

INDOKEM LIMITED



**46th Annual Report
2011-2012**

INDOKEM LIMITED

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46th ANNUAL GENERAL MEETING

Date	:	28th December, 2012
Time	:	4.00 p.m.
Venue	:	Khatau House, Plot No. 410/411, Mogul Lane, Mahim (W), Mumbai - 400016

Members are requested to:

- Direct all shares related queries to Sharex Dynamic (India) Pvt. Ltd.
- As a measure of economy copies of Annual Report will not be distributed at the AGM. Members are therefore requested to bring their copy to the meeting.
- Send their queries, if any, relating to the accounts of the Company, at least 10 days before the AGM, so that the necessary information can be made available at the meeting.
- Deposit their valid Proxy form at the Registered Office of the Company not less than forty-eight hours before the time for holding the AGM.

BOARD OF DIRECTORS

MR. MAHENDRA K. KHATAU - CHAIRMAN & MANAGING DIRECTOR
MS. 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
secretarial@indokem.co.in
WEBSITE: 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
WEBSITE: www.sharexindia.com

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

NOTICE

NOTICE is hereby given that the Forty-Sixth Annual General Meeting of the members of Indokem Limited will be held on Friday, 28th December, 2012 at 4.00 P.M. at Khatau House, Plot No. 410 / 411, Mogul Lane, Mahim (West), Mumbai – 400016 to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 30th September, 2012 (18 Months), the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mrs. Asha M. Khatau who retires by rotation and being eligible, offers herself for re-appointment.
3. To appoint a Director in place of Mr. B.G. Sontakke 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: 09.11.2012

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 – 400016 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 20th December, 2012 to 28th December, 2012 (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: 09.11.2012

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	Mrs. Asha M. Khatau	Mr. B.G. Sontakke
Age	55 Years	68 Years
Expertise in specific functional area	Over 20 Years in the fields of General Management as a Consultant and Advisor	Over 30 Years Experience in the areas of Human Resource, Administration and liaison with various government authorities
Qualifications	B.A.	B.COM, LLB & MLS
Other Directorship as on 30.09.2012	<ul style="list-style-type: none"> • INDOKEM OVERSEAS LIMITED • REFNOL RESINS AND CHEMICALS LIMITED 	<ul style="list-style-type: none"> • REFNOL RESINS AND CHEMICALS LIMITED
Chairman/Member of the Committee of the Board of Public Companies on which he is a Director as on 30.09.2012	NIL	NIL
No. of Shares held in Indokem Limited	10900	100

DIRECTORS' REPORT

To,
The Members,

Your Directors have pleasure in presenting the Forty Sixth Annual Report of the Company together with its Audited Profit and Loss Account for the year ended 30th September, 2012 and the Balance Sheet as on the date which is for 18 months (01.04.2011 to 30.09.2012):

FINANCIAL RESULTS	(₹ in Lacs)	
	For the year ended 30th September, 2012 (18 Months)	For the year ended 31st March, 2011 (12 Months)
Income	44,45.40	28,19.65
Profit / (Loss) before Interest, Depreciation and Taxes	(5,19.14)	(2,70.78)
Less: Interest	2,74.57	3,80.43
Depreciation	1,53.75	3,00.49
Profit / (Loss) before tax	(9,47.46)	(9,51.70)
Add : Provision for Wealth Tax / FBT	Nil	Nil
Add : Excess / Short provision for tax in respect of earlier year	0.10	0.19
Profit / (Loss) After Tax	(9,47.36)	(9,51.51)
Less: Amount drawn from Capital Reserve	—	—
Profit / (Loss) brought forward from last year	(20,80.09)	(11,28.58)
Surplus/ Loss carried to Balance Sheet	(30,27.45)	(20,80.09)

BUSINESS OPERATIONS, FUTURE PROSPECTS & CHANGE IN FINANCIAL YEAR :

The business environment remained extremely challenging and the recessionary economic conditions leading to slowdown in demand and inflation pushed scale up of input costs left its adverse imprint on overall performance for 2012. In spite of difficult times, directors are pleased to inform that your Company, based on its intrinsic strength, quality, consistency in supply and implementation of latest technology has increased its turnover to ₹4,313.41 Lacs.

On the installation of SAP accounting system and the technical difficulties faced in this system it was not possible to complete the Accounts within the stipulated time, consequently Company extended its financial year by 6 months and accordingly balance sheet and profit and loss accounts are prepared for the period of 18 months i.e. from 1st April, 2011 to 30th September, 2012 and all the statutory compliances in this regard have been complied with. Further it is decided that the next financial year will be for 6 months commencing from 01.10.2012 to 31.03.2013.

Shareholders have given their approval through Postal Ballot conducted on 18.03.2011 for disposal of whole/part of undertaking situated at Plot No.2900, GIDC Ankleshwar and the Company is in process of considering some proposals for the same.

EXPORTS :

Considering the external environment and market strategy Company has succeeded in achieving its Export Sales of ₹817.89 Lacs for the Current Financial Year as compared to the previous year's sale of ₹118.60 Lacs.

DIVIDEND :

Due to absence of profits your Directors do not recommend any dividend for the year under consideration.

SUBSIDIARY COMPANY :

The Company has sold its total holdings of Equity in its Subsidiary, Kapsales Electricals Limited on 06.04.2011 and it is no more subsidiary of Indokem Limited as at the end of the Financial Year. Hence, the statement pursuant to section 212

of the Companies Act, 1956 relating to Subsidiary Companies is not given as well as the standalone balance sheet for the year ended 30th September, 2012 is prepared accordingly.

FIXED DEPOSITS :

The Company has not accepted any fixed deposit during the year and no amount on account of principal or interests on Fixed Deposits was outstanding as on the date of Balance Sheet.

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.

INSURANCE :

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

DIRECTORS :

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. B.G. Sontakke and Mrs. Asha M. Khatau, Directors retire by rotation and are eligible for re-appointment. The Board recommends their reappointment.

Brief resume of the Directors proposed to be reappointed, nature of their expertise in specific functional areas and names of public limited companies in which they hold directorships and memberships/chairmanships of Board Committees, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India, are provided in the Notice forming part of the Annual Report.

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 letter 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 OBSERVATIONS :

Explanation for Auditors Qualification on Inventory Records of Ankleshwar Plant is given in Note No.26 (Additional Information to the Financial Statements) Para No. 5(B) which is self explanatory.

COST AUDITOR :

Pursuant to Section 233B of the Companies Act, 1956, M/s. Deodhar & Associates, Cost Accountant, Mumbai, is appointed as Cost Auditor for the financial year 1st October, 2012 to 31st March, 2013, for our organic and inorganic chemicals products.

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 :

Since our factory at Ankleshwar is closed from 16th July, 2009, there are no manufacturing/ production activities hence there is no consumption of energy and technology absorption. However, pursuant to the provisions of Section 217(1)(e)

of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, prescribed particulars as applicable is annexed hereto as Annexure 'A' and forms part of this Report. 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:

	30.09.2012 (18 Months) <small>(01.04.11 to 30.09.12)</small>	₹ '000 31.03.2011 (12 Months) <small>(01.04.10 to 31.03.11)</small>
I) EXPENDITURE IN FOREIGN EXCHANGE CAPITAL		
Value of Imports on C.I.F. basis Raw Material	2,98,10	1,33,00
Travelling	1,766	6,09
Foreign bank charges	51	95
Consultancy charges	66	-
Total:	3,16,93	1,40,04
II) EARNINGS IN FOREIGN EXCHANGE		
F.O.B. VALUE OF EXPORTS	7,20,49	1,21,72

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 alongwith 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 30th September, 2012; and of the profit or loss of the Company for that period.
- 3) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- 4) The 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: 09.11.2012

Mahendra K. Khatau
Chairman & Managing Director

ANNEXURE 'A'

Statement pursuant to Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

Since the Factory at Ankleshwar is closed from 16th July, 2009 and considering present financial and economic issues the company is presently concentrating on Trading Activities including minor job work activities and hence there are no major productions / consumptions activities of the company. However efforts have been made to resolve the same.

A. Conservation of Energy**a. Energy Conservation measures taken :**

I) Electrical Energy:

- i) Regular preventive/predictive maintenance of electrical system is carried out to ensure minimal losses.
- ii) Regular upgradation in electrical system is done so as to minimize electrical consumption.

II) Furnace Oil/LDO Consumption:

Considering the above issue there are no major consumption of Furnace Oil / Light Diesel Oil. However as and when the production will be increased measures to reduce the consumptions of energy will be taken care of.

b. Additional investments and proposals, if any, being implemented for reduction of consumption of energy :

Presently company concentrating on Trading Activities which has resulted in reduction in consumption of energy. However, as and when production will be increased modern equipments will be used to reduce the consumption of the same.

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

Due to negligible consumption there is no special impact

d. Total energy consumption and energy consumption per unit of production.

As per Form 'A' of the Annexure.

B. Technology Absorption:

Since the factory where manufacturing activities used to take place is shut down from 16th July, 2009 there is no such technology absorption by the Company.

C. Foreign Exchange Earnings and Outgo :

	(₹ 000)	
	Current Year 2011-2012 (18 Months)	
	Previous Year 2010-2011 (12 Months)	
1. Foreign exchange earned Export of goods on FOB basis	72049	12172
2. Outgo of foreign exchange CIF value of Imports	29810	13300
3. Expenditure in foreign currencies	1883	704

For and on behalf of the Board

Mumbai
9th November, 2012

Mahendra K. Khatau
Chairman & Managing Director

FORM A

Statement showing particulars as per section 217(1)(e) of the Companies Act, 1956 read with the (Disclosure of Particulars in the Report of Board of Directors) Rule, 1988.

Form for disclosure of particulars with respect to conservation of energy.

		For the year ended 30.09.2012 (18 Months)	For the year ended 31.03.2011 (12 Months)
A. Power and Fuel Consumption :			
1. Electricity			
(a)	Purchased Units (000 unit)	37	-
	Total amount (₹ 000)	315	-
	Cost per unit (₹ / Unit)	8.51	-
(b)	Own Generation		
(i)	Through Diesel Generator Set :		
	Units generated/Lakhs	N.A.	-
	Units per Ltr. of Diesel Oil		
	Cost – ₹ / Unit		
(ii)	Through Steam Turbine/Generator	N.A.	-
2.	Coal (specify quality and where used)	N.A.	-
3.	Furnace Oil Quantity – M.T.	N.A.	-
	Total amount – ₹ in Lakhs		
	Average rate – ₹ / M.T.		
4.	Others/internal generation Gas – (000 NM ³)	N.A.	-
	Total amount – (₹ 000)		
	Average rate – (₹/NM ³)		
B. Production / Consumption of:			
Products		For the year ended 30.09.2012 (18 Months)	For the year ended 31.03.2011 (12 Months)
Dyes	MT	466	-
Electricity	MT	-	-
Gas	MT	-	-

FORM B

Form for disclosure of particulars with respect to absorption

Factory at Ankleshwar is closed since 16th July, 2009, resulting the halt of production activities, there are no Research & Development Activities and Expenditure.

