

42nd Annual Report

2007-2008

INDOKEM LIMITED

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42nd ANNUAL GENERAL MEETING

Date	:	Tuesday, 18th November, 2008
Time	:	4.00 p.m.
Venue	:	Khatau House, Plot No. 410/411, Mogul Lane, Mahim (W), Mumbai - 400 016

INDOKEM LIMITED

BOARD OF DIRECTORS	: MR. MAHENDRA K. KHATAU CHAIRMAN & MANAGING DIRECTOR MR. N.S. PARULEKAR MRS. LEELA K. KHATAU MR. KAILASH PERSHAD MR. S. RAJAGOPALAN
AUDIT COMMITTEE CHAIRMAN	: MR. N.S. PARULEKAR MR. MAHENDRA K. KHATAU MR. S. RAJAGOPALAN
SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE	: MR. N.S. PARULEKAR CHAIRMAN MR. MAHENDRA K. KHATAU MRS. LEELA K. KHATAU
COMPANY SECRETARY	: MR. VIJAY MISHRA
BANKERS	: UNION BANK OF INDIA STATE BANK OF TRAVANCORE DEVELOPMENT CREDIT BANK LIMITED BANK OF INDIA SBI COMMERCIAL & INTERNATIONAL BANK LTD. ANDHRA BANK THE SHAMRAO VITHAL CO-OP. BANK LTD.
AUDITORS	: MESSERS. SHETH DOCTOR & ASSOCIATES
REGISTRAR & SHARE TRANSFER AGENT (SHARE COLLECTION CENTRE)	: MESSERS. SHAREX DYNAMIC (INDIA) PVT. LTD. 17/B, DENA BANK BUILDING 2 ND FLOOR HORNIMAN CIRCLE, FORT, MUMBAI – 400 001. TEL.NO.227024 85/2264 13 76 FAX NO.22641349 WEBSITE: www.sharexindia.com E-mail id: sharexindia@vsnl.com
REGISTERED OFFICE	: KHATAU HOUSE, PLOT NO. 410/411, MOGUL LANE, MAHIM MUMBAI - 400 016 TEL.NO.: 91-22-24461975/24450050 FAX NO.: 91-22-24458139/24440826 WEBSITE : www.indokem.co.in E-MAIL: secretarial@indokem.co.in
FACTORY	: PLOT NO. 2900 GIDC INDUSTRIAL ESTATE DISTRICT BHARUCH ANKLESHWAR, GUJARAT

We, Mr. Mahendra K. Khatau, Chairman & Managing Director and Mr. Vijay Mishra, General Manager, Finance and Accounts and Company Secretary of Indokem Limited, to the best of our knowledge and belief hereby certify that :

- i. We have reviewed financial statements and the cash flow statement for the year ended 31st March, 2008 and that to the best of our knowledge and belief;
 - a) These statements do not contain any materially untrue statement or omit any Material fact or contain statement that might be misleading.
 - b) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- ii. There are to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of the Company's Code of Conduct.
- iii. We accept responsibility establishing and maintaining the internal controls for the financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or proposed to take to rectify these deficiencies.
- iv. We have disclosed based on our most recent evaluation, wherever applicable, to the companies auditors and the audit committee of the Company's Board of Directors:
 - a) All deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data have been identified. Any material weaknesses in internal controls have been implemented including any corrective actions with regards to deficiencies.
 - b) Significant change in internal controls during the year covered by the report.
 - c) All significant changes in Accounting Policies during the year, if any, that the same have been disclosed in the notes to the financial statements.
 - d) Instances of significant fraud of which we are aware, that involves Management or other employees who have significant role in the Company's internal control system.

For INDOKEM LIMITED

Mahendra K. Khatau
Chairman & Managing Director

Vijay Mishra
General Manager (Fin. & A/cs.)
and Company Secretary

NOTICE

NOTICE is hereby given that the Forty Second Annual General Meeting of the Members of Indokem Limited (formerly known as Khatau Junker Limited) will be held at Khatau House, Plot No. 410/411, Mogul Lane, Mahim (W), Mumbai – 400 016 on Tuesday the 18th November, 2008 at 4.00 P.M. for the purpose of transacting the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Profit and Loss Account for the year ended 31st March, 2008 and the Balance Sheet as at that date, together with the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mrs. Leela K. Khatau, who retires by rotation and, being eligible, offers herself for reappointment.
3. To appoint a Director in place of Mr. S. Rajagopalan, who retires by rotation and, being eligible, offers himself for reappointment.
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.

SPECIAL BUSINESS :

5. To consider and, if thought fit, to pass with or without modification, the following Resolution as SPECIAL RESOLUTION :

"RESOLVED THAT Company do hereby accord its consent under Section 314 of the Companies Act, 1956 and other applicable provisions, if any, to the payment of remuneration of Ms. Shreya M. Khatau, Vice President – Corporate Strategies of the Company, w.e.f. 25th September, 2007."

By Order of the Board
For INDOKEM LIMITED

Vijay Mishra
Company Secretary

Registered Office :
Khatau House,
Plot No. 410/411,
Mogul Lane, Mahim,
Mumbai - 400 016.

Dated : 15th September, 2008

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER.
2. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item No. 5 as set out above is annexed herewith.
3. The Register of Members and Transfer Books of the Company will be closed from Friday the 14th November, 2008 to Tuesday the 18th November, 2008 (both days inclusive).
4. Members are requested to notify any change of their address including Transfer's etc. to the Company's Share Registrar & Transfer Agent office at Sharex Dynamic (India) Pvt. Ltd. 17/B, Dena Bank Building, 2nd Floor, Horniman Circle, Fort, Mumbai - 400001 or at Registered Office Khatau House, Plot No.410/411, Mogul Lane, Mahim, Mumbai- 400016.
5. INFORMATION REQUIRED TO BE FURNISHED UNDER THE LISTING AGREEMENT :

Name	Age	Qualification	Experience	No. of Shares	Other Directorships as on 31/03/08
Mrs. Leela K. Khatau	75	BA	Industrialist	80,699	1) Emerald Capital Services Pvt. Ltd. 2) Priyamvada Holdings Ltd.
Mr. S. Rajagopalan	69	B.Com A.I.C.W.A.	37 years experience with leading manufacturing companies in the areas of Accounts, Finance and Audit.	NIL	1) Refnol Resins & Chemicals Ltd.

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956.
Item No.5

The Board was informed that Ms. Shreya M. Khatau is employed as Vice President – Corporate Strategies of the Company. She joins our company holding a Bachelor of Science degree in Finance and International Business from New York University and has three years of experience in investment banking. The Management of the Company has decided to pay remuneration with effect from 25th September, 2007 which includes Basic Salary and other allowances aggregating to Rs. 26,900/- per month.

Since Ms. Shreya M. Khatau is daughter of Mr. Mahendra K. Khatau, Chairman & Managing Director of the Company, it is required to obtain consent of Members for payment of remuneration exceeding Rs.10,000/- per month.

Mr. M.K. Khatau and Mrs. Leela K. Khatau are relatives of Ms. Shreya M. Khatau, hence are interested in the above resolution.

By Order of the Board
For INDOKEM LIMITED

Vijay Mishra
Company Secretary

Registered Office :
Khatau House,
Plot No. 410/411,
Mogul Lane, Mahim,
Mumbai - 400 016.
Dated : 15th September, 2008

DIRECTORS' REPORT

To,

The Members,

Your Directors have pleasure in presenting their 42nd Annual Report and Accounts for the year ended 31st March, 2008.

(Rs. In Lacs)

FINANCIAL RESULTS :

Total Income (Net of Increase/Decrease in inventories)

Operating Profit before Interest & Finance charges, Depreciation & tax

Less : Interest & Finance charges

Profit/(Loss) after Interest & Finance charges but before Depreciation & Tax

Less : Depreciation

Profit/(Loss) before tax

Add : Provision for Wealth Tax/FBT

Add : Excess / (Short) provision for Tax in respect of earlier year.

Less : Income tax refund for earlier year (net)

Profit/(Loss) after tax

Less : Amount drawn from Capital Reserve

Less : Transfer From Debenture Redemption Reserve

Surplus brought forward from last year

Surplus carried to Balance Sheet

31.03.2008	31.03.2007
70,64.23	74,86.11
5,53.67	8,04.21
4,85.30	4,02.30
68.37	4,01.91
3,10.40	2,89.88
(2,42.03)	1,12.03
8.34	19.26
0.03	5.76
0.82	-
(2,49.58)	98.53
1.86	1.96
1,60.00	-
1,85.98	85.49
98.26	1,85.98

SCHEME OF ARRANGEMENT AND AMALGAMATION

The Hon'ble High Court of Bombay vide its Orders dated 8th August, 2008 has approved the Scheme of Arrangement and Amalgamation of Sovereign Trading Enterprises Limited, Tracklightning Finance And Investments Limited and Royaltarn Finance And Investments Private Limited ("Transferor Companies") with Indokem Limited ("Transferee Company") and their respective shareholders. The respective Companies have filed the certified copy of the High Court Order with the Registrar of Companies, Mumbai on 8th September, 2008 and the Scheme has become effective from that date. The Appointed Date fixed under the Scheme is 1st April, 2007. Accordingly, all the assets and liabilities of all the Transferor Companies stand transferred to and vest with the Transferee Company with effect from the Appointed Date. In terms of the Scheme, your Company is required to issue 92,00,000 Equity Shares of Rs. 10/- each to the shareholders of Sovereign Trading Enterprises Limited, as per the share exchange ratio approved by all concerned. No shares are wholly being issued upon merger of Tracklightning Finance And Investments Limited and Royaltarn Finance And Investments Private Limited which are wholly owned subsidiaries of the Company. The successful implementation of the Scheme has resulted in enhancement of the shareholder value. The enclosed financial statements of your Company reflect the restated and consolidated financials of the merged entities.

ACCOUNTS AND ANNUAL GENERAL MEETING :

In view of the effective date of the Order of the Hon'ble High Court being 1st April, 2007 the Profit and Loss Account and Balance Sheet of the Transferee Company namely Indokem Limited have been prepared from 1st April, 2007 till 31st March, 2008 which is placed before the Members, for consideration and adoption.

REVIEW OF OPERATIONS :
SALES, PROFITABILITY AND PRODUCTION :

In the current financial year, your Company's total sales have decreased to Rs.67 crore as compared to Rs. 69 crore in the previous year. The production of vat dyes has also decreased from 330 MT in the previous year to 216 MT in the current financial year. The reduction in sales of vat dyes is primarily due to stiff competition from Chinese manufacturers as well as volatile pricing for export markets. On the domestic front, your Company's sales of vat dyes were adversely affected due to volatility in prices and demand for certain products as well as shortage and increasing prices of raw materials.

Sales of traded products such as direct dyes, sizing chemicals, vat pastes, textile auxiliaries, reactive dyes etc., increased to Rs. 48.26 crore as compared to Rs.41.28 crore in the previous financial year.

PROSPECTS :

Critical factors such as raw material pricing and availability, demand and operating costs for both of your Company's divisions, trading as well as manufacturing, are expected to improve in the next financial year.

Your company is planning on increasing the range of products manufactured at its plant in Ankleshwar. In order to facilitate this, your Company has received permission to manufacture additional textile chemicals and auxiliaries at the plant. This will help improve sales as well as reduce fixed costs in turn increasing the Company's profitability in coming years.

Additionally, the Scheme of Arrangement and Amalgamation will reduce certain administrative expenses for your Company as well as improve the strength of the Balance Sheet.

EXPORT SALES :

Your Company's export sales for the current financial year were lower than the previous financial year. Fluctuations in exchange rates during the year adversely affected our export contributions to a large extent. In addition, scarcity of key raw materials increased the production lead time hence disrupting our production for exports. Competition from China has also affected our export volumes. Your Company is making sincere efforts to increase the efficiency of production as well as cut costs to rectify the situation.

DIVIDEND :

Due to absence of profit in the current year, your Directors express their inability to declare any dividend.

FINANCE :

During current financial year, your Company has availed of a Term Loan and Working Capital facility from its current consortium of bankers. Part of the term loan was disbursed in the current financial year and proceeds were utilized for refurbishment of plant & machinery as well as for the ongoing working capital needs of your Company.

Interest costs for the year have increased sharply during the year, as rates of interest for various facilities availed by your Company have been increased substantially due to increase in BPLR by our bankers.

In the current financial year, your Company has cleared payments due to the holders of Non Convertible Debentures so as to reduce the interest

burden and total outstanding liabilities of your Company.

INSURANCE :

All the assets of the Company including Plant & Machinery, Building, Stocks etc. are adequately insured.

SUBSIDIARY COMPANIES :

During the year, Royaltarn Finance And Investments Limited which was originally incorporated on 6th February, 1991 was converted into Private Limited. Subsequently, the name of the Company has changed to Royaltarn Finance And Investments Private Limited vide fresh Certificate of Incorporation dated 10th March, 2008 received from Government of India-Ministry of Corporate Affairs, Registrar of Companies, Maharashtra, Mumbai.

Pursuant to the Hon'ble High Court of Bombay vide its orders dated 8th August, 2008 approving the Scheme of Arrangement and Amalgamation of Sovereign Trading Enterprises Limited, Tracklightning Finance And Investments Limited and Royaltarn Finance And Investments Private Limited ("Transferor Companies") with Indokem Limited ("Transferee Company"), Radio Components and Transistors Company Ltd., a subsidiary of Sovereign Trading Enterprises Limited has become a subsidiary of Indokem Limited.

Pursuant to Section 212 of the Companies Act, 1956, the Audited Accounts with the Auditors' and Directors' Reports of your Company's subsidiaries Kapsales Electricals Limited and Radio Components and Transistors Company Ltd. for the year ended 31st March, 2008 are annexed hereto.

Radio Components and Transistors Company Ltd has recorded a loss of Rs.21.97 lacs during the year as compared to profit of Rs. 1.70 lacs in previous year.

DIRECTORS' RESPONSIBILITY STATEMENT :

The Board of Directors of the Company confirms:

- i) that in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- ii) that such selected accounting policies were applied consistently and the directors 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 as at March 31, 2008 and the Loss of the Company for the year ended on that date;
- iii) that 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;
- iv) that the annual accounts have been prepared on a going concern basis.

DIRECTORS :

Ms. Leela K. Khatau and Mr. S. Rajagopalan retire by rotation at the conclusion of this Annual General Meeting and being eligible, offer themselves for reappointment.

Mr. M. Sarin has tendered his resignation as Dy. Managing Director of the Company on 25th September, 2007. The Board placed on record its appreciation for the valuable contribution of Mr. M. Sarin during the tenure of his office as Dy. Managing Director of the Company.

CORPORATE GOVERNANCE :

Disclosures on the points relating to the Corporate Governance are given in Annexure – 1 to this report.

MANAGEMENT DISCUSSION AND ANALYSIS :

Your Company manufactures and trades dyes and chemicals for use in the textile industry both in India as well as worldwide and operates through two divisions, namely the manufacturing and trading divisions. The manufacturing division produces vat dyes and other textile chemicals at your Company's plant at Ankleshwar. The trading division trades in direct dyes, sizing chemicals, vat pastes, textile auxiliaries, reactive dyes etc.

In the current financial year, the Company incurred a loss of Rs.249.58 lacs as compared to a profit of Rs.98.53 lacs in the previous year.

The loss of the year is attributed to various factors that affected your Company's performance in the current financial year.

- i) The reduction in sales of vat dyes is primarily due to stiff competition from Chinese manufacturers as well as volatile pricing for export markets. On the domestic front, your Company's sales of vat dyes were adversely affected due to volatility in prices and demand for certain products as well as shortage and increasing prices of raw materials.
- ii) Raw materials consumed as a percentage of sales has increased from 68.75% in the previous financial year to 74.02% in the current year. This is primarily due to volatile prices and scarcity of raw materials, as well as rising oil prices. Our cost of raw materials has increased due to these factors as many of the key raw materials are petro based.
- iii) Interest and finance costs increased drastically due to increase in rates by the RBI several times in the current financial year.

Despite adverse factors affecting the profitability of your Company, Management has put in efforts to reduce major costs such as power, fuel and water charges to reduce the impact of adverse market conditions faced by your Company.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY :

There is good Internal Control System in the Company through adequate Internal control procedures and regular operations review etc. However, adequate coverage was not possible due to paucity of staff.

AUDITORS :

M/s. Sheth Doctor & Associates, Chartered Accountants, Auditors of the Company, retire at the forthcoming Annual General Meeting of the Company and, are eligible for reappointment.

AUDITORS' REMARKS :

No qualificatory remarks observed in the Auditors' Report.

EMPLOYEES :

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particular of Employees) Rules, 1975 is not applicable to the Company as none of the employees are drawing salary more than Rs.24 lacs per annum.

The employees have extended their full support and valuable contribution which helped the Company to carry on the business under difficult conditions caused by liquidity crunch. The Company and the management convey their appreciation and thankfulness for the same.

CONSERVATION OF ENERGY :

A Statement showing particulars as per Form A, under 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 is given as Annexure 2 and forms part of this Report.

RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION :

Research and development activities were more focussed on process improvement to reduce raw material cost and to save on time cycles. Developments in Laboratory are being implemented at plant.

Company has introduced couple of new products to the range and envisages good demand from export market.

FOREIGN EXCHANGE EARNINGS AND OUTGO :

The details of expenditure and earning in foreign currencies during the period under review are as under :

		31.03.2008	(Rs. in '000) 31.03.2007
i)	EXPENDITURE IN FOREIGN EXCHANGE CAPITAL		
	Value of imports on C.I.F. basis		
	Raw Material	3,69,12	7,95,11
	Travelling	50	1,37
	Commission	12	-
	Others	6,26	4,39
	Total :	3,76,00	8,00,87
ii)	EARNINGS IN FOREIGN EXCHANGE		
	F.O.B. value of exports	10,32,36	17,47,21
	Technical Fees earned	18,46	22,21
	Total :	10,50,82	17,69,42

ACKNOWLEDGEMENT :

The Board expresses its gratitude to the Company's Bankers, the participating Financial Institutions, Customer, Government Agencies and our Employees for their continuous help, co-operation and support.

For and on behalf of the Board

Mahendra K. Khatau

Chairman & Managing Director

Registered Office :

Khatau House, Plot No.410/411, Mogul Lane, Mahim, Mumbai - 400 016.

Dated : 15th September, 2008

ANNEXURE – 1
CORPORATE GOVERNANCE DISCLOSURES :

In terms of the Schedule of implementation of Clause No.49 of the Listing Agreement on Corporate Governance, your Company has been complying with the requirements of the said Clause to the extent and in the manner stated hereunder :

A. Company's Philosophy on Corporate Governance

The Company's Philosophy on Corporate Governance envisages the attainment of the high level of transparency and accountability in the functioning of the Company and the conduct of its business internally and externally including its inter action with employees, shareholders, consumers, institutional and other lenders and places due emphasis on regulatory compliance.

The Company will continue its efforts in raising the standard in Corporate Governance and will also review its systems and procedures constantly to keep pace with the changing economic environment.

B. Board of Directors

The Board comprises the Managing Director and Non-Executive/Independent Directors. As on 15th September, 2008 the strength of the Board was Five Directors. The Managing Director is the only Whole-time Director the remaining four being Non Executive Directors.

C. Remuneration of Directors

Managing Director & Dy. Managing Director Rupees in Lacs 19.28

(Salary, Allowances, contribution to Provident Fund, Superannuation Fund, Gratuity Fund, Value of perquisites)

Non-Executive Directors :

Sitting Fees

0.76

TOTAL :

20.04

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

The Company has no Stock Option Scheme for any of its Directors.

D. Board Meeting :

The Board met six times during the year on 27/04/2007, 31/07/2007, 10/08/2007, 30/10/2007, 21/12/2007 and 18/01/2008.

The attendance of Directors at the Board Meetings (BOD) and Annual General Meeting (AGM) was as follows :

Sr. No.	Name of Director		No. Of Board Meetings Attended	Attendance at Last AGM	Outside Committee Position held Member/Chairman	
1.	Mr. M.K. Khatau	Whole time Managing Director	6	Yes	-	-
2.	Mr. Anil K. Khatau (Ceased to be a Director from 8/8/2007)	Non-Executive Director	1	N.A.	-	-
3.	Mr. N.S. Parulekar	Non-Executive Director/ Independent Director	5	Yes	2	1
4.	Ms. Leela K. Khatau	Non-Executive Director	6	Yes	-	-
5.	Mr. Kailash Pershad	Non-Executive Director/ Independent Director	5	No	-	-
6.	Mr. M. Sarin (Ceased to be a Dy. Managing Director from 25/09/2007)	Dy. Managing Director	2	Yes	-	-
7.	Mr. S. Rajagopalan	Non-Executive Director/ Independent Director	5	No	-	-

E. Audit Committee :

The Audit Committee comprises three Directors, Mr. N.S. Parulekar (Chairman), Mr. M.K. Khatau, Mr. S. Rajagopalan. The Company Secretary, Mr. Vijay Mishra acts as the Secretary of the Committee. The Committee held Six meetings during the year on 27/04/2007, 31/07/2007, 10/08/2007, 30/10/2007, 21/12/2007 and 18/01/2008. The table below gives the attendance record.

Name of Director	No. of Meetings held	No. of Meetings Attended
Mr. N.S. Parulekar	6	5
Mr. M.K. Khatau	6	6
Mr. S. Rajagopalan	6	5

The Committee's powers and role are stipulated at Clause 49 of the Listing Agreement.

F. Shareholders/Investors' Grievance Committee :

The Company has formed an Investors/Shareholders Grievance Committee with the following terms of reference :

- Ensure redressal of the shareholders and investors complaints relating to transfer of shares non-receipt of Balance Sheet etc.
- Redressal of investors complaints in respect of non-receipt of dividends/interests/payments on redemption of preference shares, debentures, bonds or such other instruments that are redeemable.

The Composition of the Committee as on 31st March, 2008 is as under :

- Mr. N.S. Parulekar (Chairman – Non Executive Director)
- Mr. M.K. Khatau
- Ms. Leela K. Khatau
- Mr. Vijay Mishra, Company Secretary acts as a Secretary of the Committee.

