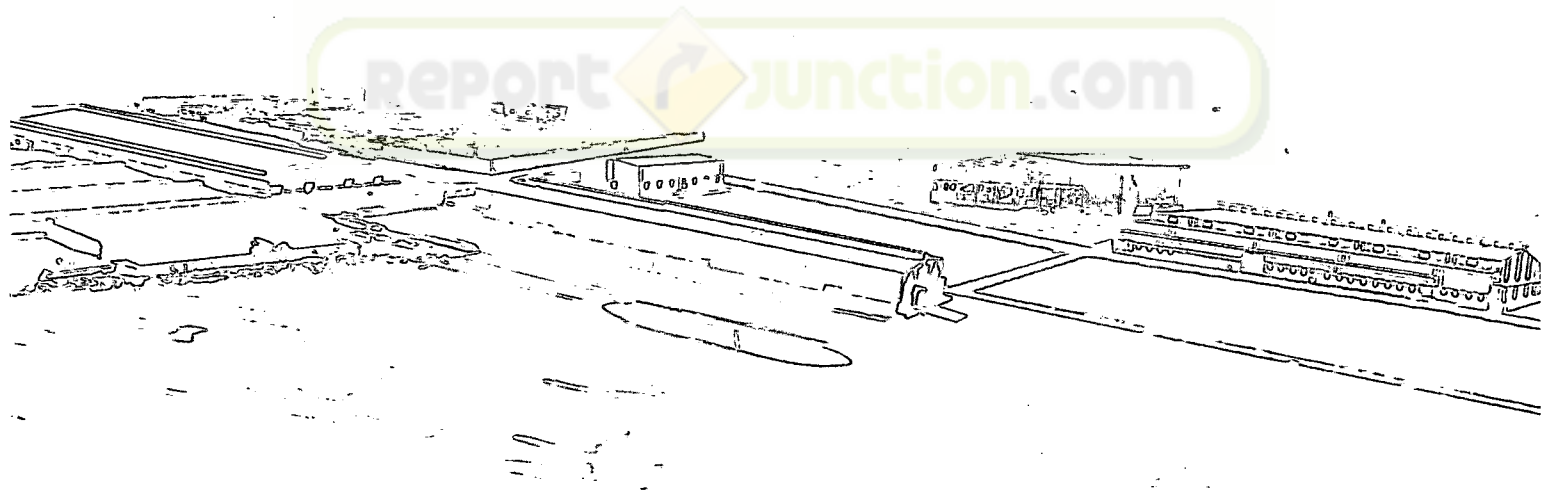




KEMROCK®
Industries and Exports Limited



annual
report
2008-2009





KEMROCK®
Industries and Exports Limited

BOARD OF DIRECTORS

Kalpesh Patel (Chairman & Managing Director)

Kaushik Bhatt

Mukund Bakshi

Navin Patel

Navin Patel

Navin Patel

Navin Patel

CFO

Company Secretary

Auditors

H. K. Shah & Co., Ahmedabad



Bankers

Allahabad Bank
Axis Bank
Exim Bank
ICICI Bank
Indian Bank
Punjab National Bank
State Bank of India

Regd. Office & Works

Village Asoj
Vadodara-Halol Express Way
Tal. Waghodia
Dist. Vadodara - 391 510
Gujarat, India.
Email: dpatel@kemrock.com
Web: www.kemrock.com

Registrar & Share Transfer Agent

Link Intime India Pvt. Ltd.
308, 1st Floor, Jaldhara Complex
Opp. Manisha Society
Off Old Padra Road, Vasna Road
Vadodara - 390 015 (Gujarat)
Tel. : (0265) 2250241, 2252875, 3249857
Fax: (0265) 2250246
Email: vadodara@linkintime.co.in



15th Annual Report 2008-2009

CONTENTS

1	Directors' Report	01
2	Management Discussion and Analysis	06
3	Report on Corporate Governance	09
4	Auditors' Report	14
5	Balance Sheet	16
6	Profit and Loss Account	17
7	Cash Flow Statement	18
8	Schedules forming part of the Balance Sheet	19
9	Schedules forming part of the Profit and Loss Account	22
10	Significant Accounting Policies and Notes on Accounts	24
11	Balance Sheet Abstract and Company's General Business Profile	30
12	ECS Mandate Form	31
13	Attendance Slip and Proxy Form	33



DIRECTORS' REPORT

To The Members,

Your Directors are pleased to present the 15th Annual Report of the Company together with its audited statement of accounts for the financial year ended 31st March, 2009.