- | | |
|--|---|
| 1. Specific areas in which the Research & Development carried out by the Company | Due to the above reason there are no Research & Development Activities carried out by the Company |
| 2. Benefits derived as a result of the above R & D | Not Applicable. |
| 3. Future plan of action | Policies have been framed out to resolve the manufacturing issues. |
| 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 |
| 5. Technology absorption, adoptation and innovation | Due to the above reason there is no technology absorption by the Company. |

Mumbai
9th November, 2012

For and on behalf of the Board

Mahendra K. Khatau
Chairman & Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS

The year under report experienced turmoil in most of the global economies, however, Indian economy was not adversely affected by this crisis although some signs of a downturn are visible in the current year. The International Monetary Fund has projected India to be the second-fastest-growing major economy after China.

PERFORMANCE:

Despite maintaining its turnover, the company recorded a loss in the year that has been due to various factors such as rising cost of material, slackness in the market, depreciation of the rupee resulting in higher costs of imports, escalating fuel and interest costs, inflation and slow growth in the economy had a negative impact on the performance of the company. Despite of all these challenges, recession and exemplary high costs in the business, your Company has withstood the pressure and reported comparatively better business.

GREEN INITIATIVE:

As a part of the Green Initiative in Corporate Governance, the Ministry of Corporate Affairs (MCA), Government of India, through its various Circulars has allowed Companies to send notices/documents, annual reports, financial statements etc. i.e. (Corporate Communication) to its shareholders through electronic form at the registered e-mail addresses of the shareholders. The Company thus, proposes to send all communication to its shareholders in the electronic mode in lieu of the physical mode allowing paperless compliances by Companies through electronic mode. Therefore, members who are holding Company's share(s) in demat and have registered their email address in the records of the Depositories will receive all communication through electronic mode. The Annual Report of the Company and all major corporate communications would also be uploaded on the Company's website: www.indokem.co.in for information and perusal.

INTERNAL CONTROL SYSTEM:

The Company has appropriate internal control systems for business processes with regard to its operations, financial reporting and compliance with applicable laws and regulations. The Audit Committee of the Board of Directors approves the internal audit plan and internal audits are conducted at regular intervals across various locations and, accordingly, audit observations and follow-up actions are discussed with the Management of the Company as well as the Audit Committee.

HUMAN RESOURCE MANAGEMENT

Your Company has valued both experience and fresh talent, and takes pride in the commitment, competence and dedication shown by its employees in all areas of business. Your Company has structured induction process at all locations and management development programs to upgrade skill of managers. Objective appraisal systems are in place for senior management staff. Your company is conscious of the importance of environmentally clean and safe operations. Your Company's policy requires the conduct of all operations in such a manner so as to ensure safety of all concerned. Industrial relations remained cordial during the year.

TRAINING FOR ACHIEVEMENT:

Training and development is part and parcel of every company in order to harvest the potential value of employees. Indokem is no different for the same. Upgradation of technical skills training is periodically given to employees as per identified requirements while employees are encouraged to participate in personality development, soft skills enhancement programmes etc.

RISK MANAGEMENT:

Indokem strives to be a sustainable and performance-driven company. This is achieved by doing business, which by nature involves taking risks and managing those risks. Structured risk assessments are integrated in change projects, business planning, performance monitoring processes, common processes and system implementations and acquisitions and business integration activities. The Risk Management and Control Systems are considered to be in balance with Indokem's risk profile and appetite, although such systems can never provide absolute assurance. Indokem's Risk Management and Control Systems are subject to continuous review and adaptations in order to remain in balance with its growing business size and changes in its risk profile.

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.

CONCLUSION:

At Indokem, we believe that a Company cannot assess its success on short term profits, although financial performance is the main factor to overall success. For the entire system to generate success, we need to piece together the performance of every individual employee just as much as we need for every product.

For and on behalf of the Board

Mahendra K. Khatau
Chairman & Managing Director

Mumbai
Date: 09.11.2012

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 is committed to doing its business in an efficient, responsible, honest and ethical manner. We aim to create value through innovation, growth and high earning power. We have geared up our internal control functions and risk management to meet the progressive governance standards. Our focus on innovation is the key to maintaining or gaining a leading position in every market in which we operate and the core values of the Company's governance process include independence, integrity, accountability, transparency, responsibility and fairness.

Good governance responsibilities encompasses the activities of the Board of Directors, who execute their corporate governance responsibilities by ensuring that the Company's strategic and operational undertakings are in the best interests of all stakeholders of the Company, especially shareholders, employees and our customers. This guidance from the Board of Directors warrants that the organisation grows in a balanced fashion with long-term benefits to all.

By working sustainably and accepting our role as a socially and ethically responsible corporate citizen and by committing to our values we create benefits for the communities in which we live and Indokem is committed to continually evolving and adopting appropriate corporate governance best practices.

In terms of Clause 49 of the Listing Agreement executed with the Stock Exchange, the details of Compliance are as follows :

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 Indokem Limited)		
		Board Meeting	Last AGM	Other Directorships#	Committee@	
					M	C
Mr. M.K. Khatau	CMD	9	Yes	9	-	-
Ms. Leela Khatau	NE	4	No	9	-	-
Mr. Kailash Pershad	NE/ID	8	Yes	-	-	-
Mr. S. Rajagopalan	NE/ID	6	No	1	-	-
Mr. B.G. Sontakke	NE/ID	9	No	1	-	-
Mrs. Asha M. Khatau	NE	6	Yes	5	-	-

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

Nine Board Meetings were held during the financial year ended 30th September, 2012, viz. on 5th May, 2011, 29th July, 2011, 1st November, 2011, 10th February, 2012, 5th March, 2012, 10th April, 2012, 7th May, 2012, 28th June, 2012, 6th August, 2012.

c) Board Agenda

The Board meetings are scheduled well in time and Board members are 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;
- Reviewing with management the quarterly, half yearly and annual financial statements;
- Reviewing the adequacy of internal control systems and periodic audit reports;
- Discussing with the Statutory Auditors about the nature and scope of audit;
- Reviewing the financial statements and investments made by the unlisted subsidiary company.

b) Composition of Audit Committee

The Audit Committee presently comprises of Mr. Kailash Pershad, Chairman, besides, Mr. M. K. Khatau, Mr. S. Rajagopalan and Mr. B.G. Sontakke. Two-thirds of the members of audit committee are independent directors. All of them have financial and accounting knowledge. Mr. Rohan Gavas, Company Secretary is the Secretary of the Committee. Chief Financial Officer, Statutory Auditors attend meetings by invitation.

c) Attendance

Six meetings were held during the financial year ended 30th September, 2012, viz. on 5th May, 2011, 29th July, 2011, 1st November, 2011, 10th February, 2012, 7th May, 2012, 6th August, 2012. Composition of the Audit Committee and attendance of each Director at these meetings are as follows:

Name of the Director	Designation	No. of Meetings Attended
Mr. Kailash Pershad	Chairman	6
Mr. S. Rajagopalan	Member	4
Mr. M. K. Khatau	Member	6
Mr. B. G. Sontakke	Member	5

4. Remuneration Committee

- a) The Company does not have a Remuneration Committee. The remuneration payable to the Managing Director is approved by the Board of Directors and then by the Shareholders at the General Meeting and such other Authorities as may be necessary.

b) Remuneration of Directors

	₹ In lacs
Managing Director :	21.72
Non Executive Directors (Sitting Fees)	0.94
Total	22.66

Managing Director has a service contract of five years, with a notice period of three months by either party.

c) Remuneration of Non-Executive Directors

Name of Director	Sitting Fees Paid (₹)	
	Board Meeting	Audit Committee Meeting
Ms. Leela Khatau	8,000	—
Mr. Kailash Pershad	16,000	12,000
Mr. S. Rajagopalan	12,000	8,000
Mr. B.G. Sontakke	18,000	8,000
Mrs. Asha M. Khatau	12,000	—

5. Shareholders' Committee:**a) Share Transfer Committee**

The Committee is comprised of an Executive Director and a Non-Executive Independent Director. Mr. M.K. Khatau is the Chairman, Ms. Leela K. Khatau and Mr. B.G. Sontakke are the other member of the Committee. The Committee looks into the issues relating to Shareholders, including transfer, transmission and transposition of shares, issue of duplicate share certificates and other related matters. The Committee meets to approve the share transfers and transmissions from time to time.

b) Shareholders' Grievance Committee

The Committee presently consists of three Non-Executive Independent Directors and an Executive Director. This Committee specifically looks into the redressal of shareholders' and investors' complaints with a primary objective to improve investor relations. The Committee met six times during the financial year 2011-2012 viz. on 5th May, 2011, 29th July, 2011, 1st November, 2011, 10th February, 2012, 7th May, 2012, 6th August, 2012. Composition of the committee and attendance of each Director at these meetings are as follows:

Name of the Director	Designation	No. of Meetings Attended
Mr. B. G. Sontakke	Chairman	4
Ms. Leela Khatau	Member	4
Mr. M.K.Khatau	Member	4

c) Compliance officer

Mr. Rohan R. Gavas, Company Secretary is the Compliance Officer pursuant to clause 47 (a) of the Listing Agreement with Stock Exchange.

d) Details of complaints/correspondences received and resolved during the year

Number of correspondences received from Share holders	3
Number of correspondences redressed	3
Number of complaints/correspondences not resolved	Nil

6. General Body Meeting Held During The Last Three Years

AGM	Date	Venue	Special Resolution Passed
43 rd AGM	30.09.2009 at 4.00 p.m.	Khatau House, Mahim, Mumbai - 400016.	There was no special resolution passed during the year
44 th AGM	30.09.2010 at 4.00 p.m.	Khatau House, Mahim, Mumbai - 400016.	<ul style="list-style-type: none"> • Appointment of Mr. Mahendra Kishore Khatau as Chairman and Managing Director of the Company. • Appointment of Mrs. Asha M. Khatau & Mr. B.G. Sontakke as Directors of the Company. • Amendment of Articles of Association for the minimum number of Directors to 4 instead of 6. • Appointment of Mr. Manish M. Khatau as Vice President-Corporate Strategies U/s 314 of Companies Act, 1956.
45 th AGM	29.09.2011 at 4.00 p.m.	Khatau House, Mahim, Mumbai - 400016.	There was no special resolution passed during the year

7. Resolution passed through Postal Ballot:

No Resolutions were passed through Postal Ballot for the Years 2009-2010 & 2011-2012.

During the year 2010-2011:

Members consent was accorded through Postal Ballot, pursuant to section 293(1)(a) of the Companies Act, 1956 for Disposal of Undertaking situated at Plot No. 2900, GIDC, Ankleshwar, Gujarat.

M/s. P. P. Aphale & Associates, Company Secretary acted as Scrutinizer for the aforesaid Postal Ballot Process.

8. Code of Conduct

The Board has laid down a Code of Conduct for all Board Members and Senior Management of the Company. All Board Members and Senior Management Personnel have affirmed compliance with the Code on annual basis the declaration to this effect is signed by the Managing Director of the Company, forms part of this Annual Report.

9. Key Information:

Key information such as annual operating plans, budgets, quarterly working results, minutes of audit committee and other committees are made available to the Directors.

The Board is informed of all affairs including materials, financial and commercial decisions from time to time.

10. CEO Certification

The Chairman and Managing Director has given a certificate to the Board as contemplated in Clause 49 of the Listing Agreement.