The quorum for the Committee Meeting is two Directors.

During the year, the Committee held four meetings (on 27th April, 2007, 31st July, 2007, 30th October, 2007 and 18th January, 2008). All the above Members attended the Meetings. We have not received any complaint from investors. Further, the Board of Directors have delegated the powers to approve, transfer of the securities allotted by the Company to a Share Transfer Committee Meeting. The Committee held 15 Meetings during the year and approved the transfer of the shares lodged with the Company. All the transfers of shares received by the Company have been complied within the time limit.

G. Remuneration Committee

The Company does not have a Remuneration Committee. The remuneration payable to the Managing Director/ Dy. 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.

H. 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.

I. Disclosures :

There are no materially significant related party transactions that may have potential conflict with the interests of the Company.

The Company has complied with the requisite regulations relating to capital markets. There are no penalties or strictures imposed on the Company by Stock Exchange or SEBI or any Statutory authority, on any matter related to capital markets, during the last three years.

Quarterly Results are approved by the Audit Committee and taken on record by the Board of Directors and submitted to the Stock Exchange in terms of the requirements of Clause 41 of the Listing Agreement.

Quarterly Results are normally published in English and Marathi newspapers.

J. Web Site :

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

Queries relating to Investors' Grievance may be addressed to e-mail: secretarial@indokem.co.in

K. General Shareholder information :

1) Annual General Meetings :

The last three Annual General Meetings of the Company were held as under :

Financial Year	Date	Time	Location
2006-2007	24/09/2007	4.00 p.m.	Khatau House, Mogul Lane Mahim, Mumbai – 400 016.
2005-2006	31/08/2006	4.00 p.m.	-----do-----
2004-2005	29/09/2005	4.00 p.m.	-----do-----

No Special resolutions were required to be put through postal ballot last year.

2) Financial Calendar :

Period	Board Meeting to approve Quarterly Financial Results
1 st Quarter ending 30 th June, 2008	30 th July, 2008
2 nd Quarter ending 30 th September, 2008	last week of October, 2008
3 rd Quarter ending 31 st December, 2008	last week of January, 2009
4 th Quarter ending 31 st March, 2009	last week of April, 2009
Year ending 31 st March, 2009 (Audited)	June/July, 2009.
Annual General Meeting for the year ending 31 st March, 2009	August/September, 2009

3) Date of Book Closure :

From Friday the 14th November, 2008 to Tuesday the 18th November 2008 (both days inclusive).

4) Listing of Shares :

The Company's Equity Shares are listed at Mumbai Stock Exchange under B2 Script. The Shares of the Company were traded in the market during the year. We give below market price Data high/low during April, 2007 to March, 2008.

Month	High (Rs.)	Market Price	Low (Rs.)
April, 2007	8.23		5.81
May, 2007	7.55		6.41
June, 2007	7.50		6.16
July, 2007	9.30		5.71
August, 2007	10.89		6.25
September, 2007	9.75		7.61
October, 2007	7.99		6.23
November, 2007	7.90		5.82
December, 2007	12.35		7.05
January, 2008	15.67		7.67
February, 2008	9.66		6.70
March, 2008	6.66		4.01

5) Stock Code : 504092
6) Registrar & Share Transfer Agents :

The Company has appointed Sharex Dynamic (India) Pvt. Ltd. as Registrar and Transfer Agents of the Company. The Shareholders are requested to send/deliver the documents, correspondence relating to the Company's Share Transfer activity etc. to the Registrar and Share Transfer Agents, M/s. Sharex Dynamic (India) Pvt. Ltd., 17/B, Dena Bank Building, 2nd Floor, Horniman Circle, Fort, Mumbai - 400 001.

7) Dematerialisation of Shares :

In terms of the notification issued by the Securities & Exchange Board of India (SEBI) the shares are duly dematerialised with CDSL and NSDL with Company Code No.ISIN-INE 716 F0 1012.

8) Share Transfer System :

Physical transfer of shares are processed by the Registrar and Transfer Agents and approved by the Share Transfer Committee within 30 days from the date of receipt provided the relevant documents are complete in all respects.

As on 31st March, 2008, there were no share transfers pending with the Company.

9) Shareholding pattern as on 31st March, 2008.

Category	No. of Shares held (Rs.10/- each)	%of Shareholding
I. Promoters	80,53,939	52.650
II. Non-Promoters Holding		
a) Mutual Funds & UTI	35,650	0.233
b) Banks, Financial Institutions	2,075	0.014
c) Central/State Govt. Institutions	15,950	0.104
d) Insurance Companies	5,100	0.033
III. Others		
a) Private Corporate Bodies	4,81,763	3.149
b) Indian Public	66,85,200	43.702
c) NRI's	13,311	0.087
d) Any other Clearing Members	4,200	0.027
Total	1,52,97,188	100.00

L. Auditors' Certificate on compliance of mandatory stipulations of Corporate Governance :

The certificate issued by the Statutory Auditors' regarding compliance of mandatory stipulations of corporate governance in terms of the listing agreement with the Stock Exchange is attached as Appendix to Annexure 1.

APPENDIX TO ANNEXURE 1
AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT :

To the Members of Indokem Limited

We have reviewed the compliance of conditions of Corporate Governance by Indokem Limited for the year ended 31st March,2008, as stipulated in clause 49 of the Listing Agreement of the said Company with the Bombay Stock Exchange. We have conducted our review on the basis of the relevant records and documents maintained by the Company for the year ended 31st March,2008 and furnished to us for the purpose of the review and the information and explanations given to us by the Company during the course of such review.

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

In our opinion and to the best of our information and according to the explanation given to us, we report that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievance is pending for period exceeding one month against the Company.

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

For Sheth Doctor & Associates
Chartered Accountants

Paresh S. Doctor
Partner
Membership No.36056

Mumbai
Dated : 15th September, 2008

ANNEXURE - 2
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

CONSERVATION OF ENERGY POWER & FUEL CONSUMPTION		2007-08	2006-07
1) Electricity			
a) Purchased Unit ('000 unit)		26,00	43,59
Total Amount (Rs.000)		1,32,13	2,17,28
Rate per unit (Rs./Unit)		5.08	4.98
b) Own Generation			
i) Through Diesel Generator		4.38	2.45
Unit per Ltr. Of Diesel oil cost (Rs./Unit)		35.45	14.95
2) GAS			
Qty.(000 NM ³)		13,86	25,95
Total Amount (Rs.'000)		1,32,26	2,57,81
Average Rate (Rs./NM ³)		9.54	9.93
3) Production/Consumption of			
	Dyes	Electricity	Gas
	2,13.42 MT	1,21,81 Unit /MT	64,95 NM³
	(3,29.63 MT)	(1,34,22 Unit /MT)	(79,88 NM ³)

For and on behalf of the Board

Mahendra K. Khatau
Chairman & Managing Director

Registered Office :
Khatau House,
Plot No. 410/411,
Mogul Lane, Mahim,
Mumbai - 400 016.
Dated: 15th September, 2008

AUDITORS' REPORT

The Members of

INDOKEM LIMITED

We have audited the attached Balance Sheet of INDOKEM LIMITED as at 31st March 2008, the Profit and Loss Account and also the Cash Flow Statement of the Company for the year 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 Central 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;
- b) In our opinion, the Company has kept proper books of account 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 Companies Act, 1956; and
- f) 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:
 - a) In the case of the Balance Sheet, of the state of affairs as at 31st March 2008,
 - b) In the case of the Profit and Loss account, of the loss for the year ended on that date; and
 - c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For Sheth Doctor & Associates

Chartered Accountants

Paresh S. Doctor

Partner

Mumbai

Dated : 15th September, 2008

Membership No.36056

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 YEAR ENDED 31st MARCH, 2008)

1. The Company should update Fixed Assets Register, so as to show item-wise details along with its cost and written down values. 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 not disposed off substantial part of its fixed assets during the year.
2. Inventories:
 - a) Inventories have been physically verified during the year 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 of Rs.385.90 lacs (Rs. 387.40 lacs) from two companies and from a Director amounting to Rs. 405.15 Lacs (Rs. 425 Lacs) covered in the register maintained under section 301 of the Companies Act, 1956. The Company has not granted any loans to Companies, firms or other parties covered in the register maintained u/s. 301 of the Companies Act, 1956.
 - b) In our opinion, the rate of interest and other terms and conditions on which loans have been taken from company listed in the register maintained under section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the company.
 - 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 year.
7. The company has no internal audit system
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.
9.
 - 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 Rs.52.82 lacs (Rs. 75.99 lacs), out of which amount of Rs.8.00 lacs (Rs.31.00 lacs) is subsequently deposited till the date of this report.
 - b) As at March 31, 2008 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 (Rs.in Lacs)	Forum where the dispute is pending
Sales Tax Act	Sales Tax	109.78	Commissioner (Appeals)
		11.87	S.T.Tribunal

10. The Company has not incurred any cash loss in the current year, or in the immediately preceding financial year and there are no accumulated losses aggregating to more than 50% of its net worth as at 31st March 2008.
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 Rs.228.75 lacs is found delayed on various dates as compared to its schedule of repayments agreed upon in pursuance to one-time settlement package/loan agreements (excluding delays which have been regularized by further arrangements). Out of total dues, a sum of Rs. 73.30 lacs is found overdue and in default.

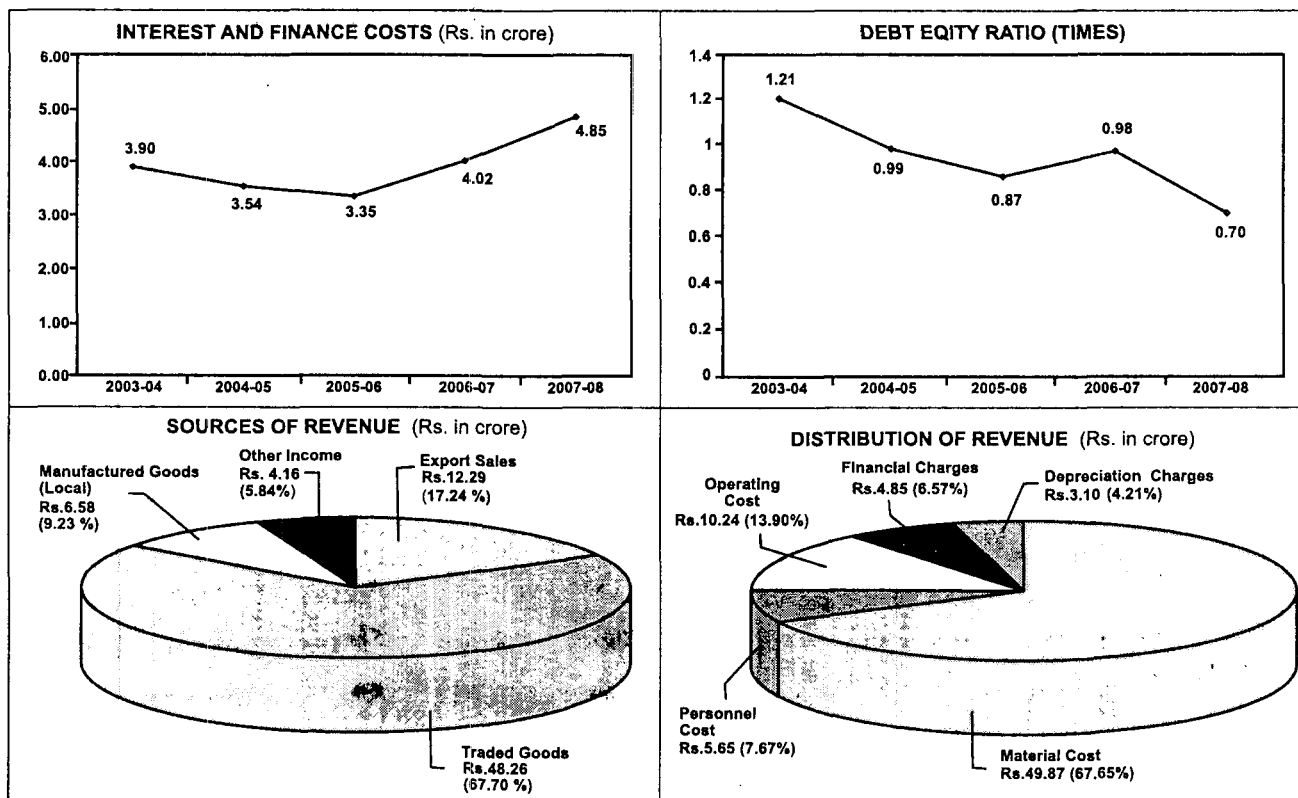
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, considering the nature of activities carried on by the Company during the year, the provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
14. In our opinion and accordingly 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 Rs. 2,273 lacs for loans taken by others from banks and financial institution, (as referred in Note No. 1(d) of schedule 20 of Annual Accounts) and terms and conditions are not prima facie prejudicial to the interest of the company except for the fact that it includes a sum of Rs. 786.00 lacs worth guarantee given on behalf of subsidiary Company viz. Kapsales Electricals Ltd., which has been registered u/s 15(1) of Sick Industrial Companies (Special Provisions) Act, 1985.
16. In our opinion and according to the information and explanations given to us, the Term Loans raised during the year have been applied for the purpose for which they were raised.
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 year 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 year.
20. The Company has not raised any money by way of public issue during the year.
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 year, nor have we been informed of such case by the management.

For Sheth Doctor & Associates
Chartered Accountants

Paresh S. Doctor
Partner

Mumbai
Dated : 15th September, 2008

Membership No.36056



BALANCE SHEET AS AT 31ST MARCH, 2008

(Rs. in '000)

	Schedules	As at 31st March 2008	As at 31st March 2007
I SOURCES OF FUNDS			
1. SHAREHOLDERS' FUNDS			
a) Share Capital	1	24,49,72	15,29,72
b) Reserves and Surplus	2	19,12,93	15,14,62
		<u>43,62,65</u>	<u>30,44,34</u>
2. LOAN FUNDS			
a) Secured Loans	3	21,28,03	20,49,13
b) Unsecured Loans	4	9,52,26	9,31,22
		<u>30,80,29</u>	<u>29,80,35</u>
TOTAL :		<u><u>74,42,94</u></u>	<u><u>60,24,69</u></u>
II APPLICATION OF FUNDS			
1. FIXED ASSETS			
a) Gross Block	5	99,88,79	69,43,22
b) Less : Depreciation		40,29,39	37,38,40
c) Net Block		<u>59,59,40</u>	<u>32,04,81</u>
2. INVESTMENTS	6	11,70,21	11,14,06
3. CURRENT ASSETS, LOANS AND ADVANCES			
a) Inventories	7	15,82,57	17,36,34
b) Sundry Debtors	8	12,30,89	15,11,93
c) Cash and Bank Balances	9	64,09	1,06,67
d) Loans and Advances	10	6,74,97	10,43,40
		<u>35,52,52</u>	<u>43,98,35</u>
Less : CURRENT LIABILITIES AND PROVISIONS			
a) Liabilities	11	31,40,48	25,49,23
b) Provisions		1,15,27	1,43,30
		<u>32,55,75</u>	<u>26,92,53</u>
NET CURRENT ASSETS		<u>2,96,77</u>	<u>17,05,82</u>
MISCELLANEOUS EXPENDITURE	12	16,56	-
(To the extent not written off or adjusted)			
TOTAL :		<u><u>74,42,94</u></u>	<u><u>60,24,69</u></u>
Significant Accounting Policies	19		
Notes to Accounts	20		

As per our report attached

For Sheth Doctor & Associates
Chartered Accountants

Paresh S. Doctor
Partner
Membership No. 36056

Mumbai, 15th September, 2008

For and on behalf of the Board

Mahendra K. Khatau
Chairman & Managing Director

Leela K. Khatau
Director
Mumbai, 15th September, 2008

Vijay Mishra
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

(Rs. in '000)

	Schedules	For the year ended 31st March 2008	For the year ended 31st March 2007
INCOME			
Sales	13	67,13,33	69,00,33
Other Income	14	4,16,66	1,48,11
Increase/(Decrease) in Inventories	15	(65,76)	4,37,67
TOTAL :		70,64,23	74,86,11
EXPENDITURE			
Materials	16	49,29,48	50,44,31
Manufacturing, Administrative and Selling Expenses	17	20,66,38	20,39,89
Depreciation		3,10,40	2,89,88
TOTAL :		73,06,26	73,74,08
Profit/(loss) before Tax		(2,42,03)	1,12,03
Provision for MAT		-	1,2,57
		(2,42,03)	99,46
Fringe Benefit Tax		8,34	6,69
		(2,50,37)	92,77
Excess/(Short) Provision for Tax in respect of earlier years (net)		(3)	5,76
Income tax refund for the earlier years (net)		82	-
Profit/(Loss) after tax		(2,49,58)	98,53
Add : Balance brought forward		1,85,98	85,49
Add : Transfer from Debenture Redemption Reserve		1,60,00	-
Add : Transfer from Capital Reserve		1,86	1,96
Balance carried forward to Balance Sheet	TOTAL :	98,26	1,85,98
Significant Accounting Policies	19		
Notes to Accounts	20		
EARNINGS PER SHARE (See notes to accounts)			
Basic & diluted earning per share		(1.02)	0.64
Face value per share		10.00	10.00

As per our report attached

For Sheth Doctor & Associates
Chartered Accountants

Paresh S. Doctor
Partner
Membership No. 36056

Vijay Mishra
Company Secretary

Mumbai, 15th September, 2008

For and on behalf of the Board

Mahendra K. Khatau
Chairman & Managing Director

Leela K. Khatau
Director

Mumbai, 15th September, 2008

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008

(Rs. in '000)

Particulars	For the year 2007-2008	For the year 2006-2007
A. Cash inflow/(outflow) from operating activities		
Net Profit /(Loss) before extra ordinary items	(2,49,58)	98,53
Adjustment for:		
Depreciation	3,10,40	2,89,88
Amalgamation Expenses w/off	4,14	-
Dividend income	(3)	(9)
Loss / (Profit) on sale of assets	5,30	4,14
Loss / (Profit) on sale of investment	1,24	-
Interest (net)	4,23,25	3,48,40
Provision for wealth tax/FBT	7,57	19,26
Provision and write-off of debts and advances (net)	4,70	2,20
Operating profit before changes in working capital	7,56,57	6,63,79
Adjustment for:		
Inventories	1,53,77	(4,56,43)
Trade and other receivables	(1,53,30)	(78,18)
Current liabilities	(50,73)	1,86,59
Cash generated from operations	4,56,73	4,14,31
Less: Interest paid (net)	(3,76,56)	(5,46,41)
Direct tax paid	(14,98)	(1,32)
Cash inflow before extra ordinary items	65,19	(1,33,43)
Excess / (Short) provision for tax written back	-	(5,76)
Amalgamation Expenses	(20,71)	-
Net Cash inflow from operating activities	44,48	(1,39,19)
B. Cash inflow / (outflow) from Investment activities		
Investment in shares	11,65	(1)
Capital expenditure	(76,92)	(47,00)
Sale proceeds of fixed assets	4,44	1,66
Dividend received	3	9
Net cash flow from investing activities	(60,80)	(45,26)
C. Cash inflow / (outflow) from Financing activities		
Increase / (Decrease) in secured loans	34,06	46,98
Increase / (Decrease) in unsecured loans	(61,34)	1,64,85
Premium on Redemption of NCDS	-	(16,25)
Net cash flow from Financing activities	(27,28)	1,95,58
Net Changes in Cash & Cash equivalents	(43,60)	11,13
Cash and Cash equivalent (Opening balance)	1,07,69	95,54
Cash and Cash equivalent (Closing balance)	64,09	1,06,67

Opening Cash balance includes Rs. 1,01,644/- from Amalgamating Companies.

As per our report attached

For Sheth Doctor & Associates
Chartered Accountants

Paresh S. Doctor
Partner
Membership No. 36056

Mumbai, 15th September, 2008

Vijay Mishra
Company Secretary

For and on behalf of the Board

Mahendra K. Khatau
Chairman & Managing Director

Leela K. Khatau
Director
Mumbai, 15th September, 2008

SCHEDULES FORMING PART OF THE ACCOUNTS
SCHEDULE 1 : SHARE CAPITAL
AUTHORISED

2,53,00,000 (2,00,00,000) Equity Shares of Rs.10/- each

ISSUED AND SUBSCRIBED

1,52,97,188 (1,52,97,188) Equity Shares of Rs. 10/- each

Less : 6,730 (6,730) Equity shares of Rs.10/- each forfeited.

Add: Forfeited Shares Reissued.

SHARE CAPITAL SUSPENSE

92,00,000 Equity Shares of Rs. 10/- each

TOTAL :
NOTES :

1. Issued and Subscribed Capital includes:
 - a. 49,23,930 fully paid up shares each allotted pursuant to an agreement for consideration other than cash.
 - b. 1,00,000 fully paid up shares each allotted as bonus shares by capitalisation of reserves.
2. Share Capital Suspense represents 92,00,000 equity shares of Rs. 10/- each fully paid up to be issued to the shareholders of Sovereign Trading Enterprises Ltd. pursuant to the Scheme of Amalgamation.
3. Authorised Capital increased by 53,00,000 equity shares of Rs.10/- each pursuant to the Scheme of Amalgamation.

SCHEDULE 2 : RESERVES AND SURPLUS
CAPITAL RESERVE

On Re-issue of Forfeited Share

On Forfeiture of Shares

Capital Profits

Securities Premium Account

General Reserve

Debenture Redemption Reserve

Profit and Loss Account Balance

TOTAL :
NOTES :
1. CAPITAL RESERVE :

- 1.1 On re-issue of Forfeited Shares
Balance brought forward
- 1.2 On Forfeiture of Shares
Balance brought forward
- 1.3 Capital Profit
Balance brought forward
Less : Adjusted during the year for depreciation on revalued assets
- 1.4 Securities Premium Account
Balance brought forward
Less: Premium paid on Redemption of IDBI Debentures.
Less: Premium paid on Redemption of UTI Debentures.