Financial Performance	(Rs. in Crores)	
Particulars	2008-09	2007-08
Gross Turnover	379.05	231.15
Total Income	373.96	223.39
Profit Before Interest, Depreciation and Tax	101.96	74.2
Interest and Financial Expenses	39.65	28.89
Depreciation	18.61	12.24
Profit Before Tax	43.70	33.06
Net Profit after Tax	31.82	25.01
Less: Prior Year Items	(0.11)	-
Add: Balance brought forward from last year	48.57	29.32
Balance available, which the Board of Directors has appropriated as under: (A)	80.28	54.33
i) Proposed Dividend on Equity Shares for the year @ 15% (previous year @ 10%)	1.65	1.01
ii) Corporate Tax on Dividend	0.28	0.18
iii) Transfer to General Reserve	4.00	-
(B)	5.93	1.19
Balance Carried to Balance Sheet (A-B)	74.35	53.14

Operations

During the year under review, the total income grew by 67.41% to Rs. 373.96 Crores compared to Rs. 223.39 Crores for the year ended 31st March, 2008. The financial year 2008-2009 has been a challenging year for Indian industry. In spite of slowdown in Global and Indian economies, the Company has maintained its growth. PBDIT and Net Profit after Tax stood at Rs. 101.96 Crores and Rs. 31.82 Crores respectively compared to Rs. 74.20 Crores and Rs. 25.01 Crores for corresponding previous year.

As members are aware, your Company is a 100% EOU (Export Oriented Unit) since last 5 years and the EOU status has been further extended for other 5 years by the Authorities. Till date, the Company was a Star Export House, and the same has been upgraded to Trading House till 31st March, 2014.

Projects

The Company is implementing project of Rs. 642.30 Crores for production and commercialization of carbon-fiber and expansion of existing capacities. To implement the project quicker, the Company thought it fit to borrow project funds from Banks pending final sanction. As of to-date the Company completed financial closure of debt funds of Rs 400 Crores. Expenditure incurred towards capital expenditure during the financial year amounted to Rs. 231.30 Crores.

Dividend

The Board is pleased to recommend a payment of dividend at Rs. 1.50 per Equity share of the face value of Rs. 10/- each for the period ended 31st March, 2009 subject to approval of shareholders at the ensuing Annual General Meeting.

Share Capital

Issue and allotment of Shares and Warrants:

During the year under review and as already informed in the Report of the Directors in previous year, the Company had allotted (on 29th May, 2008) 4,59,998 Equity Shares of Rs. 10/- each for cash at a price of Rs. 650/- per share (including a premium of Rs. 640/- per share); and 3,93,000 Warrants (2,22,000 warrants in Part-A; and 1,71,000 warrants in Part-B) to a Foreign Body Corporate, convertible into Equity Shares of Rs. 10/- each at a premium of Rs. 640/- per share on preferential basis.

Further, on 21st July, 2008, the Company had allotted 4,25,000 fully paid-up Equity Shares of Rs. 10/- each to an NRI shareholder, against conversion of 4,25,000 warrants (comprised in Part-B) into 4,25,000 Equity Shares of Rs. 10/- each for cash at a price of Rs. 185/- per share (including a premium of Rs. 175/- per share) pursuant to the terms and conditions of issue of Warrants allotted on 22nd February, 2007.

Consequent upon allotment, as aforesaid, of 4,59,998 and 4,25,000 Equity shares aggregating to 8,84,998 Equity shares during the year under report, the paid-up share capital of the Company increased from Rs. 10.13 Crores to Rs. 11.02 Crores consisting of 1,10,14,998 Equity shares of Rs. 10/- each.

Forfeiture:

Out of total outstanding 21.93 lacs warrants, 10.44 lacs warrants lapsed during the year due to non exercise of option; and accordingly an amount of Rs. 514.20 lacs representing 10% advance of issue price of warrants have been forfeited during the year.

Subsequent to above, 9.78 lacs warrants lapsed due to non-exercise of option till date; and accordingly an amount of Rs 440.10 lacs representing 10% advance of issue price of warrants have also been forfeited.

As on the date of this report, 1.71 lacs warrants are outstanding.

Listing

The Company's shares are listed on Bombay Stock Exchange Limited (BSE). With effect from 16th June, 2009, the shares of the Company are also listed and admitted to dealings on the National Stock Exchange of India Limited (NSE).

Board of Directors

In terms of the provisions of Sections 255 and 256 of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Kaushik Bhatt and Mr. Tushar Patel, the Directors of the Company will retire by rotation at the ensuing Annual General Meeting of the Company and being eligible, offer themselves for re-appointment.



Brief details, pursuant to Clause 49 of the Listing Agreement, about the above two directors seeking re-appointment are given in Annexure-I appended to the Notice of the Annual General Meeting.