11. Disclosures

- a) The Company has not entered into any pecuniary transactions with its promoters or directors except as disclosed in the Accounts.
- b) The Company has followed the Guidelines of Accounting Standards laid down by the Central Government and The Institute of Chartered Accountants of India (ICAI) in preparation of its financial statements.
- c) During the last three years, there were no penalties or strictures imposed on the Company either by the Stock Exchanges or by SEBI or any statutory authority for non-compliance on any matter related to capital markets.
- d) The Company has laid down procedures to inform Board members about the risk assessment and minimization procedures. The Board periodically discusses the significant business risks identified by the management and the mitigation process being taken up.
- e) During the year under review, the Company has not raised any funds from public issue, rights issue or preferential issue.

12. Risk Management :

The process of identification and evaluation of various risks inherent in the business environment and the operations of the Company and initiation of appropriate measures for prevention and/or mitigation of the same are dealt with by the concerned operational heads under the overall supervision of the Managing Directors of the Company. The Audit Committee periodically reviews the adequacy and efficacy of the overall risk management system.

13. Web Site :

The Company Web Site : www.indokem.co.in

Queries relating to Investors Grievances may be addressed to e-mail : secretarial@indokem.co.in / iklsecretarial@gmail.com

14. Compliance

The Board reviews periodically compliance reports of all laws applicable to the Company, prepared by the Company as well as steps taken by the Company to rectify instances of non compliances, if any.

15. Means of Communication

- a) The quarterly results are published in 2 News papers circulated at Mumbai:
 - i) Business Standard (English), and
 - ii) Tarun Bharat (Marathi).
- b) The financial results, shareholding pattern, Annual Reports and other investors related information are posted on the Company's website of the viz. www.indokem.co.in.
- c) The report on Corporate Governance forms part of the Annual Report of the Company and the Certificate from a Practicing Chartered Accountant confirming compliance is enclosed herewith.
- d) A report on Management Discussion & Analysis is also a part of the Company's Annual Report.

16. General Shareholder Information**a) Annual General Meeting**

- | | |
|-------|--|
| Date | : 28 th December, 2012 |
| Time | : 4.00 p.m. |
| Venue | : Khatau House, Mogul Lane, Mahim, Mumbai. |

b) Financial Calendar

Results for the Quarter Ending on Tentative date of declaration

31st December, 2012 : First week of February, 2013

31st March, 2013 (Audited) : Last week of May, 2013

A.G.M. for the Year ended : September, 2013

31.03.2013 (6 Months)

c) Period of Book Closure : 20th December, 2012 to 28th December, 2012 (Both days inclusive)

d) Listing on Stock Exchanges

Bombay Stock Exchange Limited, P. J. Towers, Dalal Street, Mumbai – 400001.

e) Stock Code

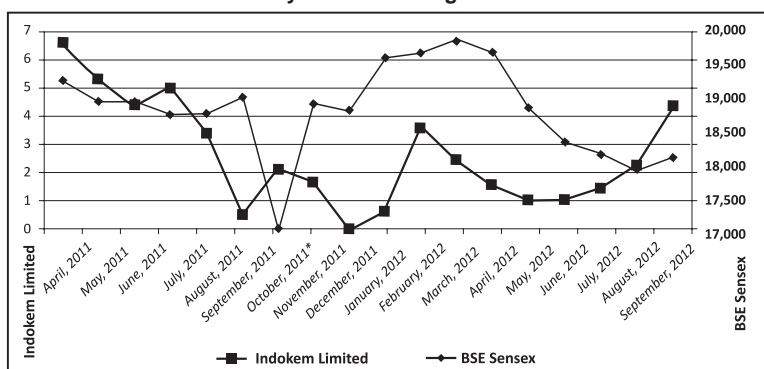
Bombay Stock Exchange Limited : 504092

f) Market Information

Market price data- monthly high/ low of Company's Equity shares & Sensex during the last financial year.

Month	Indokem Limited		BSE Sensex	
	High (₹)	Low (₹)	High	Low
April, 2011	5.23	3.59	19,811.14	18,976.19
May, 2011	4.50	3.44	19,253.87	17,786.13
June, 2011	4.50	3.81	18,873.39	17,314.38
July, 2011	4.05	3.33	19,131.70	18,131.86
August, 2011	4.06	2.90	18,440.07	15,765.53
September, 2011	4.65	3.00	17,211.80	15,801.01
October, 2011 *	–	–	17,908.13	15,745.43
November, 2011	4.42	3.88	17,702.26	15,478.69
December, 2011	4.20	4.20	17,003.71	15,135.86
January, 2012	6.04	3.99	17,258.97	15,358.02
February, 2012	6.21	4.95	18,523.78	17,061.55
March, 2012	6.65	5.33	18,040.69	16,920.61
April, 2012	6.27	4.50	17,664.10	17,010.16
May, 2012	4.28	3.10	17,432.33	15,809.71
June, 2012	3.10	2.24	17,448.48	15,748.98
July, 2012	2.65	2.08	17,631.19	16,598.48
August, 2012	2.10	1.99	17,972.54	17,026.97
September, 2012	2.54	2.00	18,869.94	17,250.80

* Not available with Bombay Stock Exchange.



- g) **Registrar and Transfer Agent :** M/s. 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
WEBSITE: www.sharexindia.com

h) **Share Transfer System**

Securities lodged for transfer at the Registrar's office are normally processed within 15 days from the date of lodgment, if the documents are proper in all respect. All requests for dematerialization of securities are processed and the confirmation is given to the depositories within 15 days. Any queries in respect of share transfer and transmission are dealt with by the share transfer committee and the shareholder's grievances committee.

i) **Shareholding Pattern as on 30.09.2012**

Sr. No	Category	No. of Shares held	% of Shareholding
1.	Promoters	17346839	70.812
2.	Banks / Financial Institutions and Insurance Cos.	58775	0.240
3.	Private Corporate Bodies	317072	1.294
4.	Indian Public /HUF/Clearing Members	6766135	27.620
5.	NRIs / OCBs / Foreign nationals	8367	0.034
	Total	24497188	100

j) **Distribution of Shareholding as on 30.9.2012**

No. of Equity Shares Held	No. of Shareholders	Percentage of Shareholders	No. of Shares	Percentage of Shares
Up to – 5000	25182	94.43	3161622	12.91
5001 – 10000	891	3.34	703175	2.87
10001 – 20000	312	1.17	469478	1.92
20001 – 30000	95	0.36	240103	0.98
30001 – 40000	31	0.12	111233	0.45
40001 – 50000	28	0.11	135157	0.55
50001 - 100000	64	0.24	454130	1.85
100001 and above	60	0.23	1922290	78.47
Total	26663	100.00	24497188	100.00

The total shareholding held in the electronic form as on 30/09/2012 is 85.81% with NSDL & CDSL

* **Depositories :** Central Depository Services (India) Ltd. (CDSL)
National Securities Depository Ltd. (NSDL)

* **ISIN** : INE716FO1012

k) **Outstanding GDRs / ADRs**

No such GDRs/ADRs/Warrants or any convertible instruments were issued and outstanding.

l) **Address for Correspondence**

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

17. Status of Compliance with Non-Mandatory Requirements

Your Company continuously strives towards improving its Corporate governance practices. Whilst your Company is fully compliant with the mandatory requirements of the Clause 49 of the listing Agreement, the adoption of non mandatory requirements under Clause 49 of the listing agreement are reviewed by the Board from time to time. The status of non mandatory requirement is as follows:

18. Office space for Non-Executive Chairman

The Company has an Executive Chairman and therefore the issue of providing office to Non-Executive Chairman does not arise. The Company has no specific tenure specified for Independent Directors. The tenure of certain Independent Directors exceeds the period of 9 years.

19. Shareholder' rights to receive financial results

The financial results of the Company for every quarter are published in the newspapers and are also put on the Company's website www.indokem.co.in.

20. Audit Qualifications

Explanation regarding auditor's qualification has been dealt in Directors Report which forms part of this Annual Report. Further the Company continues to adopt best practices to ensure the regime of unqualified financial statements.

21. Training of Board Members

During the Audit and Board Meetings, the Chairman and Company Secretary give extensive briefings to the Board members on the business of the Company and on various financial, legal & compliance issues.

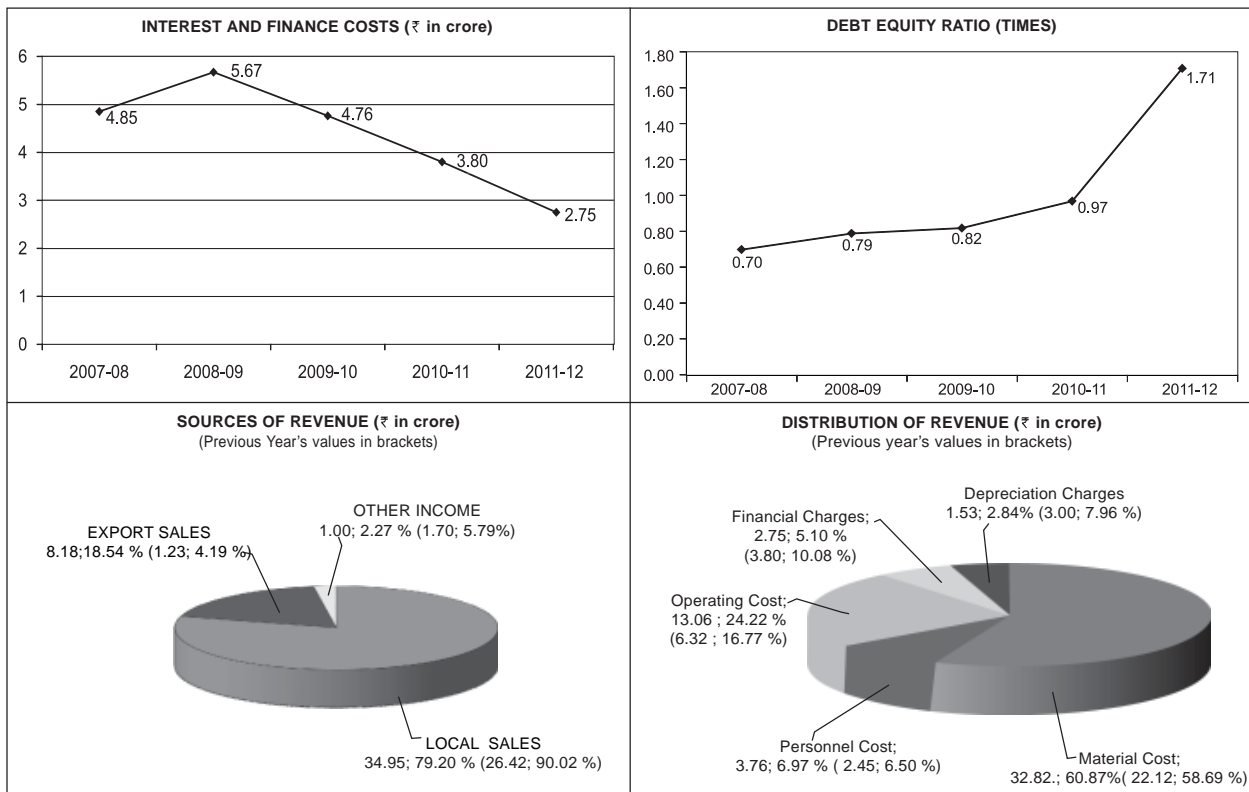
22. Whistle Blower Policy

The Whistle Blower Policy aims to encourage all employees to inform the Company regarding any kind of misuse of Company property, mismanagement or wrongful conduct prevailing in the Company and no personnel has been denied access thereto. The disclosure would be sent to the Chairman of the Audit Committee / the 'Ombudsman' who would investigate and recommend to the management of the Company to take such disciplinary or corrective action as may be deemed fit.