2. GENERAL RESERVE

Balance brought forward

On Amalgamation

(Refer Note No 14 of Schedule 20)

3. DEBENTURE REDEMPTION RESERVE

Balance brought forward

Less : Adjusted during the year

**As at
31st March, 2008**
**(Rs. in '000)
As at
31 March, 2007**

25,30,00	20,00,00
25,30,00	20,00,00
15,29,72	15,29,72
67	67
15,29,05	15,29,05
67	67
15,29,72	15,29,72
9,20,00	-
24,49,72	15,29,72

31	31
47	47
1,42,22	1,44,09
10,23,77	10,23,77
6,47,90	-
-	1,60,00
98,26	1,85,98
19,12,93	15,14,62

31	31
31	31
47	47
47	47
1,44,09	1,46,05
1,86	1,96
1,42,22	1,44,09
10,23,77	10,40,02
-	6,25
-	10,00
10,23,77	10,23,77
-	-
6,47,90	-
6,47,90	-
1,60,00	1,60,00
1,60,00	-
-	1,60,00

SCHEDULE 3 : SECURED LOANS

Debtures
14% Non-Convertible Debtures
From Banks - Cash Credit
- Others
Interest accrued and due on above
Term Loan From Banks
Interest accrued and due on above
IOB Liqueur Loan
Instalments under Hire Purchase Agreements

TOTAL :

As at 31st March, 2008	(Rs. in '000) As at 31st March, 2007
-	1,18,75
3,95,38	7,31,01
11,55,69	7,79,12
45,86	1,31
1,70,58	76,00
1,85	1,55
3,34,16	3,41,39
24,51	-
<u>21,28,03</u>	<u>20,49,13</u>

NOTES :

1. Credit arrangements from bankers are against hypothecation of stock and trade debtors as primary security. Part of " Khatau House" is hypothecated, as collateral security for credit arrangements of Trading Division of Indokem Limited. Second charge is created on the plant facilities at Ankleshwar for credit arrangements of Manufacturing Division of Indokem Limited.
2. The Term loans from the Financial Institutions and Banks are secured by mortgage and charge on the Company's plant facilities at Ankleshwar.
3. Credit arrangements have been guaranteed by two Directors.
4. IOB Liquirent loan is secured against future rent receivables, charge on part of Khatau House property owned by Radio Components & Transistors Co.Ltd., guarantee of Director and corporate guarantee from Radio Components & Transistors Co. Ltd.
5. Secured loans due in next twelve months.

SCHEDULE 4 : UNSECURED LOANS

SCHEDULE 47: UNLOCKED EQUITY
Short term loans and advances:
From Financial Institutions
Interest accrued and due on above
Other loans and advances:
Loan from Companies
Interest accrued and due on above
Loan from Promoters
Interest accrued and due on above

TOTAL :

8,84	2,18,23
73,31	42,49
61,79	12,06
3,85,90	4,27,40
39	75
4,05,15	4,25,00
25,72	23,53
<u>9,52,26</u>	<u>9,31,22</u>

NOTES :

- 1.Unsecured Loans due in next twelve months :
(i) Loans

	73,31	82,49
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SCHEDULE 5 : FIXED ASSETS

(Rs. in '000)

ASSETS PARTICULARS	GROSS BLOCK					DEPRECIATION				NET BLOCK	
	AS AT 1-Apr-07	REVALUTION	ADDITIONS DURING THE YEAR	DEDUCTIONS/ ADJUSTMENTS	AS AT 31-Mar-08	AS AT 1-Apr-07	FOR THE YEAR	ADJUSTMENTS	AS AT 31-Mar-08	AS AT 31-Mar 08	AS AT 31-Mar 07
LAND - FREEHOLD	68,69	2,57,68	-	-	3,26,37	-	-	-	-	3,26,37	68,69
LAND - LEASEHOLD	1,98,40	28,64,42	73,31	73,31	30,62,82	29,59	14,31	-	43,90	30,18,92	1,68,81
BUILDINGS	24,52,45	(1,24,29)	43,61	-	23,71,77	9,25,72	75,20	-	10,00,92	13,70,85	15,26,72
PLANT & MACHINERY	38,20,03	-	20,49	-	38,40,52	24,84,61	2,01,51	-	26,86,12	11,54,40	13,35,42
ELECTRICAL INSTALLATION	16,24	-	-	-	16,24	12,05	73	-	12,78	3,46	4,19
FURNITURE & FIXTURES	1,61,24	-	4	-	1,61,28	1,35,76	7,14	-	1,42,90	18,38	25,48
OFFICE EQUIPMENTS	1,07,88	-	10,08	-	1,17,96	87,64	6,97	-	94,61	23,35	20,24
VEHICLES	75,31	-	36,12	29,16	82,27	63,03	4,55	19,42	48,16	34,11	12,29
CAPITAL WORK-IN-PROGRESS	42,97	-	-	33,41	9,56	-	-	-	-	9,56	42,97
TOTAL:	69,43,22	29,97,81	1,83,65	1,35,87	99,88,79	37,38,40	3,10,40	19,42	40,29,39	59,59,40	32,04,82
Previous Year	69,21,64	-	47,00	25,42	69,43,22	34,68,14	2,89,88	19,62	37,38,40	32,04,82	

SCHEDULE: 6 INVESTMENTS
LONG TERM INVESTMENTS
INVESTMENT IN SUBSIDIARIES
Equity shares - unquoted

Kapsales Electricals Limited

20,09,396 shares of Rs. 10/- each

Royaltarn Finance and Investments Pvt. Limited

* 50,000 equity shares of Rs.10/- each.

Tracklightning Finance and Investments Limited

* 44,84,500 equity shares of Rs.10/- each.

Radio Components & Transistors Co. Ltd

** 50,000 equity shares Face Value Rs.10/-

Debentures - unquoted

Royaltarn Finance and Investments Pvt. Limited

* 2,00,000 Optionally Convertible Debentures of Rs.100/- each.

Priyamvada Holdings Ltd

** 2,00,000 Optionally Convertible Debentures Face Value Rs.10/- each.

Indokem Exports Limited

** 19,800 Optionally Convertible Debentures Face Value Rs.10/- each.

Khatau Holdings & Trading Co. Pvt. Ltd.

** 50,000 Optionally Convertible Debentures Face Value Rs.10/- each.

Khatau Capacitors Pvt. Ltd.

** 3,06,846 Optionally Convertible Debentures

Face Value Rs.10/- each.

TRADE INVESTMENTS

Bharuch Eco-Aqua Infrastructure Limited

6,05,000 equity shares of 10/- each

(Prv. Yr. 5,50,000 - 55,000 shares acquired during the year)

NSC-7 years (Pr. yr. 20,000)

NON-TRADE INVESTMENTS
Equity shares - quoted

Development Credit Bank Limited

1,200 equity shares of Rs. 10/- each.

Equity shares - unquoted

The Kapol Co-operative Bank Limited

4,200 equity Shares of Rs. 10/- each.

Gujrat Small Industrial Corporation Limited

600 equity shares of Rs. 10/- each.

United Easter & Nitrochem Limited

30,000 equity shares of Rs. 10/- each.

The Shamrao Vithal Co-op. Bank Limited

1,000 equity shares of Rs. 25/- each.

Surya Krupa Finance Ltd.

3,000 Equity Shares of Rs. 10/- each.

The Mogaveera Co-operative Bank Ltd

10 Equity Shares of Rs. 100/-each.

Indokem Exports Limited

** 42,006 equity shares Face Value Rs.10/-

TOTAL :
Aggregate value of Investments :

Quoted : Book Value

: Market Value

Unquoted : Book Value

Notes:

* Investments cancelled pursuant to the Scheme of Amalgamation

** Investments acquired during the year pursuant to the Scheme of Amalgamation

*** Book Values reduced on account of recording of these investments at their fair values

The following investments were received during the year pursuant to the Scheme of Amalgamation and they were also disposed of during the year

Name of the Company
No of shares

Indokem Overseas Ltd.

6

Khatau Capacitors Pvt. Ltd.

5,020

Shubhlabh Chemicals Pvt. Ltd.

14,988

Indokem Limited

92,900

 (Rs. in '000)
As at
31 March, 2007

 As at
31st March, 2008

*** 1 4,01,19

- 5,00

- 4,48,45

7,69,73 -

- 2,00,00

1,00 -

19,80 -

1 -

3,06,84 -

60,50 55,00

20 20

18 18

42 42

6 6

*** 1 3,00

25 25

*** 1 30

1 1

11,19 -

11,70,21 11,14,06

18 18

1,02 84

11,70,03 11,13,88

	As at 31st March, 2008	(Rs. in '000) As at 31 March, 2007
SCHEDULE 7 : INVENTORIES (Refer Note No 8 - Schedule 19) (As taken, valued and certified by the Management)		
Raw Materials (including materials in transit Rs.38,74,475/- : Previous Year Rs. 1,21,44,482)	1,29,53	2,25,60
Work-in-Progress	7,17,97	7,10,47
Packing Materials	7,39	7,12
Stores and Spares	15,67	7,89
Traded goods	4,15,87	4,42,05
Finished goods (including goods in transit Rs. 31,73,411/- : Prev. Yr.Rs.47,54,356/-)	2,96,14	3,43,22
TOTAL :	15,82,57	17,36,34
SCHEDULE 8 : SUNDRY DEBTORS		
Debts due for over six months:		
Secured	1,46	3,56
Unsecured		
Considered Good	2,51,65	2,15,59
Considered Doubtful	44,50	1,06,70
Less: Provision for Doubtful Debts	44,50	1,06,70
	2,53,11	2,19,14
Other Debts considered good		
Secured	38,55	59,16
Unsecured	9,39,23	12,33,63
TOTAL :	12,30,89	15,11,93
SCHEDULE 9 : CASH AND BANK BALANCES		
Cash, Stamps and Cheques on hand	1,38	6,39
Balances with Scheduled Banks in		
Term Deposits	22,62	46,26
Margin Money Accounts	40,09	54,02
TOTAL :	64,09	1,06,67
SCHEDULE 10 : LOANS AND ADVANCES (Unsecured - Considered good unless stated otherwise)		
Advances Recoverable in Cash or in Kind for value to be received:	50,29	34,35
Accrued Export Incentives	2,80	4,04
Advances and Loans to Staff	1,33	3,54
Advances to Suppliers		
Considered Good	57,20	24,61
Considered Doubtful	6,09	2,82
Less - Provision for Doubtful Advance to suppliers	(6,09)	(2,82)
Advances to Subsidiaries	-	4,17,06
Balance with :		
Customs	22	-
Excise	28,61	22,03
Deposits :		
To Subsidiaries	3,00,00	-
Others	1,04,89	4,06,41
Income-Tax-net of Provision	1,29	7,38
Interest Receivable	1,17,74	1,16,98
(From subsidiary Rs. 1,12,62,495.96)		
Sales Tax paid	10,60	7,01
TOTAL :	6,74,97	10,43,40
Income-tax Paid	36,37	21,39
Less : Provision for Income-tax	35,08	14,01
Income-Tax-net of Provision	1,29	7,38

SCHEDULE 11 : CURRENT LIABILITIES AND PROVISIONS
CURRENT LIABILITIES

Acceptances

Sundry Creditors

Customer's Credit Balances

Deposits received from customers

Deposit against premises

Other Liabilities

PROVISIONS
TOTAL :
SCHEDULE 12 : MISCELLANEOUS EXPENDITURE

(TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED)

Amalgamation Expenses

TOTAL :
SCHEDULE 13 : SALES AND SERVICES
SALES

Sales

Less : Excise Duty paid

TOTAL :
SCHEDULE 14 : OTHER INCOME

Insurance and forwarding

Interest - Gross TDS Rs.1,12,094/- (Rs.98,975 /-)

Dividend

Rent Received TDS Rs.1,64,800/- (Rs.41,402 /-)

Miscellaneous income

Export incentives

Sundry debit/credit balances written (off)/back

Provision for doubtful debts written back

Recovery of Office Expenses

TOTAL :
SCHEDULE 15 : INCREASE/(DECREASE) IN INVENTORIES

Closing Stock

Traded Goods

Finished Goods

Work-in-progress

Less : Opening Stock

Traded Goods

Finished Goods

Work-in-progress

TOTAL :

(Rs. in '000)

As at

31 March, 2007

 As at
31st March, 2008

1,84,97

18,93,24

2,71,02

2,13,24

2,16,65

3,61,36

31,40,48

1,15,27

1,15,27

32,55,75

2,99,62

14,85,23

3,06,80

2,16,01

1,07,33

1,34,24

25,49,23

1,43,30

1,43,30

26,92,53

16,56

16,56

-

-

(Rs. in '000)

For the year ended

 For the year ended
31st March, 2008

31st March, 2007

68,41,37

1,28,04

67,13,33

70,59,23

1,58,90

69,00,33

3,83

12,52

3

1,26,90

45,50

3,15

1,60,49

63,63

60

4,16,66

4,38

10,90

9

73,39

38,18

5,64

13,45

-

2,06

1,48,11

4,16,97

2,95,04

7,17,97

14,29,98

4,42,05

3,43,22

7,10,47

14,95,74

4,42,05

3,43,22

7,10,47

14,95,74

3,46,70

1,99,10

5,12,27

10,58,06

(65,76)

4,37,67

SCHEDULE 16 : MATERIALS

Raw Materials consumed

Opening Stock

Purchases

Freight and processing charges

Less : Closing stock including Raw Material in transit

Raw Materials Consumed

Stores Consumed

Packing Materials Consumed

Materials Consumed

Purchases for resale

TOTAL :
SCHEDULE 17 : MANUFACTURING, ADMINISTRATIVE AND SELLING EXPENSES

Power, Fuel and Water Charges

Rent

Rates & Taxes

Repairs to Building

Repairs to Plant and Machinery

Repairs to Others

Salary, Wages and Allowances

Company's Contribution to Provident and Other Funds

Gratuity Paid

Employees Welfare Expenses

Directors' Sitting Fees

Insurance

Miscellaneous Expenses

Travelling/Conveyance

Sales Commission

Interest on :

Term Loans and NCD

Other Loans

Other Finance and Bank Charges

Auditor's Remuneration :

For Audit

For Tax Audit

For Other Services

Cash Discount

Freight Outward

Bad Debts Written off

Provision for Doubtful Debts/ Advances

Amalgamation Expenses

Loss on Sale of Assets

Loss on Sale of Investment

Prior Period Adjustments

TOTAL :
**For the year ended
31st March 2008**
**Rs'000
For the year ended
31st March 2007**

2,25,59

9,01,18

55,40

11,82,17

1,29,53

10,52,64

32,10

43,25

11,27,99

38,01,49

49,29,48

2,06,71

17,09,07

1,03,94

20,19,73

2,25,60

17,94,13

58,93

55,96

19,09,03

31,35,28

50,44,31

3,49,84

4,21

59,07

44,06

20,77

5,01

4,86,75

32,50

14,35

31,62

76

26,82

2,52,11

23,30

41,26

15,22

4,20,57

49,51

1,75

30

20

67,27

57,36

44,45

4,70

4,14

5,30

1,24

1,94

20,66,38

5,13,11

4,81

15,46

19,90

19,09

9,73

4,73,67

39,71

18,68

36,37

68

30,91

2,32,04

26,86

56,73

72,86

2,86,44

43,00

1,50

30

20

66,06

65,44

-

2,20

-

4,14

-

-

20,39,89

SCHEDULE -18
1. (a) DETAILS OF LICENSED AND INSTALLED CAPACITY, ACTUAL PRODUCTION, OPENING AND CLOSING STOCK AS ON 31. 03. 2008

(Rs. in '000)

PRODUCT	UNIT	CAPACITY (CRUDE)		PRODUCTION (Formulation)	OPENING STOCK		SALES		CLOSING STOCK	
		LICENSED	INSTALLED		QTY	VALUE	QTY	VALUE	QTY	VALUE
Synthetic Organic Dyestuff	M.T.	1,000	360	215,926	44,846	(3,43,22)	221,111	18,87,10	42,531	2,99,04
	M.T.	(1,000)	(360)	(329,627)	(23,802)	(1,99,10)	(305,237)	(27,68,15)	(44,846)	(3,43,22)

- NOTES:**
- 1) As certified by the Management, the installed capacity represents capacity for production of crude dyestuff, and sales includes crude dyestuff and formulations.
 - 2) Sales excludes captive consumption of 197 Kgs
 - 3) Production/Sales not adjusted for excess weighment differences by 2871 Kgs
 - 4) Figures in brackets relates to previous year.

1. (b) DETAILED INFORMATION REGARDING OPENING STOCKS, PRODUCTION, PURCHASES, TURNOVER AND CLOSING STOCKS OF TRADED GOODS AS ON 31/03/2008

(Rs. in '000)

PARTICULARS	OPENING STOCK		PRODUCTION	PURCHASE		SALES		CLOSING STOCK	
	Qty.	Value	Qty.	Qty.	Value	Qty.	Value	Qty.	Value
FINISHED GOODS									
A) PROCESSED/ MANUFACTURED DYES Kgs.			107,930 (109,434)						
CHEMICALS Kgs B) FOR TRADE			23,350			21,100	11,56	2,250	1,10
DYES Kgs.	68,477 (62,294)	4,00,03 (3,21,65)	-	* 294,444 (282,701)	23,12,22 (19,91,45)	422,829 (385,952)	26,75,34 (23,35,28)	48,022 (68,477)	3,76,59 (4,00,03)
CHEMICALS Kgs.	105,792 (60,203)	42,02 (25,05)	-	4,159,196 (3,231,637)	14,89,27 (11,43,83)	4,153,016 (3,186,048)	21,39,34 (17,96,89)	111,972 (105,792)	39,28 (42,02)
Total	174,269 (122,497)	4,42,05 (3,46,70)	131,280 (109,434)	4,453,640 (3,514,338)	38,01,49 (31,35,28)	4,596,945 (3,572,000)	48,26,24 (41,32,17)	162,244 (17,269)	4,16,97 (4,42,05)

NOTES: Figures in Brackets indicate figures of the previous year

* Excludes quantities purchased and reprocessed and shown under column "Production"

Chemical Sales quantity adjusted for difference of 841 Kgs, and Dyes adjusted for 2537 Kgs.

2. RAW MATERIAL CONSUMED

	31st March 2008		31st March 2007	
	M.T.	(Rs.'000)	M.T.	(Rs.'000)
Anthraquinone	79,939	99,65	203,126	2,23,60
Caustic Potash Flakes	176,700	61,61	414,624	1,41,62
Glycerine	55,656	24,35	107,880	35,72
Hydrated Lime	1,372,870	24,39	3,445,710	53,25
Sulphuric Acid 98 %	1,657,079	45,63	3,876,584	94,09
Aluminium Chloride	56,775	21,76	161,600	65,97
Nitrobenzene	81,375	37,50	138,412	61,27
Others		7,37,75		11,18,61
Total :		10,52,64		17,94,13

	% (Rs.'000)		% (Rs.'000)	
Imported	51.47	4,75,39	50.81	8,55,53
Indigenous	48.53	4,48,20	49.19	8,28,22
3. VALUES OF IMPORTS ON CIF BASIS		3,69,12		7,95,11
4. VALUES OF STORES CONSUMED		32,10		58,93
5. EXPENDITURE IN FOREIGN EXCHANGE				
Travelling Expense		50		1,37
Commission		12		-
Others		6,26		4,39
6. REMITTANCE IN FOREIGN CURRENCY				
On account of dividend to non-resident shareholders:		Nil		Nil
Number of shareholders		28		27
7. EARNINGS IN FOREIGN EXCHANGE				
F.O.B. Value of exports in aggregate		10,32,36		17,47,21
Value of Technical Fee earned		18,46		22,21

SCHEDULE 19 : PRINCIPAL ACCOUNTING POLICIES

1. ACCOUNTING CONVENTION

The financial statements are prepared in accordance with the accounting principles generally accepted in India and comply with the Accounting Standards specified by the Institute of Chartered Accountants of India under section 211(3C) of the Companies Act, 1956.

2. METHOD OF ACCOUNTING

The Company is following accrual basis of accounting.

3. FIXED ASSETS

Fixed assets are stated at cost of acquisition and are net of credit for Cenvat. All costs relating to the acquisition and installation, up to the date of such assets put to use, are capitalized as part of cost of the asset. In the opinion of the management impairment of fixed assets in pursuance to Accounting Standard 28 issued by the Institute of Chartered Accountants of India does not exist.

4. DEPRECIATION

- a) Depreciation on assets is provided in the manner and at the rates prescribed under Schedule XIV to The Companies Act, 1956 as under:

On the assets of Manufacturing facilities:	On Straight Line Method, and
On the assets of Trading activities:	On Written Down Value method
- b) Depreciation on certain items of plant and machinery, identified as 'continuous process plant' by the management, is provided at the appropriate rates.
- c) Leasehold land is amortised over the period of lease.
- d) Technical know-how fees are amortised over a period of six years in conformity with the provisions of Section 35AB of the Income-tax Act, 1961.

5. REVENUE RECOGNITION

Sales are recognized on despatch of goods to the customers. Sales are net of excise duty, trade discount, and sales tax.

6. INVESTMENTS

Long-term investments are stated at cost acquisition.

7. FOREIGN CURRENCY TRANSACTIONS

Transaction in foreign currency are recorded at the exchange rate prevailing on the date of transaction. Foreign currency assets and liabilities are stated at the exchange rates prevailing at the date of Balance sheet and at forward contract rates wherever so covered. Exchange differences relating to fixed assets are adjusted in the cost of the assets. Any other exchange differences are dealt with in the profit and loss account.

8. INVENTORIES

Raw material, packing material, stores, spares and consumables are valued at cost Work-in-progress and finished goods are valued at lower of cost or net realizable value. Cost is ascertained on weighted average basis and in case of work-in-progress, and finished goods include appropriate overheads. Finished goods are valued inclusive of excise duty. Traded goods are valued on FIFO basis inclusive of processing charges where applicable.

9. 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.

10. EARNINGS PER SHARE

The basic and diluted earnings per share is computed by dividing the net profit 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.

11. 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.