Directors' Responsibility Statement

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

- in the preparation of the Annual Accounts for the year 2008-2009, the applicable Accounting Standards have been followed by the Company;
- the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2009 and of the profit of the Company for the year ended on that date;
- 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; and
- the Directors have prepared the annual accounts of the Company on a 'going concern' basis.

Conservation of Energy, Technology Absorption & Foreign Exchange Earnings and Outgo

Information pursuant to Clause (e) of Sub-Section (1) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988, and forming part of the Directors' Report for the financial year ended 31st March 2009, are set out in Annexure-A to this report.

Particulars of Employees

The information required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, forms part of this report. As per the provisions of Sec 219(1)(b)(iv) of the Companies Act, 1956, the report is being sent to all the shareholders of the Company excluding the aforesaid information. However, these particulars are available for inspection at the Registered Office of the Company; and members, who are interested in the said information, may write to the Company Secretary at the registered office of the Company.

Corporate Governance & Management Discussion Analysis

The report of Board of Directors of the Company on Corporate Governance, pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, is given under a separate Section titled as "Corporate Governance Report", which forms part of this Annual Report.

A certificate of the Statutory Auditors of the Company regarding compliance with the Corporate Governance requirements as stipulated in Clause 49 of the Listing Agreement is annexed to this Report as Annexure-B forming part of it.

The Management Discussion Analysis forming part of this Report is given under a separate Section titled as "Management Discussion Analysis".

Public Deposits

The Company has not accepted any public deposit and as such, no amount on account of principal or interest thereon was outstanding on the date of Balance Sheet.

ESOS/ESPS

At the previous annual general meeting of the Company held on 06th September, 2008, approval of the shareholders was secured by way of special resolutions for implementation of ESOS (Employee Stock Option Scheme-2008) and ESPS (Employee Stock Purchase Scheme-2008) pursuant to the provisions of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999; and the Company also framed said Schemes and procured in-principle approvals of the Bombay Stock Exchange for issue of options and shares under these Schemes. The Schemes have been registered with the Income Tax Authority in compliance with the relevant provisions of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

During the year under report, no options/shares have been issued under these Schemes.

Auditors

M/s. H. K. Shah & Co., Chartered Accountants, Ahmedabad, the Statutory Auditors of the Company hold office upto the conclusion of the forthcoming Annual General Meeting of the Company and are eligible for reappointment. The Company has received a certificate from M/s. H. K. Shah & Co., to the effect that their appointment, if made, would be in conformity with the limits prescribed in Section 224 of the Companies Act, 1956. Accordingly, the approval of Members is sought at the Annual General Meeting for their reappointment.

Insurance

All the properties and insurable interests of the Company including Buildings, Plant and Machineries and Stocks have been adequately insured.

Acknowledgment

Directors wish to place on record their deep appreciation for the employees at all levels for their hard work, dedication and commitment. The Board places on record their appreciation for the support and co-operation your Company has received from its customers, vendors, joint venture partners, business associates and technology partners.

Directors also take this opportunity to thank all Investors, Shareholders, Clients, Banks, Regulatory Authorities, Government Authorities, Stock Exchanges and Depositories for their continued support.

Your Directors seek and look forward to have the same support and co-operation during the coming years of growth.

For and on behalf of the Board

Kalpesh Patel

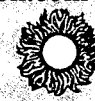
Chairman & Managing Director

Date: June 29, 2009

Reg. Off.: Vill. Asoj

Vadodara-Halol Express Way

Tal. Waghodia, Dist. Vadodara-391 510



ANNEXURE 'A' TO THE DIRECTORS' REPORT

Statement regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo for the year ended 31st March, 2009 as required under Section 217(1)(e) of the Companies Act, 1956, which forms part of the Directors' Report.

A. CONSERVATION OF ENERGY:

(a) Energy conservation measures taken:

Installation of 30 HP VFD for Boiler ID fan instead of Star Delta Starter for varying the Airflow as per process requirement. Installation of VFD base Air Compressor for fabric plant by replacing old compressor for optimum utilisation of power. Solar System of 3000 liters capacity put in operation so as to supply hot water to Boiler in place of normal water. Awareness programme for energy conservation has been implemented for users.

(b) Additional Investments and proposals, if any, being implemented for reduction of consumption of energy:

Energy Audit was completed for the entire plant and found further scope for energy conservation and system improvement which is in progress. Further, it is actively proposed to install online energy monitoring system for the entire site so as to control usage of energy.

(c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on cost of production of goods:

Due to measures taken at (a), operating cost of the boiler has reduced at Epoxy Plant; fuel consumption of Boiler has reduced due to usage of Solar Water System; and production cost of fabric plant has also been reduced.