For and on behalf of the Board

Mumbai
9th November, 2012

Mahendra K. Khatau
Chairman & Managing Director



DECLARATION ON CODE OF CONDUCT

To
The Members of Indokem Limited

This is to confirm that Board has laid down a code of conduct for all Board members and senior management of the Company. It is further confirmed that all directors and senior management personnel of the Company have affirmed compliance with the code of conduct of the Company as at 30th September, 2012, as envisaged in clause 49 in the Listing Agreement with stock exchanges.

Mumbai
9th November, 2012

Mahendra K. Khatau
Chairman & Managing Director

CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members of Indokem Limited,

We have examined the compliance of conditions of Corporate Governance by **Indokem Limited**, for the year ended 30th September, 2012, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of the Corporate Governance as stipulated in the said Clause. 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 and the representations made by the Directors and the Management, we certify that the Company has generally complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above-mentioned Listing Agreement.

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

For **Sheth Doctor & Associates**,
Chartered Accountants
(Firm Registration No. 124822W)

Paresh S. Doctor
Membership No. 36056
Mumbai 9th November, 2012

AUDITORS' REPORT

The Members of

INDOKEM LIMITED

We have audited the attached Balance Sheet of INDOKEM LIMITED as at 30th September, 2012, the Profit and Loss Account and also the Cash Flow Statement of the Company for the period ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003, issued by the Government of India in terms of sub-section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to in paragraph above, we report that:

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit **except for Inventory Records of Ankleshwar Plant as mentioned in SI No.5(b) of Note No. 26;**
- b) In our opinion, the Company has kept proper books of accounts as required by law so far as appears from our examination of those books;
- c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
- d) In our opinion, the Balance Sheet, the Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956;
- e) On the basis of the written representation received from the directors of the Company as at the date of the Report and taken on record by the Board of Directors we report that no director is disqualified from being appointed as a director of the company under clause (g) of sub-section (1) of Section 274 of the of the Companies Act, 1956;
- f) **Value of the Inventory at Ankleshwar Plant amounting to Rs. 457.28 lacs being accepted as certified by the management only as referred in SI No.5(b) of Note No. 26;**
- g) **Subject to above**, the said accounts, in our opinion and to the best of our information and according to the explanations given the said accounts read together with the significant accounting policies and notes thereon give the information required by the Companies Act, 1956, in the manner so required, and present a true and fair view, in conformity with the accounting principles generally accepted in India:
 - i) In the case of the Balance Sheet, of the state of affairs as at 30th September 2012,
 - ii) In the case of the profit and loss account, of the loss for the period ended on that date; and
 - iii) In the case of the Cash Flow Statement, of the cash flows for the period ended on that date.

For **Sheth Doctor & Associates.**
Chartered Accountants
(Firm Registration No. 124822W)

Paresh S. Doctor
Membership No. 36056

Mumbai 9th November, 2012

ANNEXURE TO THE AUDITORS' REPORT

(REFERRED TO IN THE REPORT OF EVEN DATE OF THE AUDITORS TO THE MEMBERS OF INDOKEM LIMITED ON THE ACCOUNTS FOR THE PERIOD ENDED 30th SEPTEMBER, 2012)

1. The Company has maintained fixed assets register during the period. The Company has programme for physical verification of its fixed assets which in our opinion is reasonable having regard to the size of the Company and the nature of its fixed assets. The Company has disposed off factory building and plant at Ankleshwar during the period.
2. Inventories:
Except for Inventories at Ankleshwar Plant as separately referred in SI No.5(b) of Note No. 26:
 - a) Inventories have been physically verified at the year end by the management. In our opinion, the frequency of verification is reasonable.
 - b) In our opinion, the procedures of physical verification of inventories by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and book records were not material.
3.
 - a) The Company had taken loan from three (three) Directors amounting to ₹ 768.53 Lacs (₹ 688.83 Lacs) covered in the register maintained under section 301 of the Companies Act, 1956. The Company has granted loans to five Companies covered in the register maintained u/s. 301 of the Companies Act, 1956 amounting to ₹ 159 lacs (₹ 127.02 lacs), Maximum amount outstanding during the period ₹ 159 lacs (127.02) lacs.
 - b) In our opinion, the rate of interest and other terms and conditions on which loans have been taken from directors listed in the register maintained under section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the Company. The Company has not charged interest on the Loans given to Companies.
 - c) There are no stipulations, attached to the loan for its repayment.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of stores, raw materials including components, packing materials, plant and machinery, equipment and other assets and with regards to sale of goods. During the course of our audit we have not observed any continuing failure to correct major weakness in the internal control procedures.
5.
 - a) All the transaction with parties covered under section 301 of the Companies Act, 1956 have been properly entered in the register maintained under Section 301 of the Act.
 - b) In our opinion and according to the information and explanation given to us, the transaction made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Act, and exceeding the value of five lakh rupees in respect of any party during the year have been made at prices which are not comparable in the absence of similar transactions with other parties.
6. The Company has not accepted any deposits from public during the period.
7. The Company has no internal audit system during the period.
8. The Company, according to the information and explanations given to us, is maintaining accounts and records prescribed by the Central Government under section 209 (1)(d) of the Companies Act, 1956. We have not examined the contents of these accounts and records.
 - a) Regarding depositing of undisputed statutory dues including Provident Fund, Employees State Insurance, Income Tax, Sales Tax, and Professional Tax with appropriate authorities, there were delays. arrears outstanding in respect of all such statutory dues as at the last day of the financial year concerned for a period of more than six months from the date they became payable amounts to ₹ 111.66 lacs (₹ 165.95 lacs).
 - b) As at Sept 30, 2012 according to the records of the Company and the information and explanations given to us, the following are the particulars of disputed dues (provided / considered contingent liability as appropriate)

on account of sales tax, income tax, customs duty, wealth tax, excise duty and cess matters that have not been deposited.

Name of the Statute	Nature of Dues	Amount involved (₹ in Lacs)	Forum where the dispute is pending
Sales Tax Act	Sales Tax	30.49	Commissioner (Appeals)
Income Tax Act	Income Tax	21.89	Commissioner (Appeals)
Service Tax Act	Service Tax	2.78	Commissioner (Appeals)

10. The Company has incurred cash loss in the current period as also in the immediately preceding financial year and the accumulated losses are more than 50% of its net worth as at 30th Sept 2012.
11. Based on the examination of books of accounts and related records and according to the information and explanations provided to us, the Company has defaulted in repayment of dues to Bank and Financial institutions. Out of total repayments made during the year, a sum of ₹ 20 lacs (99.92) lacs is found delayed on various dates as compared to its schedule of repayments agreed upon in pursuance to loan agreements (excluding delays which has been regularized by further arrangements). Out of total dues, a sum of ₹ 1410.00 lacs (740.65) lacs is found overdue and in default.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, considering the nature of activities carried on by the Company during the period, the provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
14. In our opinion and according to the information and explanations given to us, the Company is not dealer or trader in securities.
15. The Company has given guarantees (including counter guarantees) amounting to ₹ 1030 lacs (₹ 1030 lacs) for loans taken by others from banks and financial institution (as referred in Sl.No.1(e) of Note No. 26) and terms and conditions are not prima facie prejudicial to the interest of the Company.
16. In our opinion and according to the information and explanations given to us, no Term Loan has been raised during the period.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment. No long-term funds have been used to finance short-term assets.
18. The Company has not made any preferential allotment of shares during the period to parties and Companies covered in the register maintained under Section 301 of the Act.
19. The Company has not raised any funds by the way of debenture during the period.
20. The Company has not raised any money by way of public issue during the period.
21. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the period, nor have we been informed of such case by the management.

For **Sheth Doctor & Associates**
Chartered Accountants
(Firm Registration No. 124822W)

Mumbai
Dated: 9th November, 2012

Paresh S. Doctor
Membership No. 36056

BALANCE SHEET AS AT 30TH SEPTEMBER, 2012

(₹ in '000)

	Note No.	As at 30th September, 2012	As at 31st March, 2011
A EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	2	24,49,72	24,49,72
(b) Reserves and surplus	3	(12,16,22)	(2,68,86)
		<u>12,33,50</u>	<u>21,80,86</u>
2 Non-current liabilities			
(a) Long-term borrowings	4	6,98,93	6,28,65
(b) Other long-term liabilities	5	1,97,80	1,93,94
(c) Long-term provisions	6	61,20	1,02,02
		<u>9,57,93</u>	<u>9,24,61</u>
3 Current liabilities			
(a) Short-term borrowings	7	14,10,00	13,09,51
(b) Trade payables	8	8,68,11	12,71,81
(c) Other current liabilities	9	7,48,25	4,72,87
		<u>30,26,36</u>	<u>30,54,19</u>
	TOTAL	<u><u>52,17,79</u></u>	<u><u>61,59,66</u></u>
B ASSETS			
1 Non-current assets			
(a) Fixed assets			
(i) Tangible assets	10	23,13,77	30,03,83
(ii) Intangible assets	11	72,36	1,10,22
(iii) Capital Work in progress		13,39	8,68
		<u>23,99,52</u>	<u>31,22,73</u>
(b) Non-current investments	12	3,99,80	4,00,49
(c) Long-term loans and advances	13	4,08,23	4,15,44
(d) Other non current assets	14	13,43	22,78
		<u>8,21,46</u>	<u>8,38,71</u>
2 Current assets			
(a) Inventories	15	8,45,36	8,70,27
(b) Trade receivables	16	10,66,39	8,44,88
(c) Cash and cash equivalents	17	40,56	4,46,64
(d) Short-term loans and advances	18	39,12	36,31
(e) Other current assets	19	5,38	12
		<u>19,96,81</u>	<u>21,98,22</u>
	TOTAL	<u><u>52,17,79</u></u>	<u><u>61,59,66</u></u>
See accompanying notes forming part of the financial statements	26		

As per our Report attached

For **Sheth Doctor & Associates**
Chartered Accountants
(Firm Reg. No. 124822W)