12. AMALGAMATION EXPENSES:

Amalgamation expenses incurred during the year are amortised over a period of five successive previous years commencing from 1st April, 2007. The balance amount of amalgamation expenses is shown under the head Miscellaneous Expenditure to the extent not written off or adjusted.

13. CONTINGENT LIABILITIES

Contingent Liabilities not provided for, are disclosed by way of notes. In the opinion of the management provisions for contingent liabilities 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.

SCHEDULE 20
NOTES FORMING PART OF THE ACCOUNTS AS ON 31st March, 2008
1. Contingent Liabilities:

- a) Disputed Income Tax demand on appeal - NIL (Rs. 14.00 lacs).
- b) Sales Tax demand amounting to Rs. 121.65 lacs (Rs. 113.18 lacs), under appeal.
- c) Claims against the Company not acknowledged as debts Rs 73.73 lacs (Rs.343.99 lacs).
- d) Guarantees given by the Company:
 - i) On account of guarantee given on behalf of Indokem Exports Limited, Rs. 280.00 lacs (Rs.230.00 lacs) in respect of facilities availed from a bank. Amount outstanding as at 31st March, 2008 was Rs. 229.75 lacs (Rs.224.12 lacs).
 - ii) On account of guarantee given to a bank on behalf of Indokem Overseas Limited for Credit facility of Rs. 225 lacs, total outstanding as at March 31, 2008 was Rs. 322.95 lacs (Rs.324.75 lacs). In this regard, the Company has availed counter guarantee from Indokem Overseas Limited.
 - iii) The Company has given guarantee to a Bank amounting to Rs.786 lacs on behalf of its subsidiary: Kapsales Electricals Ltd. for working capital facility. Total outstanding as at 31st March, 2008 was Rs. 504.69 lacs (Rs. 504.69 lacs).
 - iv) The Company has given counter guarantee for Rs.982 lacs against the guarantee availed from M/s. Khatau Leasing and Finance Co. Pvt. Ltd. and M/s. Khatau Holdings and Trading Co. Pvt. Ltd. towards working capital facilities from Bank.
 - v) To Sales Tax Authorities (New Delhi) towards registration of Shubhlabh Chemicals Pvt. Ltd. and Khatau Agrotech Ltd. amount totaling to Rs. 5.00 lacs (Rs. 5.00 lacs).
- e) For bills discounted with the bankers, outstanding guarantees issued by them amounting to Rs. 525.53 lacs (Rs. 562.86 lacs).
- f) Custom Duty, if any payable in the event of non-fulfillment of export obligations in respect of Advance License availed amounting to Rs. 20.60 lacs (Rs. 8.60 lacs).

2. Purchase / Sales during the year include purchase aggregating to Rs. 2,097.40 lacs (Rs. 1,765.42 lacs) and sales aggregating to Rs. 2,096.98 lacs (Rs. 1,765.07 lacs) respectively on account of goods re-purchased and resold on trading account. The loss on this account for the year is Rs.0.42 lacs (loss of Rs. 0.35 lacs).

3. In the opinion of the Board, the current assets, loans and advances are approximately of the value stated, if realised 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.

4. Kapsales Electricals Limited, a subsidiary of the Company has incurred accumulated loss in excess of its net worth as at 31/03/2001. Accordingly, the Company has been registered under section 15 (1) under Sick Industrial Companies (Special Provisions) Act, 1985. The Company has adjusted the investment amounting to Rs.401.18 lacs and advances recoverable amounting to Rs.101.17 lacs from this subsidiary against general reserve in accordance with the scheme of amalgamation.

5. Sundry balances written back (Net) represents liabilities which have been determined to be no longer required in the current financial year, which has been accepted as approved by the Management in the absence of any other evidence.

6. Other liabilities includes liabilities for expenses amounting to Rs. 174.44 lacs.

7. 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. The Company has not received any intimation from any creditor, identifying their status as Micro, Small and Medium Enterprises under the Act.

8 Deferred tax asset / (liability):

In view of the deferred tax assets in the form of carry forward losses and depreciation, etc., and in line with Accounting Standard (AS) 22, 'Accounting for taxes on Income', issued by the council of the Institute of Chartered Accountants of India, no provision has been made for deferred tax liability as disclosed below.

		(Rs. in lacs)	
The year-end position is as follows-		Asset	Liability
On account of depreciation		-	614.60
On account of brought forward unabsorbed losses & depreciation		640.00	-
On account of provisions		50.59	-
Total :		690.59	614.60

9. Earnings Per Share

Net Profit / (Loss) for the year
Weighted average number of equity
Shares for EPS computation
Earnings per Share

March 2008

(249.59)

2,44,97,188

(1.02)

(Rs. in lacs)

March 2007

98.53

15,297,188

0.64

10. Directors remuneration:

Remuneration paid to directors including Managing Directors
and Dy. Managing Director

March 2008

16.96

1.06

1.26

0.76

20.04

(Rs. in lacs)

March 2007

19.99

1.41

0.87

0.68

22.95

*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 / Dy. Managing 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.

11. Interest paid on Loans includes a sum of Rs.33.93 Lacs (Rs.26.50 lacs) paid to Director.

12. SEGMENT REPORTING

Segment information for the year ended 31st March, 2008

Information about primary business segments

(Rs. in lacs)

	Manufacturing		Trading		Total	
	2008	2007	2008	2007	2008	2007
Revenue						
Domestic	808.18	885.13	4,844.92	4,146.85	5,653.09	5,031.98
Exports	1,239.61	1,992.00	-	-	1,239.62	1,992.00
Total Revenue	2,047.79	2,877.13	4,844.92	4,146.85	6,892.71	7,023.98
Results						
Segment results	(74.92)	137.26	261.49	283.38	186.57	420.64
Interest expenses					(435.14)	(402.29)
Dividend income					0.03	0.09
Provision for tax					(8.35)	(19.26)
Amalgamation exp. Written Off					(4.14)	-
Other Income					-	82.70
Interest income					11.89	10.90
Profit/(Loss) on sale of assets/investments					(1.24)	-
Profit after taxation and before exceptional items					(250.37)	92.78
Excess/ (Short) provision for tax in respect of earlier years					0.79	5.76
Net profit					(249.58)	98.53
Other Information						
Segment assets	5,457.81	5,634.26	4,053.01	2,023.91	9,510.82	7,658.17
Unallocated corporate assets					1,188.08	1,059.06
Total Assets	5,457.81	5,634.26	4,053.01	2,023.91	10,698.90	8,717.23
Segment liabilities	1,916.00	2,173.12	1,339.76	1,350.43	3,255.75	3,523.55
Unallocated corporate liabilities					3,080.30	2,149.32
Total Liabilities	1,916.00	2,173.12	1,339.76	1,350.43	6,336.05	5,672.87
Capital expenditure	70.71	29.80	39.62	17.20	110.33	47.00
Depreciation	281.36	278.64	29.04	11.24	310.40	289.88

Notes:

Business Segments

The Company considered business segment as the primary segment for disclosure. The products/activity included in each business segment are as follows:

- Manufacturing activity includes revenue from sale of products manufactured by the Company.
- Trading activity includes the revenue from goods purchased for re-sale with or without reprocessing.
- Sharing of Operational and other overheads between the Segments has been accepted as certified by the Management.

Geographical Segments :- The geographical segments disclosed for disclosure are as follows :

- Sales within India includes sales to customers located within India.
- Sales outside India includes sales to customers located outside India.

Revenue comprises

Sales

Other Income

Total Revenue

March 2008
6,713.33
179.38
6,892.71

(Rs. in lacs)

March 2007
6,900.33
123.65
7,023.98

13. Related Party Disclosure: (Details restricted to transactions during the year only)
(A) Particulars of Subsidiary / Associate Companies

Name of the Related Party	Nature of Relationship
1 Kapsales Electricals Limited	Subsidiary Company
2 Radio Components and Transistors Company Limited	Subsidiary Company
3 Refnol Resins and Chemicals Ltd.	Associate Company
4 Khatau Leasing and Finance Co. Pvt. Ltd.	Associate Company
5 Perna Leasing and Finance Pvt. Ltd.	Associate Company
6 Vindhya Priya Holdings Pvt. Ltd.	Associate Company
7 Emerald Capital Services Pvt. Ltd.	Associate Company
8 Priyanilgiri Holdings Pvt. Ltd.	Associate Company
9 Khatau Holdings and Trading Co. Pvt. Ltd.	Associate Company
10 MKK Holdings Pvt. Ltd.	Associate Company
11 Prism Plantations Pvt. Ltd.	Associate Company
12 Indokem Exports Ltd.	Associate Company
13 Khatau Agrotech Ltd.	Associate Company

(B) Key Management Personnel and their relatives

	Nature of relationship
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
4 Ms. Shreya M. Khatau	Daughter of Mr. M. K. Khatau

(C) Transactions with Subsidiary / Associate Companies

	Subsidiary Companies	Associate Companies
1 Purchase of Finished and Unfinished Goods	-	1,314.16
2 Rendering of Services	-	0.60
3 Guarantees and Collaterals given	-	280.00
4 Guarantees and Collaterals taken	334.16	307.98
5 Guarantees Commission Paid	1.09	0.68
6 Interest Paid	-	15.47
7 O/s Balances included in current assets and liabilities	412.61	(538.30)

(D) Details of Transactions Relating to the Key Management Personnel and their Relatives

1 Managerial Remuneration	12.47
2 Remuneration	4.19
3 Interest	33.93
4 Loan Taken (Outstanding at the year end)	405.15
5 Director Sitting Fees	0.16

14. Scheme of Arrangement and Amalgamation

A. In terms of the Scheme of Arrangement and Amalgamation ("the Scheme") under sections 391 to 394 of the Companies Act, 1956 sanctioned by the Order dated 8th August, 2008 of the Hon'ble High Court of Judicature at Bombay, effective from 8th September, 2008.

1. Sovereign Trading Enterprises Limited ("STEL"), Tracklightning Finance And Investments Limited ("TFIL") and Royaltern Finance And Investments Private Limited ("RFIPL") herein after referred to as "Transferor Companies", which are all engaged in Investment business, have been amalgamated under the 'Purchase Method' with the Company from the Appointed Date 1st April, 2007.
2. In accordance with the said Scheme and as per the approval granted by the Hon'ble High Court of Bombay –
 - i. The assets, properties, liabilities, rights and obligations of the Transferor Companies have vested in the Company with effect from the Appointed Date;
 - ii. All the assets and liabilities of the Company and Transferor Companies have been recorded at fair values as provided in the Scheme.
 - iii. Inter corporate investments / deposits / loans and advances outstanding between the Company and the Transferor Companies inter se have been cancelled.
 - iv. TFIL and RFIPL were wholly-owned subsidiaries of the Company and pursuant to amalgamation of TFIL and RFIPL no shares would be issued as, consideration for amalgamation of STEL into the Company 92,00,000 Equity Shares of Rs. 10/- each fully paid of the Company will be issued to the shareholders of STEL as on record date to be fixed in the ratio of 184 (One Hundred Eighty Four) Equity Shares for every 1 (One) Equity Share held in the STEL, as prescribed in Scheme.
 - v. The difference between the amount of share capital issued by the Company and the net assets transferred by the Transferor Companies after recording the assets and liabilities of the Transferee Company at their fair values has been debited to General Reserve of the Company.
 - vi. The Company has credited its General Reserve Rs. 2,997.80 lacs on account of revaluation of the Fixed Assets, and debited the General Reserve Rs. 404.46 lacs for diminution in the value of Investments, Rs. 733.39 lacs for debit balances not reconciled in Sundry Debtors and Sundry Creditors, Rs. 101.16 lacs for Loans & Advances considered doubtful of recovery, Rs. 348.32 lacs for increase in Other Liabilities.

- vii. The Authorised Share Capital of the Company has increased by 53,00,000 Equity Shares of Rs. 10/- each from 2,00,00,000 Equity Shares of Rs. 10/- each to 2,53,00,000 Equity Shares of Rs. 10/- each on account of combination of the Authorised Share Capital of the Transferor Companies with that of the Company without any further act or deed on part of the Company.

B. The aforesaid accounting treatment is pursuant to the Scheme as sanctioned by the Hon'ble High Court of Judicature at Bombay.

15. Disclosure pursuant to Accounting Standard – 15 “Employee Benefits”
Defined Benefit Plan Disclosures

				(Rs. in Lacs)
SR. NO.	PARTICULARS	GRATUITY	LEAVE BENEFITS	TOTAL
I	Components to employer expense			
a)	Current Service Cost	6.42	3.37	9.79
b)	Interest Cost	4.87	1.85	6.72
c)	Actuarial (Gain) / Loss	3.05	(1.25)	1.80
d)	Total expense / (Gain) recognized in the Profit / Loss A/c	14.35	3.97	18.32
II	Net Asset / (Liability) Recognized in Balance Sheet as at 31-03-2008			
a)	Present value of obligation As at 31-03-2008	89.09	19.20	108.29
b)	Fair Value of Plan Assets As at 31-03-2008	Nil	Nil	Nil
c)	(Asset) / Liability recognized in Balance Sheet	89.09	19.20	108.29
III	Change in Defined benefit Obligation (DBO) during Year ended as on 31st March, 2008			
a)	Present value of obligation As at 31-03-2007	100.82	21.80	122.62
b)	Current Service Cost	6.42	3.37	9.79
c)	Interest Cost	4.87	1.85	6.72
d)	Actuarial (Gain) / Loss	3.05	(1.25)	1.80
e)	Benefit paid	(26.08)	(6.57)	(32.65)
f)	Present value of obligation as at 31st March, 2008	89.09	19.20	108.29
IV	Changes in the Fair Value Of Plan Assets			
a)	Present Value of Plan Assets As at 31st March, 2007	Nil	Nil	Nil
b)	Actual Company Contribution	Nil	Nil	Nil
c)	Fair Value of Plan Assets As at 31st March, 2008	Nil	Nil	Nil
V	Actuarial Assumptions			
a)	Discount Rate (per annum)	8.10%	8.10%	
b)	Expected Rate of Return on assets (per annum)	-	-	
c)	Salary Escalation rate	6.5%	6.5%	

16. Due to Amalgamation, previous year's figures may not be strictly comparable to that of the current year.

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

Signature to Schedule "1" to "20"

As per our report attached

For Sheth Doctor & Associates
Chartered Accountants

Paresh S. Doctor
Partner
Membership No. 36056

Vijay Mishra
Company Secretary

For and on behalf of the Board

Mahendra K. Khatau
Chairman & Managing Director

Leela K. Khatau
Director

Mumbai, 15th September, 2008

Mumbai, 15th September, 2008

ADDITIONAL INFORMATION AS REQUIRED UNDER PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956,

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE:
I. REGISTRATION DETAILS

Registration No.	:	13088	State Code	11
Balance Sheet Date	:	31.03.2008		

II. CAPITAL RAISED DURING THE YEAR (Amount Rs. in 000's)

Public Issue	Bonus Issue	Rights Issue	Private Placement
NIL	NIL	NIL	NIL

III. POSITION OF MOBILISATIONS AND DEPLOYMENT OF FUNDS (Amount Rs. in 000's)

Total Liabilities	74,42,94	Total Assets	74,42,94
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SOURCES OF FUNDS

Paid-up Capital	24,49,72	Reserves & Surplus	19,12,93
Secured Loans	21,28,03	Unsecured Loans	9,52,26

APPLICATION OF FUNDS

Net Fixed Assets	59,59,40	Investments	11,70,22
Net Current Assets	2,96,77	Accumulated Losses	-
		Miscellaneous Assets	16,56

IV. PERFORMANCE OF COMPANY

Turnover	71,29,99	Total Expenditure	73,72,02
Loss before tax	(2,42,03)	Loss after tax	(2,49,58)
Earning per share (Rs.)	(1.02)	Dividend Rate (%)	NIL

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY

Item Code No:	32	Product Description.	Synthetic Organic Dyestuffs
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Vijay Mishra

Company Secretary

Leela K. Khatau

Director

Mahendra K. Khatau

Chairman & Managing Director

Mumbai. 15th September, 2008

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

(Rs in Lacs)

1.	Name of the Company :	Kapsales Electricals Limited	Radio Components And Transistors Company Limited
2.	<i>Financial year of the subsidiary Company ended on :</i>	31st March, 2008	31st March, 2008
3.	<i>Date from which it became subsidiary :</i>	5th April, 1986	1st April, 2007
4.	<i>Extent of the holding : Company's interest in the subsidiary company at the end of the Financial Year of the each Subsidiary company.</i>	20,09,376 Equity Shares of Rs.10/- each out of 20,10,000 Equity Shares of Rs.10/-each	The entire 50,000 Equity Shares of Rs.10/- each.
5.	<i>Net aggregate Profit/(Loss) of Subsidiary Company for its Financial Year so far as they concern the holding Company :</i>		
	a) Dealt with in the account of the holding Company:	None	None
	b) Not dealt with in the accounts of the holding Company:	(9.48)	(21.98)
6.	<i>Net aggregate Profit/(Loss) of Subsidiary Company for its previous Financial Years so far as they concern the holding Company, since it became subsidiary:</i>		
	a) Dealt with in the accounts of the holding Company:	None	None
	b) Not dealt with in the accounts of the holding Company:	(1,129.13)	(309.53)
7.	<i>Changes in the interest of the holding Company between the end of Financial Year of the subsidiary and the end of the holding company's financial year.</i>	Nil	5
8.	<i>Material changes between the end of the Financial Year of the subsidiary and the end of the holding Company's Financial Year in respect of the subsidiary's</i>		
	(i) Fixed Assets :	Nil	10.56
	(ii) Investments :	Nil	Nil
	(iii) Moneys lent by the subsidiary :	Nil	Nil
	(iv) Moneys borrowed by the subsidiary :	Nil	412.61

Vijay Mishra

Company Secretary

Leela K. Khatau

Director

Mahendra K. Khatau

Chairman & Managing Director

Mumbai, 15th September, 2008

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

1. We have examined the attached Consolidated Balance Sheet of Indokem Limited and its subsidiaries (Indokem Group) as at March 31, 2008, the Consolidated Profit and Loss Account, and the Consolidated Cash Flow Statement for the year then ended.
2. These financial statements are the responsibility of Indokem Limited's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit also includes, examining on test basis, evidence supporting the amounts and disclosure 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 statements. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs.(-)(188.20) lacs as at March 31, 2008 and total revenues of Rs.18.49 lacs for the year ended. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of the subsidiaries, is based solely on the reports of the other auditors.
4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, 'Consolidated Financial Statements', issued by the council of the Institute of Chartered Accountants of India, and on the basis of the separate audited financial statements of the Indokem Group included in the consolidated financial statements.
5. On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of the Indokem Group, we invite attention to following note of schedule 18 to the notes to accounts:

Note no. 4 regarding Accounts of the subsidiary companies, being prepared on a going concern basis, in spite of erosion of their entire net worth and non-provision of interest on bank loans after 1st April 2001, and balances of Sundry Debtors/Creditors and deposits are subject to confirmation in case of one of the subsidiary company, Kapsales Electricals Limited.

Subject to above, we are of the opinion that the said consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) In the case of the Consolidated Balance Sheet, of the State of affairs of the Indokem Group, as at March 31, 2008,
- b) In the case of the Consolidated Profit and Loss Account of the consolidated results of operations of the Indokem Group for the year then ended, and
- c) In the case of the Consolidated Cash Flow Statement, of the consolidated cash flow of the Indokem Group for the year then ended.

