information to the Board/Committee, discussion Company's affairs in open, impartial and transparent, manner and ensuing decision making keeping in mind the interests of stakeholders and other business associates. The Company continues to focus on the good Corporate Governance, in line with the best practices in the areas of the Corporate Governance.

Your Company believes that sustainable and long terms growth of every stakeholder depends upon the judicious and effective use of available resources and consistent endeavour to achieve excellence in business along with active participation in the growth of society, building of environmental balances and significant contribution in economic growth.

The Governance for your Company means being true to own belief and constantly strengthening and increasing stakeholders' values and return investment by adopting principles of transparency, accountability and adherence of committee value creation principles. We are firm in the belief that Corporate Governance means commitment for achievement of value based growth and meeting the commitment within the predefined time frame without compromising with ethical standards, paradigms, transparency in transaction and fixing of accountability.

#### **Status of Compliance**

Your Company has been able to make significant compliance with the revised provisions of Clause 49 of the Listing Agreement.

## **2. BOARD OF DIRECTOR**

### **a) Composition of the Board**

Chairman & Managing Director along with the Joint Managing Director, Executive Director and Director (Works) look after the day to day affairs of the Company. The Board of Directors monitors Company's performance and approves, review policies/strategies and evaluate the management performance. The Board ensures legal and ethical conduct of business and accurate financial reporting.

The Company presently has Eleven Directors of which Chairman & Managing Director (CMD), Joint Managing Director (Jt. MD), Executive Director and Director (Works) are Executive Directors.

Promoter is the Chairman & Managing Director, is Promoter Executive Director and Joint Managing Director, Executive Director and Director (Works) are Non-Promoter Executive Directors.

Of the remaining Seven Directors, Five are independent Directors who are professionals/ industrialist with experience in taxation, accounts, finance and general corporate management, One is a nominee of EXIM Bank of India and another, nominee of Union Bank of India.

The Board of Directors meet at least once a quarter to review the Company's performance and financial results and more often, if considered necessary, to transact other important business.

### **b) Number of Board Meetings:**

During the current accounting year ended 31st March 2011, Board meetings were held on the following dates viz. 12-05-2010, 01-06-2010, 14-08-2010, 11-11-2010 and 14-02-2011.

The maximum interval between any two Board Meetings was less than 4 months as stipulated in Clause 49 of the Listing Agreement.

The 21st Annual General Meeting was held on 31st July 2010.




**c) Directors Attendance record and Directorship held as under:**

Name of the Director	Designation	Category	During the year number of Board Meetings		Whether attended last AGM	Directorship in other Public Limited Companies incorporated in India	Overall Committee Membership/ Chairmanship across Directorship	
			Held	Attended			Chairman	Member
<b>EXECUTIVE</b>								
Mr. Anil Kumar Jain	Chairman & Managing Director	Promoter	5	5	Yes	4	2	3
Mr. R N Gupta	Jt. Managing Director	Non-Independent	5	5	Yes	—	—	2
Mr. Kailash R Lalpuria **	Executive Director	Non-Independent	5	2	N.A.	1	—	—
Mr. Kamal Mitra	Director (Works)	Non-Independent	5	3	Yes	1	—	3
<b>NON EXECUTIVE</b>								
Mr. P N Shah	Director	Independent	5	5	No	6	3	5
Mr. R Anand	Director	Independent	5	4	No	3	—	3
Mr. Sushil Kumar Jiwarajka	Director	Independent	5	1	No	4	—	—
Mr. R G Kelkar @@	UBI Nominee	Independent	5	4	Yes	—	—	—
Mr. Dilip Thakkar	Director	Independent	5	2	No	13	5	10
Mr. C P Ravindranth @@	EXIM Nominee Director	Independent	5	4	No	2	—	2
Mr. Nadeem Panjetan \$\$	EXIM Nominee Director	Independent	NA	NA	NA	NA	NA	NA
Mr. Prem Malik	Director	Independent	5	3	No	7	—	3

\*\* Appointed since 11-11-2010

@ @ Resigned with effect from 21-04-2011

\$\$ Appointed with effect from 21-04-2011

The Board has laid down and adopted the Code of Conduct for all the Board Members and Senior Management personnel of the Company at its meeting held on 31st January 2006.

No remuneration, other than sitting fees has been paid for attending the Board/Committee meeting detailed as under:-

## Corporate Governance (Annexure to Directors' Report)

Name of Director	Sitting Fees Amt ₹
Mr. P. N. Shah	75,000/-
Mr. R. Anand	65,000/-
Mr. Sushil Kumar Jiwarajka	5,000/-
Mr. Dilip J Thakkar	25,000/-
Mr. C. P. Ravindranath (Nominee EXIM Bank)	35,000/-
Mr. R. G. Kelkar (Nominee Union Bank of India)	20,000/-
Mr. Prem Malik	15,000/-

Chairmanship/Membership of every Director is within limits specified.

### d) Information supplied to the Board:

A detailed agenda is sent to each Director sufficiently in advance of Board and Committee meetings. At every Board meeting the Chairman briefs the members on the overall performance of the Company.

Apart from the matters statutorily requiring the Board approval, all major decisions related to investments, capital expenditure, modernization programs, mobilization of resources and planning thereof are considered by the Board.

As per SEBI's code of Corporate Governance, the following information is regularly placed before the Board:-

- Annual operating plans and budgets and any updates.
- Capital budgets and any updates.
- Quarterly results for the Company and its operating divisions or business segments.
- Minutes of meetings of audit committee and other committees of the Board.
- The information on recruitment and remuneration of senior officers just below the Board level, including appointment or removal of Chief Financial Officer and the Company Secretary.
- Show cause, demand, prosecution notices and penalty notices which are materially important.
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.

- Any material default in financial obligations to and by the Company, or substantial nonpayment for goods sold by the Company.
- Any issue, which involves possible public or product liability claims of substantial nature, including any judgment or order which, may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company.
- Details of any joint venture or collaboration agreement.
- Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property.
- Significant labour problems and their proposed solutions. Any significant development in Human Resources/ Industrial Relations front like signing of wage agreement, implementation of Voluntary Retirement Scheme etc.
- Sale of material nature, of investments, subsidiaries, assets, which is not in normal course of business.
- Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
- Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.

### e) Independent Audit Committee:

The Company has constituted Audit Committee in accordance with the requirements of Clause 49 of the Listing Agreement with qualified, independent and non-executive members of the Board of Directors of the Company. The broad terms of reference of the Audit Committee are:-

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.