For and on behalf of the Board of Directors

Paresh S. Doctor
Membership No. 36056

Rohan R. Gavas
Company Secretary

Mahendra K. Khatau
Chairman & Managing Director

Leela K. Khatau
Director

Mumbai : 9th November, 2012

PROFIT & LOSS ACCOUNT FOR THE PERIOD 01/04/2011 to 30/09/2012

		Notes	For the period 01/04/2011 to 30/09/2012	(₹ in '000) For the period 01/04/2010 to 31/03/2011
A CONTINUING OPERATIONS				
1	Revenue from operations (gross)	20	43,66,99	28,40,82
	Less: Excise duty		21,75	23,33
	Revenue from operations (net)		<u>43,45,24</u>	<u>28,17,49</u>
2	Other income	21	96,90	1,19,22
3	Total revenue		<u>44,42,14</u>	<u>29,36,71</u>
4	Expenses			
	(a) Cost of materials consumed		32,82,20	23,29,62
	(b) Employee benefits expense	22	3,76,37	2,45,51
	(c) Finance costs	23	2,70,82	3,80,43
	(d) Depreciation and amortisation expense		1,53,75	3,00,49
	(e) Other expenses	24	8,77,11	6,32,36
	Total expenses		<u>49,60,25</u>	<u>38,88,41</u>
5	Profit / (Loss) before tax		(5,18,11)	(9,51,70)
6	Tax expense:			
	(a) Current tax expense for current year		-	19
	(b) Current tax expense relating to prior years		10	-
	(c) Net current tax expense		<u>10</u>	<u>19</u>
7	Profit / (Loss) from continuing operations		<u>(5,18,01)</u>	<u>(9,51,51)</u>
B DISCONTINUING OPERATIONS				
8	i Profit / (Loss) from discontinuing operations (before tax)	25	(4,32,61)	-
	ii Gain on settlement of liabilities attributable to the discontinuing operations		3,26	-
9	Profit / (Loss) from discontinuing operations		<u>(4,29,35)</u>	<u>-</u>
C TOTAL OPERATIONS				
10	Profit / (Loss) for the year		<u>(9,47,36)</u>	<u>(9,51,51)</u>
11	Earnings per share (of ₹ 10/- each):			
	(a) Basic		(3.87)	(3.88)
	(b) Diluted		(3.87)	(3.88)
	See accompanying notes forming part of the financial statements	26		

As per our Report attached

For **Sheth Doctor & Associates**
Chartered Accountants
(Firm Reg. No. 124822W)

For and on behalf of the Board of Directors

Paresh S. Doctor
Membership No. 36056

Rohan R. Gavas
Company Secretary

Mahendra K. Khatau
Chairman & Managing Director

Leela K. Khatau
Director

Mumbai : 9th November, 2012

NOTES FORMING PART OF THE FINANCIAL STATEMENTS**NOTE NO. 1****Corporate Information**

The Company deals in dyes, sizing chemicals and auxiliaries used in textile industry. It has head office at Mahim, Mumbai and branch offices at Ahmedabad, Delhi and Coimbatore. It has godowns at Dahisar Mori - Mumbai, Ahmedabad and Coimbatore locations.

Significant Accounting Policies**Basis of accounting and preparation of financial statements**

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India, to comply with the accounting standards notified under the Companies (Accounting Standard) Rules 2006 (as amended) and the relevant provisions of the Companies Act, 1956.

The accounting statements have been prepared on accrual basis under historical cost convention.

Use of Estimates

The preparation of financial statements in conformity with the Indian GAAP requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities and reported income and expenses. The management believes that the estimates used in preparation of financial statements are prudent and reasonable.

Inventories

Inventories other than Ankleshwar plant are valued on FIFO basis. Inventories of Ankleshwar Plant are valued on the estimated basis as certified by management.

Cash and cash equivalent

Cash comprises of cash on hand and demand deposits with banks. Cash equivalent are short term , highly liquid investments that are readily convertible into known amount of cash.

Cash Flow statement

Cash flows are reported using indirect method, whereby profit/(loss) before extraordinary items and tax is adjusted for effects of transactions of non-cash nature and any accruals of past and future cash receipts or payments. The cash flows from operating, investing and financing activities are segregated on the basis of available information.

Depreciation

Depreciation has been provided on the WDV method as per the rates prescribed in the Schedule XIV of the Companies Act, 1956.

Depreciation on additions / disposal of assets during the year has been provided on pro-rata basis with reference to the date of addition/disposal.

Revenue recognition**Sale of goods :**

Sales are recognized, net of returns and trade discounts on transfer of significant risks and rewards of the ownership to buyer. Sales include excise duty but exclude sales tax and vat.

Other Income

Interest income is accounted on accrual basis.

Tangible Fixed Assets

The tangible fixed assets are stated at cost of acquisition (net of Cenvat credit / Value added tax). All costs relating to the acquisition and installation, up to the date of such assets are put to use, are capitalized as part of cost of the asset.

Fixed assets retired from use and held for sale are disclosed separately in the Balance Sheet.

Intangible Assets

Intangible assets are carried at cost.

Foreign currency transactions

All transactions in foreign currency are recorded at the rates of exchange prevailing on the dates when the transaction takes place.

Monetary assets and liabilities in foreign currency outstanding at the close of the year are converted in Indian currency at the appropriate rate of exchange prevailing on the date of Balance Sheet. The resultant gain/loss pertaining to revenue is recognized in the Statement of profit / loss for the year and that of pertaining to capital is adjusted to the cost of fixed asset.

Borrowing costs

Borrowing costs are recognized in the Statement of profit and loss in the year in which they are incurred.

Investments

Long Term Investments are stated at cost.

Employees' Retirement Benefits**Short-term Employee Benefits**

All Employee benefits payable within twelve months of rendering the service are recognized in the period in which the employee renders the related service.

Post Employment / Retirement Benefits

Contribution to Defined Contribution Plans such as Provident Funds etc. are charged to the Profit and Loss Account as incurred. Defined Benefit Plans – The present value of the obligation under such Plans is determined based on an actuarial valuation. Actuarial gains and losses arising on such valuation are recognized immediately in the Profit and Loss Account. In the absence of any Plan Assets, the Present Value Obligation is recognized on gross basis.

Termination Benefits

Termination Benefits are recognized as and when incurred.

For Taxes on Income

Provision for current tax is made based on the tax payable for the year under the Income Tax Act, 1961. Deferred tax is recognized for all timing differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Provision for Contingencies

In the opinion of the management provisions for contingencies in pursuance of AS 29 issued by the Institute of Chartered Accountants of India is not required as there exist no such liabilities unprovided for.

Goodwill

The goodwill is amortized over a period of five years commencing from the year in which it arises.

Amalgamation Expenses

Amalgamation expenses incurred during the year are amortised over a period of five successive previous years commencing from the year in which the amalgamation expenses are incurred. The balance amount of amalgamation expenses is shown under the head Miscellaneous Expenditure to the extent not written off or adjusted.

Earning per share

The basic and diluted earnings per share is computed by dividing the net profit/loss attributable to equity shareholders for the year, by the weighted average number of Equity shares outstanding during the year. The Company did not have any dilutive potential equity shares outstanding as at year end.

Note 2 : Share capital

Particulars	As at 30 th September, 2012		As at 31 st March, 2011	
	Number of Shares	(₹ in '000)	Number of Shares	(₹ in '000)
Authorised 2,53,00,000 (2,53,00,000) Equity Shares of ₹ 10/- each	2,53,00,000	25,30,00	2,53,00,000	25,30,00
Issued & Subscribed and Fully Paid up 2,44,97,188 (2,44,97,188) Equity Shares of Rs. 10/- each	2,44,97,188	24,49,72	2,44,97,188	24,49,72
Total	2,44,97,188	24,49,72	2,44,97,188	24,49,72

1. (a) Rights etc. attached to Equity Shares :

The Company has only one class of equity having a face value of Rs.10/- per share. Each shareholder is eligible for one vote per share held.

1. (b) Details of shares held by the shareholders holding more than 5% of the aggregate shares in the Company :

Name of Shareholders	As at 30 th September, 2012		As at 31 st March, 2011	
	Number of Shares	% of Holding	Number of Shares	% of Holding
Priyamvada Holdings Limited	40,59,869	16.57	63,59,794	25.96
Vindhyapriya Holdings Private Limited	32,94,588	13.45	32,94,588	13.45
Khatau Leasing and Finance Company Pvt. Ltd.	38,31,215	15.64	38,31,215	15.64

1. (c) Reconciliation of number of shares outstanding as on beginning and closing of the year.

The Company has neither issued nor bought back any of its shares during the year and also in previous year and balance of shares at the end of the year is the same as at the beginning of the year.

Note 3 : Reserves and surplus

Particulars	As at 30 th September, 2012 (₹ in '000)	As at 31 st March, 2011 (₹ in '000)
(a) Capital Reserve Balance brought forward	79	79
	79	79
(b) Securities Premium Account Balance brought forward	10,23,77	10,23,77
	10,23,77	10,23,77
(c) Revaluation /Capital Reserve Balance brought forward	1,38,77	1,38,77
	1,38,77	1,38,77
(d) General Reserve Balance brought forward	6,47,90	6,47,90
	6,47,90	6,47,90

Note 3 : Reserves and surplus (Contd.)

Particulars	As at 30 th September, 2012 (₹ in '000)	As at 31 st March, 2011 (₹ in '000)
(e) Surplus / (Deficit) in Statement of Profit and Loss		
Opening balance	(20,80,09)	(11,28,58)
Add: Profit / (Loss) for the year	(9,47,36)	(9,51,51)
	<u>(30,27,45)</u>	<u>(20,80,09)</u>
Total	(12,16,22)	(2,68,86)

Note 4 : Long-term borrowings

Particulars	As at 30 th September, 2012 (₹ in '000)	As at 31 st March, 2011 (₹ in '000)
(a) Term loans		
From others		
Secured - Vehicle loan	90	5,75
	<u>90</u>	<u>5,75</u>
(b) Loans and advances		
From related parties		
Unsecured		
Loan from Promoter	5,57,68	4,90,95
Loan from Directors	1,40,35	1,31,95
	<u>6,98,03</u>	<u>6,22,90</u>
Total	6,98,93	6,28,65

Details of Security & Terms of Repayment

- Vehicle Loan is repayable in monthly installments, last installment is due on 20th January, 2014 and is secured against specific vehicle.
- Unsecured Loans amounting to ₹ 6,98,03,124/- (March, 31, 2011 Rs. 6,22,89,993/-) represents loans from related parties and generally of long term nature however no repayment schedule is specified.

Note 5 : Other long-term liabilities

Particulars	As at 30 th September, 2012 (₹ in '000)	As at 31 st March, 2011 (₹ in '000)
(a) Others :		
Security deposits received	1,97,80	1,93,94
Total	1,97,80	1,93,94

Note : Considering the long term relation with customers all security deposits received from them are treated as long term, although Company has no right to defer the payment of the same beyond one year.

Note 6 : Long-term provisions

Particulars	As at 30 th September, 2012 (₹ in '000)	As at 31 st March, 2011 (₹ in '000)
Provision for employee benefits:		
Provision for gratuity (net)	44,08	79,53
Provision for leave salary	10,14	15,51
Provision for super annuation scheme	6,98	6,98
Total	61,20	1,02,02

Note 7 : Short-term borrowings

Particulars	As at 30 th September, 2012 (₹ in '000)	As at 31 st March, 2011 (₹ in '000)
(a) Loans repayable on demand		
From banks		
Secured	14,10,00	13,09,51
Total	14,10,00	13,09,51

Notes:

- (i) As per one time settlement with bank and repayable within 12 months, the Company has not repaid first instalment of ₹ 13.50 crores which was due on 30th September 2012. The borrowing is secured against assets at Ankleshwar factory and premises at Mumbai.
- (ii) Previous year figures includes :-
- Cash credit facility from bank ₹ 66.96 lacs repayable on demand and secured against hypothecation of stock and debtors.
 - Working capital demand loan from bank amounting to ₹ 2,60/- lacs repayable on demand and secured against stock and debtors
 - Working capital term loan from bank amounting to ₹ 65.83/- lacs repayable in monthly instalments and secured against first pari pasu charge on fixed assets
 - Loan facilities under various heads from a bank amounting to ₹ 916.71 lacs which is overdue for more than two years and secured against assets at Ankleshwar factory and premises at Mumbai.