For Sheth Doctor And Associates
Chartered Accountants

Paresh S. Doctor
Partner

Mumbai
Dated : 15th September, 2008

Membership No. 36056

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2008

(Rs. in '000)

	Schedules	As at 31st March 2008	As at 31st March 2007
I SOURCES OF FUNDS			
1. SHAREHOLDERS' FUNDS			
a) Share Capital	1	24,49,72	15,20,43
b) Reserves and Surplus	2	15,64,39	12,96,00
		<u>40,14,11</u>	<u>28,16,43</u>
2. LOAN FUNDS			
a) Secured Loans	3	26,32,72	25,53,83
b) Unsecured Loans	4	9,64,84	9,32,95
		<u>35,97,56</u>	<u>34,86,78</u>
TOTAL :		<u><u>76,11,67</u></u>	<u><u>63,03,21</u></u>
II APPLICATION OF FUNDS			
1. FIXED ASSETS			
a) Gross Block	5	1,04,51,86	73,94,57
b) Less : Depreciation		42,70,21	39,62,48
c) Net Block		<u>61,81,65</u>	<u>34,32,09</u>
2. INVESTMENTS	6	4,00,50	6,60,36
3. CURRENT ASSETS, LOANS AND ADVANCES			
a) Inventories	7	15,87,51	17,41,28
b) Sundry Debtors	8	13,09,61	15,89,06
c) Cash and Bank Balances	9	73,62	1,17,41
d) Loans and Advances	10	4,21,37	9,91,47
		<u>33,92,11</u>	<u>44,39,22</u>
Less : CURRENT LIABILITIES AND PROVISIONS			
a) Liabilities	11	35,90,11	30,19,46
b) Provisions		1,16,66	1,43,30
		<u>37,06,78</u>	<u>31,62,77</u>
NET CURRENT ASSETS		<u>(3,14,67)</u>	<u>12,76,46</u>
4. MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)	12	16,56	-
5. PROFIT AND LOSS ACCOUNT		<u>13,27,62</u>	<u>9,34,30</u>
TOTAL :		<u><u>76,11,67</u></u>	<u><u>63,03,21</u></u>
Notes to Accounts	18		

As per our report attached

For Sheth Doctor & Associates
Chartered Accountants

Paresh S. Doctor
Partner
Membership No. 36056

Mumbai, 15th September, 2008

Vijay Mishra
Company Secretary

For and on behalf of the Board

Mahendra K. Khatau
Chairman & Managing Director

Leela K. Khatau
Director
Mumbai, 15th September, 2008

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

(Rs. in '000)

	Schedules	For the year ended 31st March 2008	For the year ended 31st March 2007
INCOME			
Sales	13	67,24,85	69,11,85
Other Income	14	4,23,63	1,48,69
Increase/(Decrease) in Inventories	15	(65,76)	4,36,72
TOTAL :		70,82,72	74,97,26
EXPENDITURE			
Materials	16	49,29,88	50,49,17
Manufacturing, Administrative and Selling Expenses	17	20,99,13	20,48,28
Depreciation		3,26,51	3,05,43
TOTAL :		73,55,52	74,02,88
Profit/(Loss) before tax		(2,72,80)	94,38
Provision for MAT		69	(12,57)
		(2,73,49)	81,81
Fringe Benefit Tax		8,34	6,69
		(2,81,83)	75,12
Excess/(Short) Provision for Tax in respect of earlier years (net)		(3)	5,76
Income Tax Refund for earlier years (net)		82	-
Profit/(Loss) after tax		(2,81,04)	80,88
Add : Balance brought forward		(12,21,22)	(10,17,14)
Add : Transfer from Capital Reserve		1,86	1,96
Add : Transfer from Debenture Redemption Reserve		1,60,00	-
Add : Transfer from General Reserve		12,77	-
Balance carried forward to Balance Sheet	TOTAL :	(13,27,62)	(9,34,30)
Notes to Accounts	18		
EARNINGS PER SHARE (See notes to accounts)			
Basic & diluted earning per share		(1.15)	0.53
Face value per share		10.00	10.00

As per our report attached

For Sheth Doctor & Associates
Chartered Accountants

Paresh S. Doctor
Partner
Membership No. 36056

Mumbai, 15th September, 2008

Vijay Mishra
Company Secretary

For and on behalf of the Board

Mahendra K. Khatau
Chairman & Managing Director

Leela K. Khatau
Director
Mumbai, 15th September, 2008

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008

(Rs. in '000)

	For the year 2007-2008	For the year 2006-2007
A. Particulars		
Cash inflow/(outflow) from operating activities		
Net Profit / (Loss) before tax and extra ordinary items	(2,81,04)	80,89
Adjustment for:		
Depreciation	3,26,51	3,05,43
Amalgamation Expenses Written-off	4,14	-
Dividend income	(3)	(9)
Loss/(Profit) on sale of assets	5,30	4,14
Loss/(Profit) on sale of investments	28,00	-
Interest (net)	4,23,25	3,48,40
Provision for MAT/FTB	8,26	19,25
Provision for Doubtful Debts	4,70	2,20
Provision for the fall in the value of investmet w/back	(2,71)	-
Operating profit before changes in working capital	5,16,38	7,60,22
Adjustment for:		
Inventories	1,53,77	(4,51,43)
Trade and other receivables, Other Current Assets	(1,53,86)	(66,22)
Current liabilities	(46,98)	(2,12,56)
Cash generated from operations	4,69,31	30,01
Less: Interest paid (net)	(3,76,56)	(5,46,41)
Direct tax paid	(14,98)	(7,08)
Cash inflow before extra ordinary items	77,77	(5,23,48)
Excess/(Short) provision for tax written back	-	(5,76)
Amalgamation Expenses	(20,71)	-
Net Cash Inflow from operating activities	57,06	(5,29,24)
B. Cash inflow / (outflow) from Investment activities		
Investment in shares	30,49	(2)
Capital expenditure	(76,92)	(47,00)
Sale proceeds of fixed assets/investments	4,44	1,66
Dividend received	3	9
Net cash flow from investing activities	(41,96)	(45,27)
C. Cash inflow / (outflow) from Financing activities		
Increase /(Decrease) in secured loans	34,06	46,97
Increase /(Decrease) in unsecured loans	(93,54)	5,55,83
Premium on Redemption of NCDS	-	(16,25)
Net cash flow from Financing activities	(59,48)	5,86,55
Net changes in cash & cash equivalents	(44,38)	12,04
Cash and cash equivalent (Opening balance)	1,18,00	1,05,37
Cash and cash equivalent (Closing balance)	73,62	1,17,41

As per our report attached

For Sheth Doctor & Associates
Chartered Accountants

Paresh S. Doctor
Partner
Membership No. 36056

Vijay Mishra
Company Secretary

Mumbai, 15th September, 2008

For and on behalf of the Board

Mahendra K. Khatau
Chairman & Managing Director

Leela K. Khatau
Director
Mumbai, 15th September, 2008

SCHEDULES FORMING PART OF THE ACCOUNTS
SCHEDULE 1 : SHARE CAPITAL :
AUTHORISED

2,53,00,000 (2,00,00,000) Equity Shares of Rs.10/- each

ISSUED AND SUBSCRIBED

1,52,97,188 (1,52,97,188) Equity Shares of Rs. 10/- each.

Less : 6,730 (6,730) Equity shares of Rs.10/- each forfeited.

Add: Forfeited Shares Reissued.

SHARE CAPITAL SUSPENSE

92,00,000 Equity Shares of Rs. 10/- each

TOTAL :
NOTES :

1. Issued and Subscribed Capital includes;
 1. 49,23,930 fully paid up shares each allotted pursuant to an agreement for consideration other than cash.
 2. 1,00,000 fully paid up shares each allotted as bonus shares by capitalisation of reserves.
 3. 624 shares of Kapsales Electricals Limited are held by the Minority shareholders.
2. Share Capital Suspense represents 92,00,000 equity shares of Rs.10/- each fully paid up to be issued to the share holders Sovereign Trading Enterprises Ltd pursuant to the Scheme of Amalgamation.
3. Authorised Capital increased by 53,00,000 equity shares of Rs.10/- each pursuant to the Scheme of Amalgamation

SCHEDULE 2 : RESERVES AND SURPLUS
Capital Reserve

On re-issue of Forfeited Share

On Forfeiture of Shares

Capital Profits

Share Premium Account

General Reserve

Debenture Redemption Reserve

Reserve fund

TOTAL :
NOTES :
1. CAPITAL RESERVE :

- 1.1 On re-issue of Forfeited Shares
Balance brought forward
- 1.2 On Forfeiture of Shares
Balance brought forward
- 1.3 CAPITAL PROFIT
Balance brought forward
Less : Adjusted during the year for depreciaton on revalued assets
- 1.4 SHARE PREMIUM ACCOUNT
Balance brought forward
Less : Premium paid on Redemption of IDBI Debentures
Less : Premium paid on Redemption of LIC Debentures

2 GENERAL RESERVE

Balance brought forward

On Amalgamation (Refer note no 14 Schedule 20)

Less : Debit Balance in Profit and Loss Account

3 DEBENTURE REDEMPTION RESERVE

Balance brought forward

Less: Adjusted against General Reserve

**As at
31st March, 2008**
**(Rs. '000)
As at
31st March, 2007**

28,36,00	27,56,00
28,36,00	27,56,00
15,29,72	15,20,43
67	67
15,29,05	15,19,76
67	67
15,29,72	15,20,43
9,20,00	-
24,49,72	15,20,43

31	31
47	47
1,53,64	1,44,08
10,23,77	9,91,05
3,86,20	-
-	1,60,00
-	9
15,64,39	12,96,00

31	31
31	31
47	47
47	47
1,55,51	1,46,05
1,86	1,96
1,53,64	1,44,09
10,23,77	10,07,30
-	6,25
-	10,00
10,23,77	9,91,05
12,77	-
3,86,20	-
12,77	-
3,86,20	-
1,60,00	1,60,00
1,60,00	-
-	1,60,00

SCHEDULE 3 : SECURED LOANS

Debentures	
14% Non-Convertible Debentures	
From Banks - Cash Credit	
- Others	
Interest accrued and due on above	
Term Loans from Banks	
Interest accrued and due on above	
IOB Liquirent Loan	
Instalments under Hire Purchase Agreements	

TOTAL :

As at 31st March, 2008	(Rs. '000) As at 31st March, 2007
-	1,18,75
8,69,74	12,05,37
11,79,68	8,09,45
45,86	1,31
1,76,92	76,00
1,85	1,55
3,34,16	3,41,39
24,51	-
26,32,72	25,53,83

NOTES :

- Credit arrangements from bankers are against hypothecation of stock and trade debtors as primary security. The Trading Division's arrangements are hypothecated by way of a part of "Khatau House", as collateral security. For Manufacturing Division's arrangements the second charge on the plant facilities at Ankleshwar is proposed to be created.
- The Term loans from the Financial Institutions and Banks are secured by mortgage and charge on the Company's plant facilities at Ankleshwar.
- Credit arrangements have been guaranteed by two Directors.
- Secured loans due in next twelve months.

8,84 **7,22,92**
SCHEDULE 4 : UNSECURED LOANS

From Companies	
Interest Accrued and due on above	
From Financial Institutions	
Interest accrued and due on above	
Loan from Promoters	
Interest accrued and due on above	

TOTAL :

3,98,48	4,29,13
39	75
73,31	42,49
61,79	12,06
4,05,15	4,25,00
25,72	23,53
9,64,84	9,32,95

NOTES :

- Unsecured Loans due in next twelve months :
- Loan from Promoters represents Loan from a Director

73,31 **82,49**
SCHEDULE 5 : FIXED ASSETS

(Rs. in '000)

ASSETS PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK		
	AS AT 1-Apr-07	REVALUTION	ADDITIONS DURING THE YEAR	DEDUCTIONS/ ADJUSTMENTS	AS AT 31-Mar-08	AS AT 1-Apr-07	FOR THE YEAR	ADJUSTMENTS	AS AT 31-Mar-08	AS AT 31-Mar 08	AS AT 31-Mar 07
LAND - FREEHOLD	68,69	2,57,68	-	-	3,26,37	-	-	-	-	3,26,37	68,69
LAND - LEASEHOLD	2,83,01	28,64,42	73,31	73,31	31,47,43	42,08	15,33	-	57,41	30,90,02	2,40,93
BUILDINGS	25,99,06	(1,24,29)	43,61	-	25,18,38	9,80,30	80,27	-	10,60,57	14,57,81	16,07,64
PLANT & MACHINERY	40,31,70	-	20,49	-	40,52,19	26,25,85	2,11,05	-	28,36,90	12,15,29	14,05,84
ELECTRICAL INSTALLATION	17,82	-	-	-	17,82	12,97	81	-	13,78	4,04	4,86
FURNITURE & FIXTURES	1,63,85	-	4	-	1,63,89	1,37,53	7,31	-	1,44,84	19,05	26,33
OFFICE EQUIPMENTS	1,23,86	-	10,08	-	1,33,94	1,01,34	7,19	-	1,08,54	25,40	22,52
VEHICLES	75,31	-	36,12	29,16	82,27	63,03	4,55	19,42	48,16	34,11	12,29
CAPITAL WORK-IN-PROGRESS	42,97	-	-	33,42	9,56	-	-	-	-	9,56	42,97
TOTAL :	74,06,28	29,97,81	1,83,65	1,35,88	1,04,51,84	39,63,10	3,26,52	19,42	42,70,20	61,81,65	34,32,09
Previous Year	73,72,97	-	47,00	25,42	73,94,57	36,76,69	3,05,43	19,62	39,62,48	34,32,09	

SCHEDULE: 6 INVESTMENTS (At cost , Long Term)
LONG TERM INVESTMENTS
Debentures - unquoted

Priyamvada Holdings Ltd

** 2,00,000 Optionally Convertible Debentures. Face Value Rs.10/- each.

Indokem Exports Limited

** 19,800 Optionally Convertible Debentures. Face Value Rs.10/- each.

Khatau Holdings & Trading Co. Pvt. Ltd.

** 50,000 Optionally Convertible Debentures. Face Value Rs.10/- each.

Khatau Capacitors Pvt. Ltd.

** 3,06,846 Optionally Convertible Debentures. Face Value Rs.10/- each.

TRADE INVESTMENTS

Bharuch Eco-Aqua Infrastructure Limited

6,05,000 equity shares of 10/- each

(Prv. Yr. 550000 - 55000 shares acquired during the year)

NSC-7 years (Pr. yr. 20,000)

NON TRADE INVESTMENTS

Government Securities

Equity shares - quoted

Development Credit Bank Limited

1,200 equity shares of Rs. 10/ each.

Equity shares - unquoted

The Kapol Co-operative Bank Limited

4,200 equity Shares of Rs. 10/- each.

Gujrat Small Industrial Corporation Limited

600 equity shares of Rs. 10/- each.

United Easter & Nitrochem Limited

30,000 equity shares of Rs. 10/ each.

The Shamrao Vithal Co-op. Bank Limited

1,000 equity shares of Rs. 25/- each.

Surya Krupa Finance Ltd.

3,000 Equity Shares of Rs. 10/- each.

The Mogaveera Co-operative Bank Ltd

10 Equity Shares of Rs. 100/-each.

Indokem Exports Limited

** 42,006 equity shares Face Value Rs.10/-

* 7970 shares in Shubhlabh Chemicals Pvt. Ltd.

* 7000 shares in Shubhlabh Chemicals Pvt. Ltd.

* 2490 shares in Khatau Capacitors Pvt. Ltd.

* 2490 shares in Khatau Capacitors Pvt. Ltd.

Radio Components & Transistors Company Ltd.

Equity shares - unquoted

Bharat Chemicals & Fertilisers Ltd.

** 50 Equity Shares of Face Value Rs. 10/-each.

Mafatjal Engineering Ltd.

** 25 Equity Shares of Face Value Rs. 100/-each.

Others

Khatau Makanji Spinning & Weaving Co. Ltd.

** 4 Equity Shares of Face Value Rs. 100/-each.

Less : Provision for diminution in value of unquoted shares

TOTAL :

	As at 31st March, 2008	(Rs. in '000) As at 31 March, 2007
	1,00	2,00,00
	19,80	19,80
	1	50,00
	3,06,84	3,06,85
	60,50	55,00
	20	20
	1	1
	18	18
	43	43
	6	6
***	1	3,00
	25	25
***	1	30
	1	1
	11,19	11,19
	-	6,95
	-	6,11
	-	1
	-	1
	1	-
	2	-
	-	-
	(3)	-
	4,00,50	6,60,36

Notes:

* Investments cancelled pursuant to the Scheme of Amalgamation

** Investments acquired during the year pursuant to the Scheme of Amalgamation

*** Book Values reduced on account of recording of these investments at their fair values

The following investments were received during the year pursuant to the Scheme of Amalgamation and they were also disposed of during the year

Name of the Company	No of shares
Indokem Overseas Ltd.	6
Khatau Capacitors Pvt. Ltd	5,020
Shubhlabh Chemicals Pvt. Ltd	14,988
Indokem Limited	92,900

SCHEDULE 7 : INVENTORIES

(As taken, valued and certified by the Management)

 Raw Materials (including materials in transit
 Rs.38,74,475/- : Previous Year Rs. 1,21,44,482)
 Work-in-Progress
 Packing Materials
 Stores and Spares
 Traded goods
 Finished goods (including goods in transit
 Rs. 3,173,411/ : Previous Year Rs. 4,754,356/-)

TOTAL :

 As at
 31st March, 2008

 (Rs. in '000)
 As at
 31 March, 2007

1,33,53	2,29,60
7,18,47	7,10,97
7,39	7,12
15,67	7,89
4,15,87	4,42,05
2,96,58	3,43,66
15,87,51	17,41,28

SCHEDULE 8 : SUNDRY DEBTORS

Debts due for over six months:

 Secured
 Unsecured
 Considered Good
 Considered Doubtful
 Less: Provision for Doubtful Debts

Other Debts considered good

 Secured
 Unsecured

TOTAL :

1,46	3,56
3,27,14	2,89,48
86,05	1,48,25
86,05	1,48,25
3,28,60	2,93,04
38,55	59,16
9,42,46	12,36,86
13,09,61	15,89,06

SCHEDULE 9 : CASH AND BANK BALANCES

 Cash, stamps and cheques on hand
 Balances with Scheduled Banks :
 Current Accounts
 Term Deposits
 Margin Money Accounts

TOTAL :

1,45	6,61
4,01	51,33
22,62	-
45,54	59,47
73,62	1,17,41

SCHEDULE 10 : LOANS AND ADVANCES

(Unsecured - Considered good unless stated otherwise)

 Advances recoverable in cash or in kind for value to be received
 Accrued Export Incentives
 Advances and Loans to staff
 Advances to suppliers
 Considered good
 Considered doubtful
 Less: Provision for Doubtful Advance to suppliers
 Balance with :
 Customs
 Excise
 Deposits :
 To Subsidiaries
 Others
 Income-tax-net of Provision
 Interest Receivable
 Sales tax paid

TOTAL :

1,84,27	66,85
2,80	4,04
1,33	3,54
66,83	34,23
6,09	2,82
6,09	2,82
22	-
28,61	22,03
3,00,00	-
(1,82,83)	4,18,57
4,41	8,01
5,13	4,27,18
10,60	7,01
4,21,37	9,91,47

NOTES :

- Income-tax Paid
Less : Provision for Income-tax
- Advances recoverable in cash or in kind or for value to be received
includes Loans to private company in which directors are interested

39,49	22,02
35,08	14,01
4,41	8,01

SCHEDULE 11 : CURRENT LIABILITIES AND PROVISIONS
CURRENT LIABILITIES

	As at 31st March, 2008	(Rs. in '000) As at 31 March, 2007
Acceptances	1,84,97	2,99,62
Sundry Creditors	21,09,19	17,26,43
Customer's Credit Balances	2,89,50	3,19,14
Deposits received from customers	2,15,46	2,18,23
Deposit against premises	2,16,65	1,07,33
Other Liabilities	5,74,35	3,48,71

PROVISIONS

	35,90,12	30,19,46
	1,16,66	1,43,30
	1,16,66	1,43,30

TOTAL : 37,06,78 31,62,76

SCHEDULE 12 : MISCELLANEOUS EXPENDITURE

(to the extent not written off or adjusted)

Amalgamation Expenses	16,56	-
TOTAL :	<u>16,56</u>	<u>-</u>

SCHEDULE 13 : SALES AND SERVICES
SALES

Sales	68,52,89	70,70,75
Less : Excise Duty	1,28,04	1,58,90
TOTAL :	<u>67,24,85</u>	<u>69,11,85</u>

SCHEDULE 14 : OTHER INCOME

Insurance and forwarding	3,83	4,38
Interest - Gross TDS Rs.1,12,094/- (Rs.98,975/-)	12,52	11,06
Dividend	4	9
Rent Received TDS Rs. 2,30,056/- (Rs.1,12,491/-)	1,30,07	73
Miscellaneous Income	46,58	1,11,27
Export incentives	3,15	5,64
Sundry debit/credit balances written off	1,60,49	13,45
Provision for Doubtful debts written back	63,63	-
Recovery of office expenses	60	2,06
Provision for w/back of diminution in Investments	2,71	-
TOTAL :	<u>4,23,63</u>	<u>1,48,69</u>

SCHEDULE 15 : INCREASE/(DECREASE) IN INVENTORIES

Closing Stock		
Traded Goods	4,16,97	4,42,05
Finished Goods	2,95,48	3,43,66
Work-in-progress	7,18,47	7,10,97
	<u>14,30,92</u>	<u>14,96,68</u>
Less : Opening Stock		
Traded Goods	4,42,05	3,46,70
Finished Goods	3,43,66	1,99,98
Work-in-progress	7,10,97	5,13,28
	<u>14,96,68</u>	<u>10,59,96</u>
TOTAL :	<u>(65,76)</u>	<u>4,36,72</u>

SCHEDULE 16 : MATERIALS

Raw Materials consumed

Opening Stock

Purchases

Freight and processing charges

Less : Closing stock including Raw Material in Transit

Raw Materials Consumed

Stores Consumed

Packing Materials Consumed

Materials Consumed

Purchases for resale

TOTAL :
SCHEDULE 17 : MANUFACTURING, ADMINISTRATIVE AND SELLING EXPENSES

Power, Fuel and Water Charges

Rent

Rates & Taxes

Repairs to Building

Repairs to Plant and Machinery

Repairs to Others

Job Contract

Salary, Wages and Allowances

Company's Contribution to Provident and Other Funds

Gratuity Paid

Employees Welfare Expenses

Directors' Sitting Fees

Insurance

Miscellaneous Expenses

Travelling/Conveyance

Sales Commission

Interest on :

Term Loans and NCD

Other Loans

Other Finance and Bank Charges

Auditor's Remuneration :

For Audit

For Tax Audit

For Other Services

Cash Discount

Freight Outward

Bad Debts written off

Provision for Doubtful Debts/Advances

Amalgamation Expenses

Loss on Sale of Assets

Loss on Sale of investments

Prior Period Adjustments

TOTAL :

(Rs. in '000)

**For the year ended
31st March, 2008**
**For the year ended
31st March, 2007**

2,29,59

2,14,76

9,01,37

17,09,07

55,40

1,03,97

11,86,36

20,27,80

1,33,53

2,29,60

10,52,83

17,98,21

32,31

59,71

43,25

55,96

11,28,39

19,13,89

38,01,49

31,35,28

49,29,88

50,49,17

3,49,84

5,13,11

4,21

4,89

59,14

15,46

44,06

19,90

20,77

19,22

5,01

9,73

23

43

4,86,75

4,73,67

32,50

39,71

14,35

18,68

31,80

36,55

76

68

27,04

31,19

2,55,28

2,37,17

24,47

28,05

41,31

56,90

15,22

72,86

4,20,57

2,86,44

50,23

43,65

1,91

1,64

32

30

20

22

67,27

66,06

57,36

65,44

44,45

2,20

4,70

-

4,14

-

5,30

4,14

28,00

-

1,94

-

20,99,13

20,48,28

SCHEDULE 18: SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS**Significant Accounting Policies**

- a) The Consolidated Financial Statements have been prepared in accordance with the Accounting Standard (AS) 21, 'Consolidated Financial Statements' issued by the council of the Institute of Chartered Accountants of India. Sch.17
- b) In pursuance to the Scheme of Amalgamation of parent company (as referred in Note No 2(d) herein below), accounts of hitherto subsidiaries viz M/s. Royaltarn Finance and Investments Pvt. Ltd., and M/s. Tracklightning Finance and Investments Ltd. along with another company viz M/s. Sovereign Trading Enterprises Ltd., have been merged with the accounts of parent company w.e.f.1st April 2007. As a result of this amalgamation, company namely M/s. Radio Components & Transistors Co. Ltd., who was wholly owned subsidiary of one of the amalgamating company, viz M/s. Sovereign Trading Enterprises Ltd., has now become subsidiary of the parent company.
- The list of subsidiary companies which are included in consolidation and the parent company's holdings therein are as under:
- | <u>Name of the Company</u> | <u>Percentage of Holding</u> |
|---|------------------------------|
| M/s. Kapsales Electricals Limited | 99.97% |
| M/s. Radio Components & Transistors Co. Limited | 100% |
- c) Consolidated Financial Statements have been prepared using uniform accounting policies, in accordance with the generally accepted accounting Principles.
- d) Other Significant Accounting Policies - these are set out in the 'Significant Accounting Policies and Notes on Accounts', of the Company and its Subsidiaries.