(d) Total energy consumption and energy consumption per unit of production as per Form-A of the Annexure in respect of industries specified in the Schedule thereto is as under:

FORM-A

(See Rule 7)

Form for Disclosure of Particulars in respect to Conservation of Energy

(A) Power and fuel consumption

Sr. No.	Particulars	Unit	Year ended	
			2008-2009	2007-2008
1.	(a) Electricity Purchased			
	Unit	KWH	1,09,88,396	75,88,352
	Total amount	Rupees	6,79,57,222/-	4,01,19,066/-
	Rate/Unit	Rs./KWH	Rs. 6.14/-	Rs. 5.28/-
	(b) Own Generation			
	<i>i) Through diesel generator</i>			
	Unit	KWH	1,23,512	1,62,656
	Units per ltr. of diesel oil	KWH	3.25	3.25
	Cost/unit	Rs./KWH	Rs. 12.19	Rs. 10.62/-
	<i>ii) Through steam turbine generator</i>	N. A.	N. A.	N. A.
	Units			
	Units per ltr. of diesel oil/gas			
	Cost/units			
2.	Coal (specify quality and where used)			
	Quantity (tonnes)	N. A.	N. A.	N. A.
	Total cost			
	Average rate			
3.	Finance oil			
	Quantity (k. ltrs.)	N. A.	N. A.	N. A.
	Total amount			
	Average rate			
4.	Others/internal generation (please give details)			
	Quantity	N. A.	N. A.	N. A.
	Total cost			
	Rate/unit			


(B) Consumption per unit of production

The products of the Company are manufactured in different shapes and sizes and hence, consumption per unit of production is not ascertainable.

B. TECHNOLOGY ABSORPTION:

(e) Efforts made in technology absorption as per Form-B (Disclosure of particulars with respect to Technology Absorption) are as under:

FORM-B

(See Rule 2)

Form for Disclosure of Particulars with respect to Technology Absorption

[a] Research and Development (R&D):
1. Specific areas in which R&D carried out by the Company:

At present, no specific R&D activities are carried out by the Company.

2. Benefits derived as a result of the above R&D

: N.A.

3. Future plan of action:

Company may, depending upon its requirements, undertake R&D activities in future.

4. Expenditure on R&D:

a) Capital	:	NIL
b) Recurring	:	NIL
c) Total	:	NIL
d) Total R & D expenditure as a percentage of Total Turnover	:	NIL
Net Turnover	:	NIL

[b] Technology absorption, adaptation and innovation:
1. Efforts, in brief, made towards technology absorption, adaptation and innovation:

The Company has commenced producing Phenolic Resins from its plant from April 2005.

2. Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution etc.:

The Company meets its captive consumption requirements of Phenolic Resins at reduced cost; and can also sell it in the market.

3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:

a) Technology imported	:	Phenolic Resins
b) Year of import	:	2004
c) Has technology been fully absorbed?	:	Yes
d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action	:	N.A.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:
(f) Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services; and export plans:

The Company is an Export Oriented Unit and it continues to maintain focus on exports and explore and avail of export opportunities based on economic considerations, international market analysis and embarking on new products.

(g) Total Foreign Exchange used and earned:
Foreign Exchange used:

Value of imports calculated on C I F basis:-

- Raw Materials	Rs. 163.03 Crores
- Components & Spare parts	NIL
- Capital Goods	Rs. 89.52 Crores

Export of goods on FOB basis :

Rs. 230.96 Crores

**ANNEXURE – B****AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT**

To,

The Members of

Kemrock Industries and Exports Limited,

We have examined the compliance of conditions of Corporate Governance by Kemrock Industries and Exports Limited for the year ended on 31st March, 2009 as stipulated in Clause 49 of the Listing Agreement of the said Company with relevant Stock Exchange.

The Compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement *except the following:*

"that the gap between two Audit Committee meetings held on 30th January 2008 and 28th June 2008 was more than 4 months.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders'/Investors' Grievance Committee.

We further state that, such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

Report  junction.com

Date : June 29, 2008

Place : Asoj, Vadodara - 391 510

For H. K. Shah & Co.

Chartered Accountants

H. K. Shah

Partner



MANAGEMENT DISCUSSION AND ANALYSIS

After a remarkable growth history of past few years, Indian economy witnessed slowdown during 2007-08 followed by financial crisis in United States. World economy has been severely affected by the US financial turmoil leading to downturn in economic growth across the globe. Global trade and commerce have been adversely affected with decline in exports from emerging economies like China and India.