Note 8 : Trade Payables

Particulars	As at 30 th September, 2012 (₹ in '000)	As at 31 st March, 2011 (₹ in '000)
Trade payables:		
Acceptances	–	55,07
Other than Acceptances	8,68,11	12,16,74
Total	8,68,11	12,71,81

Note 9 : Other current liabilities

Particulars	As at 30 th September, 2012 (₹ in '000)	As at 31 st March, 2011 (₹ in '000)
(a) Current maturities of long term debt (Refer Note i below)	3,33	5,71
(a) Interest accrued but not due on borrowings	–	6
(b) Interest accrued and due on borrowings	70,50	45,93
(c) Income received in advance	8,53	19
(d) Other payables		
(i) Statutory remittances (Contributions to PF, ESIC, Withholding Taxes, Excise Duty, VAT, Service Tax, etc.)	2,06,61	3,09,09
(ii) Trade / security deposits received	39,30	39,66
(iii) Advances from customers	3,95,48	51,34
(iv) Temporary overdrawn bank balances	24,50	20,89
Total	7,48,25	4,72,87

Note 9 : Other current liabilities (Contd.)

Note (i): Current maturities of long-term debt (Refer point (i), in Note 4 for details of security and guarantee).

Particulars	As at 30 th September, 2012 (₹ in '000)	As at 31 st March, 2011 (₹ in '000)
(a) Secured loans repayable on demand		
Secured	3,33	2,79
Unsecured	-	2,92
Total	3,33	5,71

Note 10 : Fixed Assets

(₹ in '000)

TANGIBLE ASSET	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK		
	As at 1 April, 2011	Adjustments	Additions	Disposal	As at 30 September, 2012	As at 1 April, 2011	Depreciation / Amortisation expenses for the year period	Disposal / Adjustments	As at 30 September, 2012	As at 30 September, 2012	As at 31 March, 2011
(a) Land											
Freehold	1,26,37	-	-	-	1,26,37	-	-	-	-	1,26,37	1,26,37
Leasehold	10,19,04	4,63,51	-	-	14,82,55	72,59	15,44	-	88,03	13,94,52	9,46,45
(b) Buildings											
Own Use	23,28,25	(4,63,51)	63,76	9,66,86	9,61,64	10,08,05	27,98	5,71,42	46,461	4,97,03	13,20,21
(c) Plant and Equipment	38,57,61	-	5,13	22,44,62	16,18,12	32,93,74	69,97	19,62,30	14,01,41	2,16,71	5,63,86
(d) Furniture and Fixtures	69,30	-	51,94	64,22	57,02	65,17	11,21	61,02	15,36	41,66	4,13
(e) Vehicles	45,68	-	10	-	45,78	17,70	14,36	-	32,06	13,72	27,98
(f) Office Equipment	1,22,35	-	16,63	1,05,17	33,81	1,08,94	7,56	96,29	20,21	13,60	13,41
(g) Electrical Installation	16,24	-	12,18	16,24	12,18	14,82	2,02	14,82	2,02	10,16	1,42
Total	75,84,84	-	1,49,74	33,97,11	43,37,47	45,81,01	1,48,54	27,05,85	20,23,70	23,13,77	30,03,83
Previous year	80,16,93	-	9,37,22	13,69,31	75,84,84	43,37,51	3,00,49	56,99	45,81,01	30,03,83	

Note:

WDV of Ankleshwar fixed assets held for disposal

Land - Rs. 93,10,804/-

Building - Rs. 2,82,26,645/-

Plant & Machinery - Rs. 1,98,96,326/-

Note 11 : Fixed Assets

(₹ in '000)

INTANGIBLE ASSET	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK	
	As at 1 April, 2011	Additions	Disposal	As at 30 September, 2012	As at 1 April, 2011	Depreciation/ Amortisation expenses	Other adjustments for the year	As at 30 September, 2012	As at 30 September, 2012	As at 31 March, 2011
(a) Goodwill	1,37,78	-	-	1,37,78	27,56	41,33	-	68,89	68,89	1,10,22
(b) Computer software	-	8,68	-	8,68	-	5,21	-	5,21	3,47	-
Total	1,37,78	8,68	-	1,46,46	27,56	46,55	-	74,10	72,36	1,10,22
Previous year	-	1,37,78	-	1,37,78	-	27,56	-	27,56	1,10,22	

Note 12 : Non-current investments

Particulars	As at 30 th September, 2012 (₹ in '000)	As at 31 st March, 2011 (₹ in '000)
Investment (At cost):		
A Trade		
UnQuoted		
a) Investment in equity shares of other entities		
Bharuch Eco-Aqua Infrastructure Ltd.		
6,05,000 equity shares of Rs.10/- each		
(Prv. Yr. 6,05,000)	60,50	60,50
Total - Trade (A)	60,50	60,50

Note 12 : Non-current investments (Contd.)

Particulars	As at 30 th September, 2012 (₹ in '000)	As at 31 st March, 2011 (₹ in '000)
B. Other Investments		
a) Investment in equity shares of subsidiaries		
UnQuoted		
Kapsales Electricals Ltd. -		
Nil shares of Rs. 10/- Each (Prv Yr. 20,09,396)	-	1
	-	1
b) Investment in equity shares of other entities		
Quoted		
Development Credit Bank Ltd. -		
1,200 equity shares of Rs.10/- each (Prv. Yr. 1,200)	18	18
UnQuoted		
Kapole Co-operative Bank Ltd.-		
Nil equity shares of Rs. 10/- each (Prv. Yr. 4,200)	-	42
Gujarat Small Industrial Corporation Ltd.-		
600 equity shares of Rs. 10/- each (Prv. Yr. 600)	6	6
United Easter & Nitrochem Ltd.-		
30,000 equity shares of Rs. 10/- each (Prv. Yr. 30,000)	1	1
Shamrao Vithal Co-operative Bank Ltd. -		
Nil equity shares of Rs. 25/- each (Prv. Yr. 1,000)	-	25
Surya Krupa Finance Ltd.		
3,000 equity shares of Rs. 10/- each (Prv. Yr. 3,000)	1	1
The Mogaveera Co-operative Bank Ltd.		
Nil equity shares of Rs.100/- each (Prv. Yr. 10)	-	1
Indokem Exports Ltd.-		
42,006 equity shares of Rs.10/- each (Prv. Yr. 42,006)	11,19	11,19
Bharat Chemical & Fertilizers Ltd.-		
50 equity shares of Rs.10/- each (Prv. Yr. 50)	1	1
Mafatlal Engineering Ltd. -		
25 equity shares of Rs. 100/- each (Prv. Yr. 25)	2	2
	<u>11,48</u>	<u>12,16</u>
c) Investment in Government securities		
NSC - 7 years (Prv. Yr. 20,000)	20	20
	<u>20</u>	<u>20</u>
d) Investment in Debentures		
UnQuoted		
Priyamvada Holding Ltd. -		
2,00,000 optionally convertible debenture face value		
Rs.100/- each	1,00	1,00
Indokem Exports Ltd. -		
19,800 optionally convertible debenture face value		
Rs.100/- each	19,80	19,80
Khatau Holding & Trading Co. P. Ltd. -		
50,000 optionally convertible debenture face value		
Rs.100/- each	1	1
Khatau Capacitors P. Ltd. -		
3,06,846 optionally convertible debenture face value		
Rs.100/- each	3,06,84	3,06,84
	<u>3,27,65</u>	<u>3,27,65</u>
Total - Other Investments (B)	<u>3,39,33</u>	<u>3,40,01</u>
Total - (A+B)	<u>3,99,83</u>	<u>4,00,52</u>
Less: Provision for diminution in value of investments	3	3
Total	<u>3,99,80</u>	<u>4,00,49</u>
Aggregate Book value of Quoted Investment in Rs.	18,000	18,000
Aggregate Market value of Quoted Investment in Rs.	52,740	55,020

Note 13 : Long-term loans and advances

Particulars	As at 30 th September, 2012 (₹ in '000)	As at 31 st March, 2011 (₹ in '000)
Unsecured Considered good otherwise stated		
(a) Security deposits	84,23	1,01,95
(b) Loans and advances to related parties (refer S. no 17 of note no 26)	1,58,39	1,27,02
(c) Taxes paid in advance (net of provisions)	8,98	73,88
(d) Balances with government authorities		
Sales tax paid	10,41	10,41
Export incentive receivable	5,58	5,58
	<u>15,99</u>	<u>15,99</u>
(e) Other loans and advances		
Advances receivable in cash or kind	1,40,64	96,60
Advance to suppliers	16,37	16,37
Less: Provision for doubtful advance to suppliers	(16,37)	(16,37)
Total	<u>4,08,23</u>	<u>4,15,44</u>

Note 14 : Other non-current assets

Particulars	As at 30 th September, 2012 (₹ in '000)	As at 31 st March, 2011 (₹ in '000)
(a) Unamortised expenses		
(i) Misc Exp. To the extent not w/off	13,43	22,78
Total	<u>13,43</u>	<u>22,78</u>

Note 15 : Inventories

Particulars	As at 30 th September, 2012 (₹ in '000)	As at 31 st March, 2011 (₹ in '000)
(a) Raw materials	26,31	26,31
(b) Work-in-progress	3,10,87	3,10,87
(c) Finished goods	1,07,73	1,07,73
(d) Traded goods	3,48,00	3,76,57
Goods-in-transit	38,64	34,71
(e) Stores and spares	6,19	6,19
(f) Others - Packing Material	7,62	7,89
Total	<u>8,45,36</u>	<u>8,70,27</u>

Note 16 : Trade Receivables

Particulars	As at 30 th September, 2012 (₹ in '000)	As at 31 st March, 2011 (₹ in '000)
Trade receivables outstanding for a period exceeding six months from the date they were due for payment		
Secured Considered Good	22	1,50
Unsecured		
Considered Good	2,80,13	23,07
Considered doubtful	3,49,41	2,05
Less: Provision for doubtful trade receivables	(3,49,41)	(2,05)
	<u>2,80,35</u>	<u>24,57</u>

Note 16 : Trade Receivables (Contd.)