Notes on Accounts

1. Contingent liabilities not provided for:
 - a. Claims against the Company not acknowledged as debts for :

	<u>Rs. in Lacs</u>
i. Sales tax matters	121.65
ii. Income tax matters	49.61
iii. Others	73.73
b. Corporate guarantees given	1547.95
c. Liability on account of default in payment of statutory liabilities	Not ascertained
d. Bills discounted	525.53
e. Custom Duty on account of export obligations	20.60
2. In case of Parent Company,
 - a) Purchase / Sales during the year include purchase aggregating to Rs.2097.40 lacs (prev. year Rs. 1765.42 lacs) and sales aggregating to Rs. 2096.98 lacs (prev. year. Rs. 1765.07 lacs) respectively on account of goods re-purchased and resold on trading account. The loss on this account for the year is Rs.0.42 lacs (prev. year loss of Rs. 0.35 lacs).
 - b) Sundry balances written back (Net) liabilities which have been determined to be no longer required in the current financial year, which has been accepted as approved by the Management in the absence of any other evidence.
 - c) Other liabilities includes liabilities for expenses amounting to Rs.174.44 lacs.
 - d) In terms of the Scheme of Arrangement and Amalgamation ("the Scheme") under sections 391 to 394 of the Companies Act, 1956 sanctioned by the Order dated 8th August, 2008 of the Hon'ble High Court of Judicature at Bombay, effective from 8th September, 2008.
 - i. Sovereign Trading Enterprises Limited ("STEL"), Tracklightning Finance And Investments Limited ("TFIL") and Royaltarn Finance And Investments Private Limited ("RFIPL") herein after referred to as "Transferor Companies", which are all engaged in Investment business, have been amalgamated under the 'Purchase Method' with the Company from the Appointed Date 1st April, 2007.
 - ii. In accordance with the said Scheme and as per the approval granted by the Hon'ble High Court of Bombay.
 - iii. The assets, properties, liabilities, rights and obligations of the Transferor Companies have vested in the Company with effect from the Appointed Date;
 - iv. All the assets and liabilities of the Company and Transferor Companies have been recorded at fair values as provided in the Scheme.
 - v. Inter corporate investments / deposits / loans and advances outstanding between the Company and the Transferor Companies inter se have been cancelled.
 - vi. TFIL and RFIPL are wholly-owned subsidiaries of the Company and pursuant to amalgamation of TFIL and RFIPL no shares would be issued. As consideration for amalgamation of STEL into the company, 92,00,000 Equity Shares of Rs. 10/- each fully paid of the Company will be issued to the shareholders of STEL as on record date to be fixed in the ratio of 184 (One Hundred Eighty Four) Equity Shares for every 1 (One) Equity Share held in the STEL, as prescribed in the Scheme.
 - vii. The difference between the amount of share capital issued by the Company and the net assets transferred by the Transferor Companies after recording the assets and liabilities of the Transferee Company at their fair values has been debited to General Reserve of the Company.
 - viii. The Company has credited its General Reserve Rs. 2,997.80 lacs on account of revaluation of the Fixed Assets, and debited the General Reserve Rs. 404.46 lacs for diminution in the value of Investments, Rs. 733.39 lacs for debit balances not reconciled in Sundry Debtors and Sundry Creditors, Rs. 101.16 lacs for

Loans & Advances considered doubtful of recovery, Rs. 348.32 lacs for increase in Other Liabilities.

- ix. The Authorised Share Capital of the Company has increased by 53,00,000 Equity Shares of Rs. 10/- each from 2,00,00,000 Equity Shares of Rs. 10/- each to 2,53,00,000 Equity Shares of Rs. 10/- each on account of combination of the Authorised Share Capital of the Transferor Companies with that of the Company without any further act or deed on part of the Company.

The aforesaid accounting treatment is pursuant to the Scheme as sanctioned by the Hon'ble High Court of Judicature at Bombay.

3. 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.
4. Consolidated Financial Statements includes,
 - a) Accounts of the Subsidiary Company viz. Kapsales Electricals Limited being prepared on going concern basis, inspite of complete erosion of its net worth due to continued losses and the Company has been registered under section 15 (1) of Sick Industrial Companies (Special Provision) Act, 1985. Balances in respect of sundry debtors, creditors and deposits in respect of the said Company, are subject to confirmation and are stated as per books of account only. The company has not provided for interest on borrowings from Banks from 1.4.2001 onwards.
 - b) Accounts of Subsidiary Company viz. Radio Components and Transistors Company Limited, which has been prepared on going concern basis inspite of erosion of entire net worth of the Company. The Company had earlier by an Agreement dated 30th March, 1995 acquired on lease, the property described in the Fixed Assets Schedule for a period of 10 years commencing from 1st April, 1995. Prior to execution of the said Agreement, the Lessor was negotiating to sell the property to another party. However, no agreement for sale in that behalf was entered into between the Lessor and the said other party.
 During the Previous year ended 31st March, 2006, the Company pursuant to the Agreement to convert Tenancy into ownership dated 17th March, 1997 had acquired all reversionary benefit, interest and other rights of the lessor in the said property at a price of Rs.440,000/-.
 The said other party has filed a Suit in the Bombay High Court against the Lessor and the said Suit is pending hearing and final disposal. The Company has acquired the property after being fully aware of the above legal Suit and has agreed to defend the said Suit as also to bear all costs and consequences of the said Suit.
5. No provision for income tax has been made in these accounts because of unabsorbed losses and depreciation.
6. Deferred tax asset / (liability):
 In view of the deferred tax assets in the form of carry forward losses and depreciation, and other timing difference, etc., and in line with Accounting Standard (AS) 22, 'Accounting for taxes on Income', issued by the council of the Institute of Chartered Accountants of India, no provision has been made for deferred tax asset / liability.
7. Due to Amalgamation, previous year's figures may not be strictly comparable to that of the current year.

Signature to Schedule "1" to "18"

As per our report attached

For Sheth Doctor & Associates
Chartered Accountants

Paresh S. Doctor
Partner
Membership No. 36056

Vijay Mishra
Company Secretary

For and on behalf of the Board

Mahendra K. Khatau
Chairman & Managing Director

Leela K. Khatau
Director
Mumbai, 15th September, 2008

Mumbai, 15th September, 2008

KAPSALES ELECTRICALS LIMITED TWENTY SIXTH ANNUAL REPORT 2007-2008

**BOARD OF DIRECTORS : MR. M. K. KHATAU
MS. D.J. JARIWALA
MR. SANTOSH SALUNKE**

DIRECTORS' REPORT

To,
The Members,
Your Directors have pleasure in presenting their Annual Report and Accounts for the period ended 31st March, 2008.

FINANCIAL RESULTS :

	31.03.2008	(Rs. in lacs) 31.03.2007
Total income	11.52	10.94
Profit/(Loss) before Dep. and tax	6.07	(2.19)
Add: Depreciation	15.55	15.55
Profit/(Loss) after tax	(9.48)	(17.74)
Surplus/(Deficit) Brought forward from last year	(11,19.65)	(11,01.91)
Balance carried to Balance Sheet	(11,29.13)	(11,19.65)

REVIEW OF OPERATIONS :

The turnover for the current year is comparable with previous year. Due to acute liquidity crunch caused by heavy losses in the previous year and non-availability of banking facility for procuring imported raw-materials and locally made Associated Equipments (A.E.) the factory was operational only for few weeks during the year. Consequently, production and sale of capacitors and A.E's was very much affected.

DIVIDEND :

In view of the loss, Directors regret their inability to pay any dividend.

PROSPECTS :

There is cut throat competition among domestic producers of capacitors resulting in unremunerative prices. As a result the outlook for the current financial year ending 31st March, 2008 is not all that positive. Besides, since the company is a B.I.F.R. unit, much depends on the relief package awaited from B.I.F.R.

INSURANCE :

All the insurable assets of the Company including Plant and Machinery, Buildings and Inventories are adequately insured.

DIRECTORS RESPONSIBILITY STATEMENT :

The Board of Directors of the Company confirms:

- that in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure.
- that the selected accounting policies were applied consistently and the directors 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 as at March 31, 2008 and Loss of the Company for the year ended on that date;
- that 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;
- that the Annual Accounts have been prepared on a going concern basis.

DIRECTORS :

Mr. M.K. Khatau retire by rotation and being eligible offer himself for re-appointment.

Mr. Vipul Saxena has resigned as a 'Director' of the Company in the Board of Directors Meeting held on 7th December, 2007. The Board of Directors records the valuable guidance and co-operation extended by Mr. Vipul Saxena during the tenure of his office as a Director of the Company.

Ms. D.J. Jariwala has been appointed as a Director of the Company by the Board of Directors in their Meeting held on 7/12/2007 to fill up the casual vacancy caused by the resignation of Mr. Vipul Saxena under Section 262 of the Companies Act, 1956.

Mr. S. Srinivasan has resigned as a 'Director' of the Company in the Board of Directors Meeting held on 13th June, 2008. The Board of Directors records the valuable guidance and co-operation extended by Mr. S. Srinivasan during the tenure of his office as a Director of the Company.

Mr. Santosh Salunke has been appointed as a Director of the Company by the Board of Directors in their Meeting held on 14th June, 2008 to fill up the casual vacancy caused by the resignation of Mr. S. Srinivasan under Section 262 of the Companies Act, 1956.

REFERENCE TO THE BOARD OF BIFR :

The Company has been registered as a sick unit under the Sick Industrial Companies (Special Provision Act, 1985).

At the hearing of BIFR on 12/10/2006, the BIFR Bench appointed IDBI as the Operating Agency with direction to submit a Scheme for revival of the Company.

PARTICULARS OF THE EMPLOYEES :

Information as per Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is not applicable to the Company as none of the employees are drawing salary more than Rs. 24 lacs per annum.

AUDITORS :

M/s. Devesh Shah & Co., Chartered Accountants retire at the forthcoming Annual General Meeting and being eligible offer themselves for re appointment.

CONSERVATION OF ENERGY :

Since the Factory is not functioning for reasons stated earlier, particulars of energy consumption and conservation are not furnished.

RESEARCH, DEVELOPMENT AND TECHNOLOGY ABSORPTION

Since the plant is not operating for reasons stated earlier no R & D work could be carried out during the year.

ACKNOWLEDGEMENT

The Board also records its appreciation to the Company's Bankers, The Central Bank of India, Customers and Government Agencies for their co-operation and support.

For and on behalf of the Board
Kapsales Electricals Limited

Mahendra K. Khatau
Chairman

Registered Office:
Khatau House, Plot No. 410/411,
Mogul Lane, Mahim, Mumbai - 400 016.

Dated: 5th September, 2008

KAPSALES ELECTRICALS LIMITED

AUDITORS' REPORT

The Members of
KAPSALES ELECTRICALS LIMITED

We have audited the attached Balance Sheet of Kapsales Electricals Limited, as at 31st March 2008, and also the Profit and Loss account for the year 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 the 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.

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 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.

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

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
- ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
- iii. The balance sheet, Profit and Loss account dealt with by this report are in agreement with the books of account.
- iv. In our opinion, the balance sheet and, Profit and Loss account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- v. On the basis of written representations received from the Directors, as on 31st March, 2008 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2008 from being appointed as a Director in terms of clause (g) of Sub-section (1) of Section 274 of the Companies Act, 1956;
- vi. In our opinion and to the best of our information and according to the explanations given to us, and subject to:

a) ***Note No.B-1a in Schedule 20 in respect of accounts having been prepared on a going concern basis, inspite of erosion of entire net worth of the Company;***

b) ***Note No.6 regarding non-confirmation of Sundry Debtors, Sundry Creditors and Deposits;***

c) ***Note No.7 regarding non-provisioning of interest on bank loans from 1.4.2001.***

the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the balance sheet, of the state of affairs of the Company as at 31st March, 2008;
- b) in the case of the Profit and Loss account, of the loss for the year ended on that date;

For **Devsh Shah & Co.**
Chartered Accountants

Devsh Shah
Proprietor
Membership No.43930

Place : Mumbai
Date : 5th September, 2008

Annexure to the Auditors' Report

Referred to in paragraph 3 of our report of even date on the accounts of KAPSALES ELECTRICALS LIMITED for the year ended 31st March, 2008.

1. The Company has maintained proper records showing full particulars including Quantitative details and situation of fixed assets.
2. All the assets have not been physically verified by the management during the year but there is a regular programme of verification which in our opinion, is reasonable having regards to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
3. During the year, the company has not disposed off any major part of the plant and machinery. However inspite of the erosion of the entire net worth of the Company, the accounts have been prepared on a going concern basis (refer Note B-1a of notes to the accounts).
4. The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
5. The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
6. On the basis of our examination of the records of inventory, we are of the opinion that the company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
7. The following are the particulars of loans taken by the company from companies, firms and other parties covered in the Register maintained under Section 301 of the Companies Act, 1956:

Sr. No.	Name of party	Relationship with company	Amount (Rs.)	Year end balance (Rs.)
1.	Indokem Ltd.	Holding Co.	1,01,85,292.00	1,13,83,427.00
2.	Khatau Agrotech Ltd.	Company in which Director is interested	77,000.00	77,000.00

8. The Company has not granted any loans, secured or unsecured to any entities listed in the registers maintained under Section 301 or to the Companies under the same management u/s. 370(1B) of the Companies Act, 1956.
9. In our opinion the rate of interest and other terms and conditions on which loans have been taken from/granted to companies, firms or other parties listed in the registers maintained under Section 301 are not, prima facie, prejudicial to the interest of the company.
10. Based on the information and explanation given to us, the companies from whom the loan is taken has not stipulated the repayment schedule hence there is no irregularity. Since the repayment schedule is not stipulated there is no overdue amount of loans taken from/to companies, firms or other parties listed in the registers maintained under Section 301 of the Companies Act, 1956.
11. 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 purchases of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, no major weakness has been noticed in the internal controls.
12. Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the transactions that need to be entered into the register maintained under Section 301 have been so entered.
13. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the registers maintained under Section 301 and exceeding the value of five lakh rupees in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
14. Based on the information and explanation given to us, the Company has not accepted any deposits during the year within the meaning of section 58A and 58AA of the Companies Act, 1956.
15. Based on the information and explanations given to us, the Company does not have formal internal audit department. However, we are informed that its internal control procedures ensure reasonable internal checking of financial and other records.
16. Based on the information and explanation given to us, the maintenance of cost records has not been prescribed by the Central Government under section 209(1)(d) of the Companies Act, 1956 for the products of the Company.

KAPSALES ELECTRICALS LIMITED

17. According to the records of the Company, the Company is not regular in depositing with appropriate authorities the undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, and other statutory dues applicable to it. The details of arrears is as follows:

Particulars Statute	Nature of dues	Amount (Rs.)	Amt. outstanding for more than 6 months	Date of Payment
PF	Undisputed	561,216	561,216	-
ESIC	Undisputed	383,407	383,407	-
Sales-tax	Undisputed	2,924,079	3,022,933	-
Employees P. tax	Undisputed	62,880	62,880	-
Notified Area Tax	Undisputed	391,986	391,986	-

Further, since the Central Government has till date not prescribed the amount of cess payable under Section 441A of the Companies Act, 1956, we are not in a position to comments upon the regularity or otherwise of the company in depositing the same.

18. According to the records of the company, there are no dues of sales tax, income-tax, customs tax/wealth-tax, excise duty/cess which have not been deposited on account of any dispute.
19. The Company has been registered for more than five years. And the accumulated losses of the Company are more than fifty percent of its net worth. The Company has incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
20. Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the company has defaulted in repayment of dues to a bank. The details of the same is as below:

Name of the Bank	Amount O/s	Period of default
8731 Term Loan CBI	634,295.35	Not identified
Bill Discounting Account	2,398,626.00	Not identified
Devolved LC (Import)	11,158,380.00	Not identified
Devolved LC (Inland)	306,719.00	Not identified

21. Based on our examination of documents and records, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
22. Based on our examination of the records and information given to us, there are no transactions related to shares and securities. However the shares and securities held by the Company is in its own name.
23. The Company has not given any guarantee for loans taken by others from bank or financial institutions.
24. Based on our examination of records there were no term loans raised during the year.
25. Based on our examination of the Balance Sheet of the Company as at 31st March, 2008 we find that the Company has not raised any short term or long-term funds.
26. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act hence question as to whether the price at which shares have been issued is prejudicial or not to the interest of the company is not applicable.
27. During the year covered by our audit report, the Company has not issued any debentures and is not required to create any security in respect of such debentures.
28. During the year no money is raised by way of public issues.
29. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

For **Devesh Shah & Co.**
Chartered Accountants

Devesh Shah
Proprietor
Membership No.43930

Place : Mumbai
Date : 5th September, 2008

KAPSALES ELECTRICALS LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2008

(Rs. in '000)

	Schedules	As At 31st March, 2008	As At 31st March, 2007
SOURCES OF FUNDS:			
SHARE HOLDERS' FUND			
Share Capital	1	2,01,00	2,01,00
Reserves and Surplus	2	2,00,25	2,00,25
		<u>4,01,25</u>	<u>4,01,25</u>
LOAN FUNDS			
Secured Loans	3	5,04,69	5,04,69
Unsecured Loans	4	1,03,46	1,15,56
		<u>6,08,15</u>	<u>6,20,25</u>
TOTAL :		<u>10,09,40</u>	<u>10,21,50</u>
APPLICATION OF FUNDS:			
FIXED ASSETS			
Gross Block	5	4,51,35	4,51,35
Less: Depreciation		2,39,65	2,24,08
Net Block		<u>2,11,70</u>	<u>2,27,27</u>
INVESTMENTS			
	6	2	2
CURRENT ASSETS, LOANS & ADVANCES			
Inventories	7	4,94	4,94
Sundry Debtors	8	75,70	77,75
Cash and Bank Balances	9	9,46	9,80
Other Current Assets	10	27,87	27,41
		<u>1,17,97</u>	<u>1,19,90</u>
LESS: CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	11	4,49,42	4,45,34
Provisions		-	-
		<u>4,49,42</u>	<u>4,45,34</u>
		(3,31,45)	(3,25,44)
NET CURRENT ASSETS			
MISCELLANEOUS EXPENDITURE			
(To the extent not written off or adjusted)			
Deferred Revenue Expenditure	12	-	-
Profit and Loss Account		11,29,13	11,19,65
TOTAL :		<u>10,09,40</u>	<u>10,21,50</u>
Accounting Policies and Notes on Accounts	20		

As per our report attached

For Devesh Shah & Co.
Chartered Accountants

Devesh Shah
Proprietor
Membership No. 43930

Mumbai, 5th September, 2008

For and on behalf of the Board of Directors

Mahendra K. Khatau
Director

Santosh Salunke
Director
Mumbai, 5th September, 2008

KAPSALES ELECTRICALS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE TEAR ENDED 31ST MARCH, 2008

(Rs. in '000)

	Schedules	For the year ended 31st March, 2008	For the year ended 31st March, 2007
INCOME:			
Sales	13	11,52	11,52
Other Income	14	-	37
Increase/(Decrease) in Inventories	15	-	(95)
TOTAL :		11,52	10,94
EXPENDITURE:			
Raw materials Consumed	16	40	4,86
Manufacturing, Administrative and Selling Expenses	17	4,15	7,46
Expenses on Employees	18	18	18
Interest and Other Finance Charges	19	72	63
Depreciation		15,55	15,55
TOTAL :		21,00	28,68
PROFIT/(LOSS) FOR THE YEAR		(9,48)	(17,74)
PROFIT/(LOSS) brought forward		(11,19,65)	(11,01,91)
Balance Carried to Balance Sheet	TOTAL :	(11,29,13)	(11,19,65)
Accounting Policies and Notes on Accounts	20		

As per our report attached

For Devesh Shah & Co.
Chartered Accountants

Devesh Shah
Proprietor
Membership No. 43930

Mumbai, 5th September, 2008

For and on behalf of the Board of Directors

Mahendra K. Khatau
Director

Santosh Salunke
Director
Mumbai, 5th September, 2008

KAPSALES ELECTRICALS LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2008

	As At 31st March, 2008	(Rs. in '000) As At 31st March, 2007
SCHEDULE 1 : SHARE CAPITAL		
AUTHORISED		
30,10,000 Equity Shares of Rs.10/- each	3,01,00	3,01,00
ISSUED AND SUBSCRIBED AND PAID-UP		
20,10,000 Equity Shares of Rs.10/- each	2,01,00	2,01,00
TOTAL :	2,01,00	2,01,00
SCHEDULE 2 : RESERVES AND SURPLUS		
Share Premium Account	2,00,25	2,00,25
TOTAL :	2,00,25	2,00,25
SCHEDULE 3 : SECURED LOANS		
From Banks :		
Term Loans	6,34	6,34
Cash Credits and Over Drafts	4,74,36	4,74,36
Bill Discounting	23,99	23,99
TOTAL :	5,04,69	5,04,69
Notes:-		
1) Credit arrangements from bankers are against hypothecation of stock in trade and book debts. These are also secured by way of charge on Fixed Assets of the Company.		
2) Company's bankers have issued guarantees on the counter guarantees of the Company aggregating to Rs. 8.00 lakhs. (as per 31.03.08 accounts)		
3) Credit arrangements have been guaranteed by two directors.		
4) Credit arrangements are also guaranteed by the holding company viz Indokem Limited.		
SCHEDULE 4 : UNSECURED LOANS:		
From Companies	1,61	1,73
From Holding Company	1,01,85	1,13,83
TOTAL :	1,03,46	1,15,56
SCHEDULE 5 : FIXED ASSETS		

	GROSS BLOCK				DEPRECIATION				NET BLOCK	
ASSETS PARTICULARS	AS AT 1/4/07	ADDITIONS DURING THE PERIOD	DEDUCTIONS/ ADJUSTMENTS	AS AT 31/3/08	AS AT 1/4/07	FOR THE YEAR	ADJUSTMENTS	AS AT 31/3/08	AS AT 31/3/08	AS AT 31/3/07
Leasehold Land at Ankleshwar	84,61	-	-	84,61	12,49	1,02	-	13,51	71,09	72,12
Buildings	1,34,88	-	-	1,34,88	53,97	4,51	-	58,48	76,40	80,91
Plant and Machinery	1,81,00	-	-	1,81,00	1,10,57	9,54	-	1,20,11	60,89	70,43
Technical Know-how Fees	30,67	-	-	30,67	30,67	-	-	30,67	-	-
Electrical Installation	1,58	-	-	1,58	92	8	-	1,01	58	65
Furniture and Fixtures	2,61	-	-	2,61	1,77	17	-	1,95	67	83
Office Equipments	4,77	-	-	4,77	2,49	23	-	2,72	2,05	2,28
Computers	11,21	-	-	11,21	11,21	-	-	11,21	-	(1)
Total	4,51,33	-	-	4,51,33	2,24,08	15,55	-	2,39,65	2,11,69	2,27,25
Previous Year	4,51,33	-	-	4,51,33	1,76,17	16,84	-	1,93,00	2,58,33	2,75,16

Note: Depreciation is provided (except in case of leasehold land, which is being amortised over the period of lease) on the straight line method and at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956.