As per the projections of the CSO (Central Statistical Organisation), the GDP (Gross Domestic Product) growth for 2008-09 was estimated at 7.1% as compared to 9% for 2007-08 indicating deceleration in the Indian economic growth. The industrial production in India registered a significant slowdown impacted by the global recession. At disaggregated level, the growth in Industry and Manufacturing segments during 2008-09 was lowered to 4.8% and 4.1% respectively as compared to 8.1% and 8.2% during 2007-08. Although, compared to other large global economies, Indian economy maintained a striking growth rate of 7% during 2008-09.

During the year under review and in backdrop of above situation, crude and petrochemical prices too reached alarming levels and remained extremely volatile coupled with weakening of Indian rupee against US Dollar, which again posed great challenges before the Indian importer/exporter manufacturers.

Your Company's performance during the year 2008-2009, therefore has to be evaluated in the context of above economic background.

Despite the recent global economic meltdown and resultant crisis in many developed countries, India's economy is expected to perform resiliently amid these uncertainties, with an anticipated growth of about 7% this fiscal. Riding on this growth, the Indian Composites industry has a bright future consistent with the country's economic development in coming years.

Industry Structure and Developments

Composites are preferred as a 'smart substitute' for conventional materials like steel, reinforced concrete, aluminum and wood in many respects, which suffer from problems of weight, corrosion, durability and recurring maintenance.

Presently there are more than 30,000 applications of composites. New generation composite materials are finding increasing applications in various segments like wind energy, mass transport, automotive, construction and building industry, optical fiber industry, large diameter FRP pipes for sewerage and infrastructure, petroleum storage, oil and gas sector, chemical storage, electrical & electronics etc.

The global FRP composite industry is estimated at about USD 85 billion. North America and Europe represent about three fourth of the composite industry's total market value and Asia-Pacific region represents its one fifth market leaving the rest for the world.

Market projections peg Asia as the leading region, so far as growth of global composites industry is concerned by 2013, with a yearly growth of about 5%. With this growth rate, Asia will have a major market share of around 40%.

India is the fastest growing market in Asia with the highest growth potential in composites looking to its current insignificant contribution to the world market. Indian composites industry is developing fast with growth rate of around 25% in upcoming 4 years.

Opportunities and Business Outlook

Some of the crucial growth drivers for Composites Industry in India are remarkable growth in wind energy, telecom and transport industries, substantial investment in infrastructure and composites finding increasing application in oil and gas industries. Further, deceleration in the growth of North American and European markets has attracted global players to invest in the Indian composites market through techno-commercial collaborations, where benefits of low cost of production, best engineering and design talents etc., are added advantages. Presently, the promising sectors in Indian Composites Industry are the wind energy, transportation/automotive or railways and pipe and industrial equipments.

By end of 2013, Corrosion Industry, Wind Energy and Transportation sectors are expected to have a market share of 70% followed by 30% for sectors like construction, aerospace and others.

The business outlook and opportunities for composite industries in India remains promising, particularly in the following end-use industry segment.

Wind energy

Wind energy is a rapidly growing market segment for the composites industry and is the fastest growing energy sector. Worldwide wind power capacity has increased fourfold in last five years. Composites consumption in the global wind energy market has grown 23 times in last twelve years. As wind generating capacity increases, there is also an increasing need for bigger and lighter blades made of fiber-reinforced epoxy, which represents the largest use of material. Even greater use of carbon fiber, despite having high cost and tight supply, is recommended to meet higher performance requirements with stiffness and lighter weight than the standard E-glass materials.

During the year under review, your Company has established a manufacturing facility to produce wind mill blades, presently of 40 to 42-meter sizes, with flexibility to manufacture blades of small sizes also ranging from 25 - 40 meter. The first production of blades is expected to start by the end of July, 2009.

Railways

Composite components have immense potential for applications in railways. Indian Railways have been promoting reinforced composites due to their lightweight and corrosion resistance. Typical applications have been toilet modules, parts of the chair-car, windows, tray tables, doors, etc. The new generation coaches and metro rail projects will further drive the growth of composites with an expected CAGR of 20%.

Pipes and Corrosion Industry

Composites consumption in anti-corrosion equipments, pipe and tanks sector is expected to grow at about 17% (CAGR) through 2008-13. The pipes industry and the chemical tanks/vessels industry combined have more than 25% of the market share of composites usage in India.

The composites finds applications in corrosion industry like chemical equipments, effluent discharge pipes in desalination plants, ducts in chemical industry, water pipelines, sewer pipelines, cooling tower units etc., due to its non-corrosive characteristic.

GRP pipes

Outlook for 2009-2010:

The composite pipes offer an excellent opportunity for growth to Indian