Particulars	As at 30 th September, 2012 (₹ in '000)	As at 31 st March, 2011 (₹ in '000)
Other Trade receivables		
Secured Considered Good	32,92	29,45
Unsecured		
Considered Good	7,53,12	7,90,86
	<u>7,86,04</u>	<u>8,20,31</u>
Total	10,66,39	8,44,88

Note 17 : Cash and cash equivalents

Particulars	As at 30 th September, 2012 (₹ in '000)	As at 31 st March, 2011 (₹ in '000)
(a) Cash on hand	5,59	1,67
(b) Balances with banks		
(i) In current accounts	12,49	4,09,04
(ii) In Earmarked funds (margin money accounts)	21,78	35,01
(iii) In EEFC accounts	55	46
(iv) In deposit accounts	15	46
	<u>40,56</u>	<u>4,46,64</u>
Total	40,56	4,46,64

Note 18 : Short-term loans and advances

Particulars	As at 30 th September, 2012 (₹ in '000)	As at 31 st March, 2011 (₹ in '000)
Unsecured, considered good		
(a) Loans and advances to employees	2,51	4,69
(b) Security deposits	2,55	1,00
(c) Prepaid expenses	4,43	8,54
(d) Balances with government authorities		
(i) CENVAT credit receivable	5,45	95
(ii) Export incentive receivable	2,69	43
(e) Advance to suppliers	21,49	20,70
	<u>39,12</u>	<u>36,31</u>
Total	39,12	36,31

Note 19 : Other current assets

Particulars	As at 30 th September, 2012 (₹ in '000)	As at 31 st March, 2011 (₹ in '000)
(a) Accruals		
Interest receivable on margin money	1,68	—
(b) Others		
(i) Contractually reimbursable expense	3,70	—
(ii) Income receivable	—	12
	<u>5,38</u>	<u>12</u>
Total	5,38	12

Note 20 : Revenue from operations

Particulars	For the period 01/04/2011 to 30/09/2012 (₹ in '000)	For the year ended 31 March, 2011 (₹ in '000)
(a) Sale of products (Refer Note (i) below)	43,35,16	27,99,00
(b) Sale of services (Refer Note (ii) below)	13,81	23,49
(c) Other operating revenues (Refer Note (iii) below)	18,02	18,33
	<u>43,66,99</u>	<u>28,40,82</u>
<u>Less:</u>		
(d) Excise duty	21,75	23,33
Total	<u>43,45,24</u>	<u>28,17,49</u>

Note :

Particulars	For the period 01/04/2011 to 30/09/2012 (₹ in '000)	For the year ended 31 March, 2011 (₹ in '000)
(i) Sale of products comprises :		
Synthetic Organic Dyestuff	43,35,16	27,99,00
Total - Sale of products	<u>43,35,16</u>	<u>27,99,00</u>
(ii) Sale of services comprises:		
Service charges earned	6,00	6,00
Recovery of office expenses	7,81	17,49
Total - Sale of services	<u>13,81</u>	<u>23,49</u>
(iii) Other operating revenues comprise:		
Freight, octroi, insurance & handling charges recovered	5,18	2,42
Sale of scrap	1,31	14,70
Duty drawback	11,53	1,21
Total - Other operating revenues	<u>18,02</u>	<u>18,33</u>

Note 21 : Other income

Particulars	For the period 01/04/2011 to 30/09/2012 (₹ in '000)	For the year ended 31 March, 2011 (₹ in '000)
(a) Interest income (Refer note no.i below)	10,05	2,92
(b) Dividend earned		
From Long term Investments (others)	14	2
(c) Net Gain on Sale of Long term investments (Subsidiary)	9,03	-
(d) Net gain on foreign currency transactions and translation (other than considered as finance cost)	54,49	(9,17)
(e) Other non-operating income (net of expenses directly attributable to such income) (Refer Note (ii) below)	23,19	1,25,45
Total	<u>96,90</u>	<u>1,19,22</u>

Note 21 : Other income (Contd.)
Note :

Particulars	For the period 01/04/2011 to 30/09/2012 (₹ in '000)	For the year ended 31 March, 2011 (₹ in '000)
(i) Interest income comprises:		
Interest from banks on:		
Deposits	23	36
Margin Money	1,93	1,84
Interest on Income Tax Refund	7,87	19
Interest -others	2	53
Total - Interest income	10,05	2,92
(ii) Other non-operating income comprises:		
Rental income from others	5,97	78,96
Prior period items (net) (Refer Note (iii) below)	-	3,47
Sundry Balance w/back	(1,32)	-
Provision No Longer Required	17,62	34,64
Bad debts recovered	-	7,14
Misc Income	92	1,07
Excess provision earlier year w/back	-	17
Total - Other non-operating income	23,19	1,25,45
(iii) Details of prior period items (Net)		
- Prior period items - debit	-	(1,15)
- Prior period items - credit	-	4,62
	-	3,47

Note 22 : Employee benefit expenses

Particulars	For the period 01/04/2011 to 30/09/2012 (₹ in '000)	For the year ended 31 March, 2011 (₹ in '000)
1 Salaries, wages & bonus	3,32,27	2,14,70
2 Contributions to provident and other funds	11,09	8,58
3 Staff welfare expenses	13,89	8,95
4 Gratuity Expenses	19,12	13,28
Total	3,76,37	2,45,51

Note 23 : Finance Costs

Particulars	For the period 01/04/2011 to 30/09/2012 (₹ in '000)	For the year ended 31 March, 2011 (₹ in '000)
(a) Interest expense on:		
(i) Borrowings	2,27,78	3,48,08
(ii) Others		
- Interest on delayed / deferred payment of income tax	9,28	4,83
- Interest on delayed payment of Prof. Tax / ESIC	1,25	-
- Interest on delayed payment of Credit Card	49	-
- Interest on long term security deposit	27,28	18,71
(b) Other borrowing costs	4,74	8,81
Total	2,70,82	3,80,43

Note 24 : Other Expenses

Particulars	For the period 01/04/2011 to 30/09/2012 (₹ in '000)	For the year ended 31 March, 2011 (₹ in '000)
MANUFACTURING EXPENSES		
Electricity, Power and fuel	19,00	15,26
Water Charges	14	9
Repairs and maintenance - Buildings	9,23	6,85
Repairs and maintenance - Machinery	4,79	1,01
Repairs and maintenance - Others	12,67	7,09
Security charges	8,36	26,92
SELLING AND DISTRIBUTION		
Freight and forwarding	38,23	25,48
Sales commission	47,62	35,81
Sales discount and sales returns	79,20	55,87
Advertisement and Sales Promotion Expenses	9,37	2,57
Export Expenses	2,39	1,66
ESTABLISHMENT EXPENSES		
Rent including lease rentals	9,81	22,00
Insurance	2,98	6,52
Rates and taxes	5,30	45,93
Communication	18,86	12,76
Travelling and conveyance	64,25	23,50
Printing and stationery	8,94	5,93
Motor car expenses	14,56	8,30
Donations and contributions	4	-
Legal and professional	46,47	24,93
Payments to auditors (Refer Note (i) below)	4,64	2,39
Provision for doubtful debtors	3,47,35	1,51
Amortisation of good will	41,33	27,56
Amalgamation expenses	14,55	10,04
Assets written off	17,08	-
Sales tax paid	57	3,77
Prior period items (net) (Refer Note (ii) below)	1,66	-
Loss on sale of fixed assets	-	2,27,32
Sundry balance write off	-	3,02
Miscellaneous expenses	47,72	28,27
Total	<u>8,77,11</u>	<u>6,32,36</u>

Note :

Particulars	For the period 01/04/2011 to 30/09/2012 (₹ in '000)	For the year ended 31 March, 2011 (₹ in '000)
(i) Payments to the auditors comprises (net of service tax input credit, where applicable):		
As auditors - statutory audit	3,57	1,66
For tax audit	84	33
For other services	23	40
Total	<u>4,64</u>	<u>2,39</u>
(ii) Details of Prior period items (net)		
Prior period expenses	2,05	-
Prior period income	(39)	-
Total	<u>1,66</u>	<u>-</u>

Note 25 : Expenses on discontinuing operations

Particulars	For the period 01/04/2011 to 30/09/2012 (₹ in '000)	For the year ended 31 March, 2011 (₹ in '000)
Drainage cess	57	-
Workers compensation A/c	1,72,28	-
Loss on sale of fixed asset	1,78,89	-
Factory union compensation A/c	19,84	-
P F damages	1,69	-
Property tax	14,94	-
Watch & ward	13,56	-
Interest cost	3,75	-
Contributions to provident and other funds	3,77	-
Repairs and maintenance - Buildings	4,88	-
Water charges	90	-
Insurance	61	-
Sales tax paid	16,93	-
Total	<u>4,32,61</u>	<u>-</u>

NOTE NO. 26**1. Contingent Liabilities:**

- a) Disputed Income Tax demand on appeal ₹ 21.89 lacs (₹ 197.02 lacs).
 - b) Sales Tax demand amounting to ₹ 30.49 lacs (₹ 120.37 lacs), under appeal.
 - c) Interest demand on Service Tax ₹ 2.78 lacs (₹ 2.78 lacs).
 - d) Claims against the Company not acknowledged as debts ₹ 90.16 lacs (₹ 96.21 lacs).
 - e) Guarantees given by the Company:
 - i) On account of guarantee given on behalf of Indokem Exports Limited, ₹ 230.00 lacs (₹ 230.00 lacs) in respect of facilities availed from a bank. Amount outstanding as at 30th September, 2012 ₹ 131.43 lacs (₹ 131.43 lacs).
 - ii) On account of guarantee given to a bank on behalf of Indokem Overseas Limited for Credit facility of ₹ 225.00 lacs (₹ 225.00 lacs), total outstanding as at September 30, 2012 was ₹ 131.43 lacs (₹ 131.43 lacs). In this regard, the Company has availed counter guarantee from Indokem Overseas Limited.
 - iii) The Company has given counter guarantee for ₹ 570.00 lacs (₹ 570.00 lacs) against the guarantee availed from M/s. Khatau Leasing & Finance Co. Pvt. Ltd and M/s. Khatau Holdings & Trading Co. Pvt. Ltd. towards working capital facilities from Bank.
 - iv) To Sales Tax Authorities (New Delhi) towards registration of Shubhlabh Chemicals Pvt. Ltd. and Khatau Agrotech Ltd. amount totaling to ₹ 5.00 lacs (₹ 5.00 lacs).
 - f) For bills discounted with the bankers and outstanding guarantees issued by them amounting to ₹ Nil (₹ 410.15 lacs).
 - g) Custom Duty, if any payable in the event of non-fulfilment of export obligations in respect of advance license availed amounting to ₹ 33.91 lacs (₹ 39.70 lacs).
2. The Company has taken extension for closing its current accounting period to 30th September, 2012 instead of 31st March, 2012. Hence audited financial results for the current accounting period is for 18 months. Figures of previous year are for 12 months and not comparable.
 3. The accounts of the Company has been prepared on the basis of Revised Schedule VI of the Companies Act, 1956 and figures of previous year have been regrouped accordingly.
 4. The Company has disposed off its entire investment in its erstwhile subsidiary company viz. Kapsales Electricals Ltd. on 6th April, 2011, and hence consolidated accounts are not given.
 5.
 - a) Factory Building and Plant at Ankleshwar has been dismantled and agreed to be sold for lump sum value of scrap amounting to ₹ 848.90 Lacs as against its book value of ₹ 1155.41 Lacs. Loss on the sale of such fixed assets amounting to ₹ 178.88 lacs has been booked on the basis of scrap generated and sold. Being lump sum contract, item wise details of scrap value sold is not available and the same has been adjusted against written down value of the class of the fixed assets proportionately. Total written down value is adjusted in the proportion of scrap sold to the total scrap value received. The Company has discontinued provision of depreciation on such fixed assets from the date the same are held for disposal. At the end of the period, written down value of relevant fixed assets is ₹ 481.23 lacs as against scrap value remaining to be adjusted amounting to ₹ 353.60 lacs.
 - b) Inventories at Ankleshwar Plant could not be physically verified and has been continued to be valued at ₹ 457.28 lacs based on its opening value. In the absence of any other evidence, the quantum and value of the said inventories is accepted as certified by the management only.
 6. Pursuant to One Time Settlement with Bank, the Company has provided for total liability of ₹ 1410.00 lacs and adjusted existing book balance of ₹ 924.60 lacs under various facilities and created debtors unrealised amounting to ₹ 346.19 lacs for bills discounted through bank on the basis of statement from bank in the past. Accordingly balance sum of ₹ 139.21 lacs has been written off to finance costs. As per information and explanation given by the management, the Company is in process of realizing the said debtors and no provision for doubtful debts is required to be created. However, till date, the Company has not paid the agreed amount of first installment of ₹ 13.50 crores by its due date as per the terms of the One Time Settlement.
 7. Based on the Report Dated 29/10/2012 of valuer, the amount of the office premises at Khatau House acquired by the Company pursuant to the scheme of amalgamation with M/s Radio Components and Transistors Co. Ltd. in the previous year has been bifurcated into land value of ₹ 503.25 lacs and value of building as ₹ 43.76 lacs as against total value of ₹ 547.01 lacs towards building only in previous year. The balance opening value of the building has been bifurcated into land and building proportionately based on this report and excess depreciation provided in the earlier year amounting to ₹ 7.26 lacs has been written back.
 8. The Company has changed method of depreciation on assets pertaining to manufacturing division (except for Ankleshwar Plant) from straight line method to written down value method and accordingly additional depreciation amounting to ₹ 7.23 Lacs due to change in the method has been provided in the accounts.
 9. The Company has updated its fixed assets register during the year and written off net values of non existing fixed assets amounting to ₹ 17.08 lacs.
 10. In the opinion of the Board, the current assets, loans and advances are approximately of the value stated, if realized in the ordinary course of business. The provision for depreciation, and all known liabilities are adequate and not in excess of the amounts considered reasonably necessary. No personal expenses have been charged to revenue accounts.
 11. In the absence of necessary information relating to the suppliers registered as Micro, Small and Medium Enterprises under the Micro, Small and Medium Enterprises Development Act, 2006, the Company has not been able to identify such suppliers and disclose the information required under the said Act relating to them.
 12. In the opinion of the management no provision for impairment in the value of fixed assets of Ankleshwar factory is necessary considering excess of realizable value of such fixed assets as against its carrying amounts in the books of accounts on overall basis.