KAPSALES ELECTRICALS LIMITED

	(Rs. in '000)	
	As At 31st March, 2008	As At 31st March, 2007
SCHEDULE 6 : INVESTMENTS		
(At Cost)		
Unquoted		
7 years National Saving Certificates	1	1
Shares of The Kapol Co-Op.Bank Ltd.		
100 Equity Shares of Rs.10/-each	1	1
TOTAL :	2	2
SCHEDULE 7 : INVENTORIES		
(As taken, valued and certified by a Director.)		
Raw Materials	4,00	4,00
Work in Progress	50	50
Finished Goods	44	44
TOTAL :	4,94	4,94
SCHEDULE 8 : SUNDRY DEBTORS		
(Considered Good for which Company holds no other security other than Debtor's Personal Security)		
Un Secured, Considered good		
- more than six months	72,47	74,52
- Others	3,23	3,23
Considered Doubtful	41,55	41,55
	1,17,25	1,19,30
Less : Provision for doubtful Debts	(41,55)	(41,55)
(Refer Note No.9 in Schedule 20)	75,70	77,75
TOTAL :		
SCHEDULE 9 : CASH AND BANK BALANCES:		
Cash and Cheques on hand	7	22
Balance with scheduled Banks		
- in Current Accounts	3,94	4,13
- in Margin Money Account	5,45	5,45
TOTAL :	9,46	9,80
SCHEDULE 10 : OTHER CURRENT ASSETS		
(Unsecured-Considered good unless stated otherwise)		
TDS receivable	92	63
Advances given(recoverable in cash or kind)	5,16	5,00
Advances to Suppliers	9,63	9,62
Deposits	12,16	12,16
TOTAL :	27,87	27,41
SCHEDULE 11 : CURRENT LIABILITIES & PROVISIONS		
CURRENT LIABILITIES		
Sundry Creditors	2,15,79	2,16,71
Statutory Liabilities	52,25	52,16
Security Deposit from Customers	2,22	2,22
Other Liability	1,35,72	1,37,07
Temporary Bank OD	24,96	24,80
Advance from Customers	18,48	12,38
	4,49,42	4,45,34
PROVISIONS		
Provision for Taxation	-	-
	4,49,42	4,45,34
SCHEDULE 12 : MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Deferred Revenue Expenses	-	11
Balance as per last Balance Sheet	-	11
Less: Written off	-	-
TOTAL :		

KAPSALES ELECTRICALS LIMITED

(Rs. in '000)

SCHEDULE 13 : SALES

Gross Sales
Less: Excise Duty
Net Sales

TOTAL :

For the year ended
31st March, 2008

For the year ended
31st March, 2007

11,52

11,52

-

-

11,52

11,52

SCHEDULE 14 : OTHER INCOME

Interest
Miscellaneous Receipts
Service Charges

TOTAL :

-

2

-

35

-

-

-

37

SCHEDULE 15 : INCREASE /(DECREASE) IN INVENTORIES

Closing Stock
Finished Goods
Work in Progress

Less:-

Opening Stock
Finished Goods
Work in Progress

TOTAL :

44

44

50

50

94

94

44

88

50

1,01

94

1,89

-

(95)

SCHEDULE 16 : RAW MATERIALS CONSUMED

Opening Stock of Raw Materials
Purchases
Freight and Forwarding Charges

Less: Closing Stock of Raw Materials
Raw Materials consumed
Stores and Consumables consumed

TOTAL :

4,00

8,05

19

-

-

3

4,19

8,08

4,00

4,00

19

4,08

21

78

40

4,86

SCHEDULE 17 : MANUFACTURING, ADMINISTRATIVE AND SELLING EXPENSES

Labour Charges
Rent, Rates and Taxes
Repairs to Others
Insurance charges
Selling and Distribution Expenses
Miscellaneous Expenses
Conveyance and Travelling Expenses
Legal and Professional Charges
Postage, Telegram and Telephone Charges
Auditors' Remuneration
For Audit
For Other Services

TOTAL :

23

43

7

8

-

13

22

28

5

17

61

2,97

1,17

1,19

1,46

1,98

24

13

10

8

-

2

4,15

7,46

SCHEDULE 18 : EXPENSES ON EMPLOYEES

Employees Welfare Expenses and Other Allowances

TOTAL :

18

18

18

18

KAPSALES ELECTRICALS LIMITED

SCHEDULE 19 : INTEREST AND OTHER FINANCING CHARGES

Other Finance and Bank Charges

TOTAL :

For the year ended
31st March, 2008

72

72

(Rs. in '000)

For the year ended
31st March, 2007

63

63

Schedule 20

A. PRINCIPAL ACCOUNTING POLICIES:

1. BASIS FOR PREPARATION OF ACCOUNTS :

The accounts have been prepared by the company in accordance with the historical cost convention and the applicable accounting standards issued by the Institute of Chartered Accountants of India and the relevant provisions of Companies Act, 1956.

2. REVENUE RECOGNITION:

Sales are recognised when goods are supplied and are recorded net of trade discounts, rebates, sales tax and excise duties. Incomes from services rendered are booked based on agreements / arrangements with the concerned parties.

3. EXPENDITURE:

Expenses are accounted on accrual basis and provision is made for all known losses and liabilities. However, following expenses are accounted in the year, in which it is incurred.

- (i) Custom/excise duty on material in bond.
- (ii) Discount under dealers scheme.
- (iii) Insurance claims
- (iv) Leave Encashment/Medical claims/LTA claims.

4. FIXED ASSETS :

Fixed assets are stated at cost less depreciation except in respect of Leasehold Land, which is amortised over the period of lease.

Depreciation is provided (except in case of leasehold land, which is being amortised over the period of lease) on the straight line method and at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956.

5. INVESTMENTS :

Investments are stated at cost.

6. INVENTORIES :

Closing Stocks have been valued as under:

- i) Raw material, Packing material and stores : At Cost. Based on FIFO method.
- ii) Work in progress : At cost or 75% of average sale realization price, whichever is lower.
- iii) Finished Goods : At cost or average sale realization price, whichever is lower.

7. FOREIGN CURRENCIES TRANSACTIONS :

Exchange differences relating to import of raw materials are dealt with in the Profit & Loss Account.

8. MODVAT CREDIT :

Modvat credit available on the materials (inputs) is adjusted against consumption and to the extent modvat credit not recouped in payment of excise duty on the products despatched, is shown as Modvat Credit Receivable in "Loans and Advances".

Modvat credit on capital goods is adjusted against the purchase cost thereof.

9. PRIOR PERIOD ADJUSTMENTS :

All identifiable items of income and expenditure pertaining to prior period are accounted through "Prior Period Adjustment Account" and are disclosed net of Income and expenditure.

KAPSALES ELECTRICALS LIMITED

B. NOTES TO THE ACCOUNTS

Notes annexed to and forming part of the Balance Sheet as at 31st March, 2008 and the Profit and Loss account for the period ended on the date.

1. a) Despite the erosion of the entire net worth due to accumulated losses, the company's accounts have been prepared on a going concern basis.
b) Since the accumulated loss has exceeded the net worth as on 31.03.2001 the company has been registered under section 15(1) of Sick Industrial Companies (Special Provision) Act, 1985. Revival package is yet to be finalised by the Board for Industrial and Financial Re-constructions, New Delhi.
2. The company does not have a Company Secretary as required under provision of section 383A of the Companies Act, 1956. The Board of Directors of the company is in the process of filing up the position.
3. Contingent liabilities not provided for;
a) Guarantee given by bank on behalf of the company Rs.8.00 lacs (previous year Rs.16.00 lacs). The company has given counter guarantee.
b) Due to financial constraints, it has not been possible for the company to honor commitments for statutory payments in time. The liability, if any, on account of default in statutory payment is not ascertained and accordingly no provision is made in the accounts for such unascertained liability.
c) Interest, if any payable on devolved L.C. amount not ascertainable.
4. In the opinion of the Board of Directors, the current assets, loans and advances and investments have a realisable value in the course of business which is at least equal to the amounts at which they are shown in the Balance sheet, unless otherwise specified. 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.
5. Balances in respect of Sundry Debtors, Creditors, and Deposits are as per books of accounts only, since no confirmation have been called for by the company. Some of the accounts are under reconciliation and the difference if any, arising on such reconciliation may affect revenue and will be adjusted as and when the same is completed.
In the meanwhile, the company has reviewed the outstanding of its customers and has made a provision for doubtful debts for a sum of Rs. 41.55 lacs representing the deductions made by the customers towards short/defective supplies, liquidated damages, price difference etc.
6. The Company has not provided for interest on the borrowings from the company's bankers from 01.04.2001 onwards as the company is a sick company and registered under B.I.F.R. Accordingly, the company has requested the bank to waive the interest for this period.
7. Depreciation on fixed assets has been provided on straight-line method at the rates prescribed under schedule XIV of the Companies Act, 1956.
8. The Company has no information as to whether any of its suppliers constitute "Small Scale Industries Undertaking" and therefore the amount due to such suppliers could not be ascertained.
9. No provision for income tax is made in the accounts due to ascertained loss position.
10. Deferred tax asset/(liability):
In view of the huge deferred tax assets in the form of carry forward losses and depreciation, etc., and in line with Accounting Standard (AS) 22, 'Accounting for taxes on Income', issued by the Council of the Institute of Chartered Accountants of India, no provision has been made for deferred tax asset/liability as disclosed below.
The year-end position is as follows

	Asset	(Rs. in Lacs) Liability
On account of depreciation	-	66.97
On account of brought forward loss	258.72	-
On account of provisions for doubtful debts	12.83	-
11. Auditor's Remuneration :	Current year	Previous year
i) Fees as Auditor	Rs. 7,500/-	Rs.7,500/-
ii) For other services	Rs. 2,500/-	Rs. 2,500/-
12. Previous year's figures have been regrouped wherever necessary to confirm to this year's classification.		

KAPSALES ELECTRICALS LIMITED

13. Additional information required under part II of schedule VI of the Companies Act, 1956 are as under

		31st March, 2008		(Rs. in 000) 31st March, 2007	
	Unit	Qty. M.T.	Value	Qty. M.T.	Value
a) Raw Material Consumption					
Insulating Material (PP Film)	Ton	-	-	-	51
Impregnating Liquid	K. Ltr.	-	-	-	-
Aluminium Foil	Tons	-	-	-	3,57
Semi finished capacitors			19		-
		-	19	-	4,08

Note: Consumption includes write off of old & unserviceable Raw Material items

	Value	%	Value	(Rs. in 000) %
Of the above				
Imported	-	-	4,08	100.00
Indigenous	19	100.00	-	-
	19	100.00	4,08	100.00

Consumption includes write off of old & unserviceable Raw Material.

b) Value of Import on CIF basis				
- Raw Material		Nil		Nil
c) Value of Stores & Spares consumed				
- Imported		Nil		Nil
- Indigenous	100%	21	100%	78
d) Expenditure in Foreign Exchange		Nil		Nil
e) Earning in Foreign Exchange		Nil		Nil
f) FOB value of Exports		Nil		Nil
g) Capacities, Production/Purchases, Stocks and Sales of Finished Goods.				

(Rs. in 000)

Class of Goods	Unit	Licenced Installed Capacity	Opening Stock Qty.	Value	Actual Production / Purchase Qty.	Closing Stock Qty.	Value	Sales Qty.	Value
Power Capacitor	Kvar	10,00,000	330	44		330	44	-	-
		(10,00,000)	(660)	(88)	(-)	(660)	(88)	(-)	(-)
Paper Condensers	PCS	10,00,000	-	-	-	-	-	-	-
		(10,00,000)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Metalised Polypropylene Condensers	PCS	5,00,000	-	-	-	-	-	-	-
		(5,00,000)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Associated Equipments	Nos	-	-	-	-	-	-	-	-
		(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
TOTAL		-	-	44	-	-	44		
		(-)	(-)	(88)	(-)	(-)	(88)	(-)	(9,14)

Note: Figures in brackets related to previous year

As per our report attached

For Devesh Shah & Co.
Chartered Accountants

Devesh Shah
Proprietor
Membership No. 43930

Mumbai, 5th September, 2008

For and on behalf of the Board of Directors

Mahendra K. Khatau
Director

Santosh Salunke
Director
Mumbai, 5th September, 2008

KAPSALES ELECTRICALS LIMITED

ADDITIONAL INFORMATION AS REQUIRED UNDER PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956, BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE:

I. REGISTRATION DETAILS

Registration No. : 21376 State Code 11
Balance Sheet Date : 31.03.2008

II. CAPITAL RAISED DURING THE YEAR (Amount Rs. 000's)

Public Issue NIL Bonus Issue NIL Rights Issue NIL Private Placement NIL

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount Rs. 000's)

Total Liabilities	10,09,40	Total Assets	10,09,40
SOURCES OF FUNDS			
Paid-up Capital	2,01,00	Reserves & Surplus	2,00,25
Secured Loans	5,04,69	Unsecured Loans	1,03,46
APPLICATION OF FUNDS			
Net Fixed Assets	2,11,70	Investments	2
Net Current Assets	3,31,45	Misc. Expenditure	-
Accumulated Losses	11,29,13		

IV. PERFORMANCE OF COMPANY (Amount Rs. 000's)

Turnover	11,52	Total Expenditure	21,00
Profit/(Loss) before tax	(9,48)	Profit/(Loss) after tax	(9,48)
Earning per share (Rs.)	(0.47)	Dividend Rate (%)	NIL

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY (as per monetary terms)

N.A.

As per our report attached

For Devesh Shah & Co.
Chartered Accountants

Devesh Shah
Proprietor
Membership No. 43930

Mumbai, 5th September, 2008

For and on behalf of the Board of Directors

Mahendra K. Khatau
Director

Santosh Salunke
Director
Mumbai, 5th September, 2008

RADIO COMPONENTS & TRANSISTORS COMPANY LIMITED

DIRECTORS' REPORT

Your Directors have pleasure in presenting their Fortysixth Annual Report together with the audited Statements of Account of the Company for the year ended on 31st March, 2008.

FINANCIAL RESULTS :

	CURRENT YEAR (Rs.)	PREVIOUS YEAR (Rs.)
Profit/ (Loss) before Tax	(2,128,639)	237,651
Less / Add : Provision for Taxation	(69,000)	68,000
Profit / (Loss) after Tax	(2,197,639)	169,651
Add : Excess Provision for Taxation made in respect of earlier years	-	27
	(2,197,639)	169,678
Less / (Add) : Balance of Loss brought forward from earlier Year	(28,754,951)	28,924,629
Balance loss carried to Balance Sheet	30,952,590	28,754,951

DIVIDEND :

On account of losses incurred by the Company during the year, your Directors do not recommend any dividend on Equity Shares.

HOLDING COMPANY :

The Company became a wholly-owned subsidiary of Sovereign Trading Enterprises Ltd. during the year under review. Pursuant to the Order passed by the High Court of Judicature at Bombay on 8th August, 2008 sanctioning the Scheme of Arrangement an Amalgamation of Sovereign Trading Enterprises Ltd., Tracklightning Finance and Investment Ltd. and Royaltern Finance & Investments Pvt. Ltd. with Indokem Ltd., w.e.f. 1st April, 2007, the Company is now a wholly – owned subsidiary of Indokem Ltd.

DIRECTORS :

Ms. Devaki J. Jariwala retires by rotation but, being eligible, offers herself for reappointment.

DIRECTORS' RESPONSIBILITY STATEMENT :

Pursuant to the provisions of Sec.217(2AA) of the Companies Act, 1956, we hereby certify that -

- In the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures.
- The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period.
- The Directors have taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- The Directors have prepared the annual accounts on a going concern basis.

AUDITORS :

M/s. F. N. Siamwalla & Co., Chartered Accountants, have resigned as auditors of the Company during the financial year in view of their other pressing engagements. The Company has thereafter appointed M/s. M. D. Pandya & Associates, Chartered Accountants, as Auditors of the Company to fill in the casual vacancy caused by the resignation of M/s. F. N. Siamwalla & Co.

M/s. M. D. Pandya & Associates, Chartered Accountants, shall hold office till the conclusion of the forthcoming Annual General Meeting. Necessary certificate under section 224(1) of the Companies Act, 1956 has been obtained from them and being eligible, they offer themselves for reappointment.

RADIO COMPONENTS & TRANSISTORS COMPANY LIMITED

AUDITORS' REPORT :

As regards the Auditors' qualification in the Auditors' Report in the matter of the accounts having been prepared on a going concern basis inspite of erosion of the entire net worth of the Company, attention is kindly invited to Note No.1a of Schedule 'L' of the audited Accounts, which is self-explanatory.

DEPOSITS :

The Company has not accepted any deposits from the public.

PARTICULARS OF EMPLOYEES :

The Company does not have any employee. Hence, information pursuant to Section 217(2A) of the Companies Act, 1956 and the Rules made thereunder has not been furnished.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO :

Particulars in respect to conservation of energy, technology absorption, foreign exchange earnings and outgo in terms 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 are not disclosed in this Report, since none of these items are applicable to the Company, which is carrying on the business of an Investment Company.

For and On behalf of the Board

Devaki J. Jariwala
Director

Place : Mumbai

Date : 8th September, 2008

RADIO COMPONENTS & TRANSISTORS COMPANY LIMITED

AUDITOR'S REPORT TO THE MEMBERS OF RADIO COMPONENTS AND TRANSISTORS COMPANY LIMITED

1. We have audited the annexed Balance Sheet of RADIO COMPONENTS AND TRANSISTORS COMPANY LIMITED as at 31st March, 2008 and also the annexed Profit & Loss Account of the Company for the year ended on that date and we report thereto:-
 - 1.1 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.
 - 1.2 We have 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. Audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Audit 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.
 - 1.3 As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of 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, on the basis of such checks of the books and records of the Company as we considered appropriate and the information and explanations given to us during the course of our audit.
 - 1.4 In our opinion, proper books of accounts have been kept by the Company, so far as appears from our examination of those books.
 - 1.5 The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - 1.6 *That the accounts have been prepared on a going concern basis inspite of erosion of the entire net worth of the Company (Also Refer Note 1a of Schedule 'L').*
 - 1.7 *Subject to our remarks in Paras 1.6 above*, in our opinion, the Balance Sheet and Profit and Loss Account comply with the mandatory accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - 1.8 On the basis of the written representations received from the Directors as on 31st March 2008, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2008 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act 1956.
 - 1.9 *Subject to the foregoing*, in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a. In the case of the Balance Sheet of the state of affairs of the Company as at 31st March 2008.
- AND
- b. In the case of the Profit & Loss Account, of the loss of the Company for the year ended on that date.

For **M D Pandya & Associates**
Chartered Accountants.

A.D. Pandya
Partner
Mem No. 033930

Place : Mumbai.
Date : 8th September, 2008.

RADIO COMPONENTS & TRANSISTORS COMPANY LIMITED

Statement referred to in paragraph 1.3 of the Auditors Report to the members of Radio Components And Transistors Company Limited on the accounts for the year ended 31st March 2008.