13. In view of continuous losses, no provision has been made for Deferred Tax Asset (Net) arising out of carry forward losses, depreciation etc. as per prudential norms for recognition as specified in Accounting Standard No. 22 on Accounting for taxes on income as issued by the Institute of Chartered Accountants of India.

14. Earnings Per Share

	September, 2012	<u>March, 2011</u>
Net Profit/(Loss) for the year (₹ in Lacs)	(947.36)	(951.51)
Weighted average number of equity Shares for EPS computation (No. of shares)	2,44,97,188	2,44,97,188
Earnings per share (₹)	(3.87)	(3.88)

15. Directors remuneration

Remuneration paid to directors including Managing Directors and Executive Director

	September, 2012	<u>March, 2011</u>
Salary	19.80	13.20
Contribution to provident funds*	1.62	1.08
Perquisites	3.33	2.22
Directors sitting fees	0.94	0.38
	25.69	16.88

*Excludes provision for Gratuity, where the actuarial valuation is done on overall Company basis

Note: Statement showing computation of net profit in accordance with Section 349 read with section 198 of Companies Act, 1956 for the purpose of computation of commission payable to Managing Director / Executive Director has not been disclosed as no commission is payable to them in view of loss as per computation under section 349 of the Companies Act, 1956.

16. Interest paid on Loans includes a sum of ₹ 80.77 Lacs (₹ 51.47 lacs) paid to directors.

17. Related Party Disclosure: (Details restricted to transactions during the period only).

(A) Particulars of Associate Companies

Name of the Related Party	Nature of Relationship
1 Refnol Resin and Chemicals Ltd.	Associate Company
2 Khatau Leasing and Finance Co. Pvt. Ltd.	Associate Company
3 Vindhyapriya Holdings Pvt. Ltd.	Associate Company
4 Emerald Capital Services Pvt. Ltd.	Associate Company
5 Priyanilgiri Holdings Pvt. Ltd.	Associate Company
6 Khatau Holdings & Trading Co. Pvt. Ltd.	Associate Company
7 MKK Holdings Pvt. Ltd.	Associate Company
8 Indokem Exports Ltd.	Associate Company

(B) Key Management Personnel and their relatives

1. Mr. M K Khatau	Chairman and Managing Director
2. Mrs. Leela K Khatau	Mother of Mr. M. K. Khatau, and Director of the Company
3. Mrs. Asha M Khatau	Spouse of Mr. M. K. Khatau, and Director of the Company
4. Mr. Manish M Khatau	Son of Mr. M. K. Khatau

(C) Transactions with Subsidiary / Associate Companies

	Subsidiary Company (Current year)	Associate Companies (Current year)	Subsidiary Company (Prev. year)	Associate Companies (Prev. year)
1. Purchase of Finished and Unfinished Goods	-	349.72	-	617.19
2. Sale of goods	-	15.63	-	282.19
3. Guarantee Commission Paid	-	-	-	0.23
4. Interest Paid	-	-	-	0.21
5. Recovery of Expenses – Personnel & Others	-	-	-	(42.49)
6. Guarantees & Collaterals Given	-	800.00	-	800.00
7. O/s Balances included in current assets and liabilities				
- Balances written off	-	-	2.17	-
- Loans and advances	-	159.00	-	127.02
- Debtors	-	1.05	-	0.72
- Deposit Received	-	(35.00)	-	(35.00)
- Creditors	-	(270.15)	-	(544.38)

(D) Details of Transactions Relating to the Key Management Personnel and their Relatives	(₹ In Lacs)
1. Managerial Remuneration	21.72
2. Remuneration	5.71
3. Reimbursement of Expenses	1.92
4. Interest	80.77
5. Loan Taken (Outstanding at the year end)	768.53
6. Director Sitting Fees	0.20

18. Disclosure pursuant to Accounting Standard – 15 “Employee Benefits”

Defined Benefit Plan Disclosures (₹ In Lacs)

<u>SR. NO.</u>	<u>PARTICULARS</u>	<u>GRATUITY</u>	<u>LEAVE BENEFITS</u>	<u>TOTAL</u>
I.	Components to Employer Expense			
a)	Current Service Cost	4.19	1.71	5.90
b)	Interest Cost	6.45	1.51	7.96
c)	Past service cost	0.12	-	0.12
d)	Excess provision reversed	(22.85)	(3.08)	(25.93)
e)	Actuarial (Gain) / Loss	8.36	(0.66)	7.70
f)	Total expense / (gain) recognized in the Profit / Loss A/c	(3.73)	(0.52)	(4.25)
II	Net Asset / (Liability) Recognized in Balance Sheet as at 30-9-12			
a)	Present value of obligation as at 30-09-12	44.07	10.14	54.21
b)	Fair Value of Plan Assets as at 30-09-12	NIL	NIL	NIL
c)	(Asset) / Liability recognized in Balance Sheet	44.07	10.14	54.21
III	Change in Defined benefit Obligation (DBO) during Year ended as on 30 th Sept 2012			
a)	Present value of obligation As at 31-03-2011	56.67	12.43	69.10
b)	Current Service Cost	4.19	1.71	5.90
c)	Interest Cost	6.45	1.51	7.96
d)	Past service cost	0.12	-	0.12
e)	Actuarial (Gain) / Loss	8.36	(0.66)	7.70
f)	Benefit paid	(31.72)	(4.85)	(36.57)
g)	Present value of obligation as at 30 th Sept 2012	44.07	10.14	54.21

19. FOREIGN EXCHANGE EARNINGS AND OUTGO:

	30th September 2012	31 st March 2011
Value of Imports on C.I.F. basis	298.10	133.00
Expenditure in Foreign Exchange :		
- Travelling Expenses	17.66	6.09
- Foreign Bank Charges	0.51	0.95
- Consultancy Charges	0.66	-
Earnings in Foreign Exchange :		
- F.O.B. value of exports in aggregate	720.49	121.72

20. Statement of Carrying values of Assets and Liabilities of discontinued operations.

Assets	(₹ In Lacs)
i) Fixed Assets (Net)	1412.24
ii) Stock	457.28
iii) Other Current Assets	48.42
Total Assets	<u>1917.94</u>
Liabilities	
i) Sundry Creditors	60.81
ii) Statutory Liabilities	37.27
iii) Advance Received	358.09
Total Liabilities	<u>(456.17)</u>

21. Previous year's figures have been regrouped / rearranged wherever necessary.

As per our Report attached

For **Sheth Doctor & Associates**
Chartered Accountants
(Firm Reg. No. 124822W)

Paresh S. Doctor
Membership No. 36056
Mumbai : 09th November, 2012

For and on behalf of the Board of Directors

Rohan R. Gavas
Company Secretary

Mahendra K. Khatau
Chairman & Managing Director

Leela K. Khatau
Director

INDOKEM LIMITED

(Formerly: Khatau Junker Limited)

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

ATTENDANCE SLIP

(To be handed over at the entrance of the meeting hall)

Full Name of the Member Attending

Full name of the First Joint Holder
(To be filled in if first named joint-holder does not attend the meeting)

Name of Proxy
(To be filled in if Proxy Form has been duly deposited with the Company)

I hereby record my presence at the Forty-Sixth Annual General Meeting held at "Khatau House", Plot No. 410/411, Mogul Lane, Mahim (W), Mumbai – 400016 on Friday, 28th December, 2012 at 4.00 p.m.

Regd. Folio / Client ID No.	
DP ID No.	
No. of Shares held	

Member's/Proxy's Signature
(To be signed at the time of handing over this slip)



INDOKEM LIMITED

(Formerly: Khatau Junker Limited)

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

PROXY FORM

I/We _____ of _____ in the district
of _____ being member(s) of the above named Company, hereby
appoint _____ of _____ in the
district of _____ or failing him _____

of _____ in the district of _____ as my/our proxy
to vote for me/us on my/our behalf at the 46th Annual General Meeting of the Company to be held at "Khatau House",
Plot No. 410/411, Mogul Lane, Mahim (West), Mumbai – 400016 on Friday, 28th day of December, 2012 at 4.00 p.m.
or at any adjournment thereof.

Signed this _____ day of _____ 2012.

Regd. Folio / Client ID No.	
DP ID No.	
No. of Shares held	

Please affix
Revenue
Stamp
₹ 1/-

- Notes:**
1. The proxy form should be deposited at the Registered Office of the Company not less than forty-eight hours before the time for holding the Annual General Meeting.
 2. The form should be signed across the stamp to enforce the validity.
 3. A proxy need not be a member of the Company.

BOOK-POST

If undelivered please return to:

INDOKEM LIMITED

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