- i) As the only fixed asset belonging to the Company comprises of a portion of a building, the question of maintenance of proper records of fixed assets and physical verification thereof referred to in Clauses ia. and ib. of the Order does not arise.
- ic) The Company has not disposed of any fixed assets during the year
- ii) As the Company did not carry on any manufacturing or trading activity during the year, clauses (iia), (iib) and (iic) of the aforesaid Order are not applicable to the Company.
- iiia) As per the information and explanations given to us, the Company has granted unsecured loans to five parties covered in the Register maintained under section 301 of the Companies Act, 1956. The maximum amount involved and the year end balance of these loans are Rs.13,054,485/- and Rs. 12,881,950/- respectively.
- iiib) As per the information and explanations given to us, the loans granted by the Company referred to above are interest-free and without any stipulation with regard to their repayment. In our opinion, the above interest-free loans granted by the Company are not prima facie prejudicial to the interests of the Company.
- iiic) In the absence of any stipulations with regard to recovery of the above loans, we are unable to comment on regularity of the receipt of the principal amount.
- iiid) As per the information and explanations given to us and in the absence of specific stipulations, we are unable to comment on the steps taken by the company for recovery of the above loans.
- iiie) As per the information and explanations given to us, the company has taken unsecured loans from three parties covered in the Register maintained under section 301 of the Companies Act, 1956. The maximum amount involved and the year end balance of these loans are Rs.27,41,367/- and Rs.10,96,999/-respectively.
- iiif) As per the information and explanations given to us, the loans taken by the Company referred to above are interest-free and without any stipulation with regard to their repayment. In our opinion, the above interest-free loans taken by the Company are not prima facie prejudicial to the interests of the Company.
- iiig) In the absence of any stipulations regarding the repayment of the principal amount of such loans, we are unable to comment on the regularity of payment of the principal amount thereof.
- iv) 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 purchases of fixed assets. During the course of our audit, no major weaknesses were noticed in internal controls and as such the question of there being a continuing failure to correct such weaknesses does not arise.
- va) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the transactions that need to be entered into the register maintained under Section 301 have been so entered.
- vb) In our opinion and according to the information and explanation given to us, such transactions exceeding the value of Rupees Five Lakhs in respect of any party during the year, have been made at prices which are reasonable having regard to prevailing market prices at relevant time.
- vi) The Company has not accepted any public deposits during the year within the meaning of Sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the Rules made thereunder. Hence, the provisions of clause (vi) of the Order are not applicable.
- vii) The paid-up capital and reserves of the Company being less than Rs. 50 lacs and its average annual turnover for the period of three consecutive financial years immediately preceding the financial year concerned being less than Rs. 5 crores, clause (vii) of Paragraph 4 of the aforesaid Order is not applicable to the Company.
- viii) The Company is not a manufacturing company and as such the question of prescribing the maintenance of cost records by the Central Government under section 209(1)(d) of the Companies Act, 1956 does not arise.
- ixa) As per the information and explanations given to us, there are no undisputed amounts payable in respect of statutory dues including Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other statutory dues with appropriate authorities.
- ixb) As per the information and explanation given to us, there are dues of Rs 49.61 lacs in respect of income tax , which have not been deposited on account of any disputes. The dispute is pending before the Commissioner of Income tax (Appeals) .

RADIO COMPONENTS & TRANSISTORS COMPANY LIMITED

- x) The Company's accumulated losses at the end of the financial year are more than 50% of its net worth. The Company has also incurred cash losses during the financial year under review, however it had not incurred any cash loss in the immediately preceding financial year.
- xi) Based on our examination of the records and the information and explanations given to us, the Company does not have any dues payable to financial institutions, banks or debenture-holders.
- xii) Based on our examination of the records and the information and explanations given to us, the Company has not granted any loans and/or advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) The Company is not a Chit fund, nidhi, mutual benefit fund or a society and therefore the provisions of clauses (xiii)(a), (xiii)(b), (xiii)(c) and (xiii)(d) of the Order are not applicable.
- xiv) As regards the shares and securities held by the Company, the Company has maintained proper records of the transactions and contracts and timely entries have been made therein. The said investments have not been transferred in the name of the Company.
- xv) According to the information and explanations given to us, the Company has during the year given guarantees aggregating to Rs. 334.16 lacs for loans taken by its Holding Company from a Bank.
- xvi) The Company has not taken any term loans during the year.
- xvii) In the absence of any stipulations regarding the repayment of loans taken/given by the Company, we are unable to comment whether short-term funds have been used for long-term investments.
- xviii) The Company has not made any preferential allotment of shares during the year under review.
- xix) During the year covered by our audit report, the Company has not issued any secured debentures.
- xx) The Company has not raised any money from public issues during the year covered by our report.
- xxi) As per the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For M D Pandya & Associates
Chartered Accountants.

A.D. Pandya
Partner
Mem. No. 033930

Place : Mumbai.
Date : 8th September, 2008.

RADIO COMPONENTS & TRANSISTORS COMPANY LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2008

	Schedule	Rs.	As At 31st March, 2008 Rs.	As At 31st March, 2007 Rs.
SOURCES OF FUNDS:				
SHAREHOLDERS' FUNDS:				
Share Capital	A	500,000		500,000
Reserves and Surplus	B	1,141,979		1,141,979
			1,641,979	1,641,979
LOAN FUNDS:				
Unsecured Loans	C		42,358,420	44,369,464
			44,000,399	46,011,443
APPLICATION OF FUNDS:				
FIXED ASSETS	D		1,055,516	1,111,070
INVESTMENTS	E		-	4,289,160
CURRENT ASSETS, LOANS & ADVANCES:				
Cash and Bank Balances	F	7,529		50,760
Sundry Debtors	G	302,104		-
Loans and Advances	H	13,114,395		13,202,237
		13,424,028		13,252,997
Less: CURRENT LIABILITIES & PROVISIONS:	I	154,435		119,435
NET CURRENT ASSETS			13,269,593	13,133,562
Balance in Profit & Loss Account		30,952,590		28,754,951
Less : General Reserve (As per Contra)		1,277,300		1,277,300
			29,675,290	27,477,651
			44,000,399	46,011,443
NOTES ON ACCOUNTS	L			

As per our attached report of even date.

For M. D. Pandya & Associates
Chartered Accountants

(A. D. Pandya)
Partner

Place : Mumbai
Date : 8th September, 2008

For and on behalf of the board of
Radio Components & Transistors Company Limited

(Devaki J. Jarlwala)
(Asha M. Khatau)
Directors

Mumbai
Date : 8th September, 2008

RADIO COMPONENTS & TRANSISTORS COMPANY LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

	Schedule	Rs.	2007-2008 Rs.	2006-2007 Rs.
INCOME:	J		697,104	332,211
			697,104	332,211
EXPENDITURE:				
Depreciation		55,554		58,477
Loss on sale of Investments (Net)		2,675,956		-
Operating, Administration & Other Expenses	K	<u>94,233</u>		<u>36,083</u>
			2,825,743	94,560
PROFIT BEFORE TAX			(2,128,639)	237,651
Less / (Add) : Provision for Taxation			(69,000)	68,000
PROFIT/(LOSS) AFTER TAX			(2,197,639)	169,651
Add: Excess Provision for taxation made in respect of earlier years			-	27
			(2,197,639)	169,678
Less / (Add): Balance of Loss brought forward from earlier year			(28,754,951)	28,924,629
BALANCE LOSS CARRIED TO BALANCE SHEET			30,952,590	28,754,951
Earnings Per Share (Basic & Diluted) Share of Rs. 10/- each).			(43.95)	3.39
NOTES ON ACCOUNTS	L			

As per our attached report of even date.

For M. D. Pandya & Associates
Chartered Accountants

(A. D. Pandya)
Partner

Place : Mumbai
Date : 8th September, 2008

For and on behalf of the board of
Radio Components & Transistors Company Limited

(Devaki J. Jarlwalla)
(Asha M. Khatau)
Directors

Mumbai
Date : 8th September, 2008

RADIO COMPONENTS & TRANSISTORS COMPANY LIMITED

SCHEDULES FORMING PART OF ACCOUNTS

	Rs.	As At 31st March, 2008 Rs.	As At 31st March, 2007 Rs.
SCHEDULE A SHARE CAPITAL:			
Authorised: 50,000 Equity Shares of Rs. 10/- each.		500,000	500,000
		<u>500,000</u>	<u>500,000</u>
Issued, Subscribed and Called-up: 50,000 Equity Shares of Rs.10/- each fully paid-up.		500,000	500,000
		<u>500,000</u>	<u>500,000</u>
Note : The entire paid - up share capital of the Company is held by Indokem Ltd.			
SCHEDULE B RESERVES AND SURPLUS:			
Capital Reserve: Balance as per last Balance Sheet		1,141,979	1,141,979
General Reserve Balance as per last Balance Sheet	1,277,300		1,277,300
Less: Debit Balance in Profit & Loss Account (As per contra)	<u>1,277,300</u>		<u>1,277,300</u>
		<u>-</u>	<u>-</u>
		<u>1,141,979</u>	<u>1,141,979</u>
SCHEDULE C UNSECURED LOANS:			
From Others (Including Security)		31,570,430	33,203,548
Deposit of Rs. 3 crores (Previous Year: Rs. 3 crores).			
Add: Interest accrued and due on above		10,787,990	11,165,916
		<u>42,358,420</u>	<u>44,369,464</u>
SCHEDULE D A. FIXED ASSETS:			

Description of Assets	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at 1st April, 2007 Rs.	Additions during the year Rs.	Deductions during the year Rs.	As at 31st March, 2008 Rs.	As at 31st March, 2007 Rs.	Provided during the year Rs.	Adjustment Rs.	Total Upto 31st March, 2008 Rs.	As at 31st March, 2008 Rs.	As at 31st March, 2007 Rs.
Immovable property (Refer Note 3 in schedule L)	1,172,500	0	0	1,172,500	61,430	55,554	0	116,984	1,055,516	1,111,070
TOTAL Rs.	1,172,500	0	0	1,172,500	61,430	55,554	0	116,984	1,055,516	1,111,070
PREVIOUS YEAR Rs.	440,000	732,500	0	1,172,500	2,953	58,477	0	61,430	1,111,070	437,047

Notes:-

1. The company has created a charge in respect of the abovementioned immovable property in favour of Indian Overseas Bank in connection with the Term Loan of Rs. 405 lacs under Liquient Scheme given by the said Bank to Indokem Ltd.

RADIO COMPONENTS & TRANSISTORS COMPANY LIMITED

SCHEDULES (CONTINUED) :

SCHEDULE E

LONG TERM INVESTMENTS: (AT COST)

A QUOTED (In Shares, Debentures, Bonds, etc.)

i. Equity Shares

<u>Name of Company</u>	<u>No. of Shares</u>	<u>Face Value Rs.</u>	<u>As at 31st March, 2008 Rs.</u>	<u>As at 31st March, 2007 Rs.</u>
Indokem Ltd.	-	-	-	23,283
National Organic Chemicals Ltd.	-	-	-	5,001
Ambalal Sarabhai Enterprises Ltd.	-	-	-	213
Scindia Steam Navigation Co. Ltd.	-	-	-	619
		i.	-	29,116
ii. Others:				
Silver Utensils (All the items are sold during the year)			-	47,243
Silver Bars (All the items are sold during the year)			-	13,582
Jewellery & Silver Articles (All the items are sold during the year)			-	35,610
		ii.	-	96,435
TOTAL QUOTED		A (i. + ii.)	-	125,551

LONG TERM INVESTMENTS (AT COST):

B. UNQUOTED (In Shares, Debentures & Bonds)

i. Equity Shares:

a. In Companies under the same management :

<u>Name of Company</u>	<u>No. of Shares</u>	<u>Face Value Rs.</u>		
Priyamvada Holdings Ltd.	-	-	-	156,600
Sovereign Trading Enterprises Ltd.	-	-	-	100,000
Asha Marine Products Pvt. Ltd.	-	-	-	175
		ia.	-	256,775
b. Others:				
Carona Ltd. (Refer Note 3. below)	-	-	-	1,610,625
Nepa Limited	-	-	-	1,220
Khatau Ecco Ltd (Partly Paid)	-	-	-	2,502,450
Muiraj Khatau & Sons Ltd. (Fully Paid)	-	-	-	1,000
Mulraj Khatau & Sons Ltd. (Partly Paid)	-	-	-	1,000
Sarabhai Electronics Ltd.	-	-	-	189
Bharat Chemicals & Fertilizers Ltd.	50	10	500	500
Mafatlal Engineering Ltd.	25	1,00	2,513	2,513
Polson Ltd.	-	-	-	1,647
		ib.	3,013	4,121,144
		Bi (ia. + ib)	3,013	4,377,919

RADIO COMPONENTS & TRANSISTORS COMPANY LIMITED

SCHEDULES E (CONTINUED) :

<u>Name of Company</u>	<u>No. of Shares</u>	<u>Face Value</u>	<u>As at 31st March, 2008 Rs.</u>	<u>As at 31st March, 2007 Rs.</u>
ii. Preference Shares				
Others:				
Khatau Leasing & Finance Co. Pvt. Ltd	-	-	-	23,841
Khatau Holdings & Trading Co. Pvt. Ltd	-	-	-	36,255
Khatau Makanji Spinning & Weaving Co. Ltd.	4	100	4	4
		B ii.	4	60,100
		Bi + Bii	3,017	4,438,019
Less: Provision for diminution in value of unquoted shares			3,017	274,410
TOTAL UNQUOTED		B	-	4,163,609
TOTAL (QUOTED + UNQUOTED)		A + B	-	4,289,160
Notes :				
1. Aggregate of Quoted Investments :				
Cost			-	125,551
Market Value			-	786,878
2. Aggregate of Unquoted Investments :				
Cost			3,017	4,438,019
3. The Company has disposed of the following investments during the year :				

<u>Name of the Company</u>	<u>No of shares</u>	
Indokem Ltd.	1,136	
NOCIL Ltd.	560	
(Formerly, National Organic Chemicals Co. Ltd.)		
Ambalal Sarabhai Enterprises Ltd.	20	
Scindia Steam Navigation Co. Ltd.	619	
Priyamvada Holdings Ltd.	15,660	
Sovereign Trading Enterprises Ltd.	10,000	
Asha Marine Products Pvt. Ltd.	350	
Carona Ltd.	1,492,968	
Nepa Limited	400	
Khatau Ecco Ltd (Partly Paid)	498,000	
Mulraj Khatau & Sons Ltd. (Fully Paid)	1	
Mulraj Khatau & Sons Ltd. (Partly Paid)	1	
ORG Informatics Ltd.	22	
(Formerly, Sarabhai Electronics Ltd.)		
Polson Ltd.	35	
Khatau Leasing & Finance Co. Pvt. Ltd	124,302	(Pref)
Khatau Holdings & Trading Co. Pvt. Ltd	345,275	(Pref)

4. All the Investments held as on 31.03.2008 are not in the Company's name since the Company has received these Shares on distribution of the Estate of Late Shri D. M. Khatau under his last will and either those companies are defunct or the Shareholders in whose names the Shares are standing have died.

CURRENT ASSETS

SCHEDULE F

CASH AND BANK BALANCES :

Cash on hand	143	31
Balance with a Scheduled Bank	7,386	50,729
in Current Account	7,529	50,760

RADIO COMPONENTS & TRANSISTORS COMPANY LIMITED

SCHEDULES (CONTINUED) :

SCHEDULE G

SUNDRY DEBTORS

Unsecured and considered good:

Outstanding for more than six months

Rs.

As at
31st March, 2008
Rs.

As at
31st March, 2007
Rs.

302,104

-

302,104

-

SCHEDULE H

LOANS AND ADVANCES:

Unsecured and Considered Good :

Advances to Companies (Refer Note 1 below)

Other Deposits

Advances recoverable in cash or in kind for value to be received

Payment of Taxes

12,881,950

13,054,485

12,450

4,200

300

300

219,695

1,43,252

13,114,395

13,202,237

NOTES:

1. Advances to Companies include advances :

As on
31.03.2008
Rs.

Maximum amount
outstanding
during the year
Rs.

a. To Companies under the same management
Emerald Capital Services Pvt. Ltd.

1,892,386
(1,892,386)

1,892,386
(1,892,386)

b. To Private Companies in which Directors
of the Company are Directors/Members

10,989,564
(11,162,099)

11,162,099
(11,254,379)

Note: Figures in brackets pertain to the previous year.

SCHEDULE I

CURRENT LIABILITIES & PROVISIONS:

A. CURRENT LIABILITIES:

Sundry Creditors

For Expenses

15,735

49,735

15,735

49,735

B. PROVISIONS:

Provision for Taxation

138,700

69,700

138,700

69,700

A + B

154,435

119,435

2007-2008
Rs.

2006-2007
Rs.

SCHEDULE J

INCOME:

Licence Fees (Gross) :

(Tax deducted at source: Rs. 65,256/-)

(Previous Year: Rs.71,089/-)

Guarantee Commission (Gross):

(Tax deducted at source: Rs. 11,187/-)

(Previous Year: Rs. 662/-)

Interest on Income Tax Refund

Provision for Fall in of value on unquoted shares written back (Net)

Dividend Received

316,800

316,800

108,608

11,796

-

3,215

271,394

-

302

400

697,104

332,211

RADIO COMPONENTS & TRANSISTORS COMPANY LIMITED

SCHEDULES (CONTINUED) :

	Rs.	2007-2008 Rs.	2006-2007 Rs.
SCHEDULE K			
OPERATING, ADMINISTRATION & OTHER EXPENSES:			
Professional Fees		50,000	6,400
Legal fees		6,000	-
Remuneration to Auditors:			
Audit Fees	6,000		1,000
Taxation Matter fees	2,000		-
		8,000	1,000
Filing Fees		1,262	2,430
Demat & Custodial Charges		673	701
Miscellaneous Expenses		3,292	2,317
Service Tax		6	735
Service Charges		25,000	22,500
		<u>94,233</u>	<u>36,083</u>

RADIO COMPONENTS & TRANSISTORS COMPANY LIMITED

SCHEDULES (CONTINUED):

SCHEDULE L:

NOTES ON ACCOUNTS:

1. SIGNIFICANT ACCOUNTING POLICIES:

- a. **ACCOUNTING CONCEPTS:** The Company follows the Mercantile System of Accounting and recognizes Income and Expenditure on accrual basis. In spite of erosion of the entire net worth, the Directors are of the opinion that the company will be in a position to make up the losses and continue its activities in future. The accounts are prepared on historical cost basis and as a going concern. Accounting policies not referred to otherwise are consistent with generally accepted accounting principles.
- b. **FIXED ASSETS & DEPRECIATION:** Fixed Assets are stated at their cost of acquisition less depreciation. Depreciation has been provided on Fixed Assets under the Written down Value method at the rates specified in Schedule XIV of the Companies Act, 1956.
- c. **INVESTMENTS:** Investments being of long-term nature are stated at their cost of acquisition. Investments received by the company on distribution of the Estate of late Shri D. M. Khatau as a beneficiary under his last Will are stated at the values at which they were reflected in the books of the Estate.
- d. **PROVISION FOR TAXATION:** Provision for current income tax is based on taxable profits of the Company computed in accordance with the provisions of the Income Tax Act, 1961. Deferred Tax is recognized, subject to the consideration of prudence, on timing differences, being the difference between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods.
- e. **CONTINGENT LIABILITIES:** Contingent Liabilities are not provided for and are disclosed by way of notes.

2. The Company had earlier by an Agreement dated 30th March, 1995 acquired on lease, the property described in the Fixed Assets Schedule for a period of 10 years commencing from 1st April, 1995. Prior to execution of the said Agreement, the Lessor was negotiating to sell the property to another party. However, no agreement for sale in that behalf was entered into between the Lessor and the said other party.

During the Previous year ended 31st March, 2006, the Company, pursuant to the Agreement to convert Tenancy into ownership dated 17th March, 1997, had acquired all reversionary benefit, interest and other rights of the Lessor in the said property at a price of Rs. 440,000/-.

The said other party has filed a Suit in the Bombay High Court against the Lessor and the said Suit is pending hearing and final disposal. The Company has acquired the property after being fully aware of the above legal Suit and has agreed to defend the said Suit as also to bear all costs and consequences of the said Suit.

3. EARNINGS PER SHARE:

Earnings per share are calculated by dividing the profit/(loss) attributable to the Equity Shareholders by the weighted average number of Equity Shares outstanding during the period. The numbers used in calculating the basic and diluted earnings per Equity Share are as follows:

Particulars		31st March 2008	31st March 2007
Net Profit/(Loss)	(A)	(21,97,639)	169,678
Weighted average number of shares outstanding during the period.	(B)	50,000	50,000
Basic and Diluted Earnings per share of Rs. 10/- each.	(A)/(B)	(43.95)	3.39

4. Provision for taxation is based on taxable profits of the Company computed in accordance with the provisions of the Income Tax Act, 1961. Deferred Tax Asset on carry forward of losses is not recognised in the absence of virtual certainty that sufficient future taxable income will be available against which such deferred tax assets will be realised.
5. In the opinion of the Board, Current Assets, Loans and Advances are approximately of the value stated, if realised, in the ordinary course of business. Provision for all known liabilities is adequate and not in excess of the amount reasonably necessary.
6. **CONTINGENT LIABILITIES:**
 - a. In respect of shares pledged on behalf of third party (Book Value of shares pledged Rs. Nil (Previous Year Rs. 1,058,319/-).
 - b. In respect of uncalled liability on partly paid shares Rs. Nil (Previous Year: Rs. 2,490,750/-).
 - c. In respect of guarantee given on behalf of third party Rs. 334.16 lacs (Previous year Rs.341.39 lacs).
 - d. In respect of disputed Income tax Demand Rs. 49.61 lacs (Previous year Rs. Nil)
7. The Directors have waived sitting fees for meetings attended to by them during the year.
8. In view of clarification issued by the Central Board of Direct Taxes (CBDT) vide its circular no.8/ 2005 dated 29th August 2005, no provision for Fringe Benefit Tax has been made in the accounts, since the company does not have any employees on its pay roll.
9. Previous year's figures have been regrouped/rearranged, wherever necessary, to conform to the current year's classification.

RADIO COMPONENTS & TRANSISTORS COMPANY LIMITED

SCHEDULE L (CONTINUED) :

NOTES ON ACCOUNTS (CONTINUED) :

10. Additional Information required pursuant to Part IV Of Schedule VI to the Companies Act, 1956.

Balance Sheet Abstract And Company's General Business Profile:

REGISTRATION DETAILS

Registration No .	:	12364	State Code	11
Balance Sheet Date	:	31.03.2008		

II. CAPITAL RAISED DURING THE YEAR (Amount Rs.)

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount Rs.)

Total Liabilities	44,000,399	Total Assets	44,000,399
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SOURCES OF FUNDS

Paid-up Capital	500,000	Reserves & Surplus	1,141,979
Secured Loans	NIL	Unsecured Loans	42,358,420

APPLICATION OF FUNDS

Net Fixed Assets	1,055,516	Investments	0
Net Current Assets	13,269,593	Misc Expenditure	NIL
Accumulated Losses	29,675,290		

IV. PERFORMANCE OF COMPANY (Amount Rs.)

Turnover	697,104	Total Expenditure	2,825,743
Profit/(Loss) before tax	(2,128,639)	Profit/(Loss) after tax	(2,197,639)
Earning per share (Rs.)	(43.95)	Dividend Rate (%)	NIL

V. GENERIC NAMES OF THREE PRINCIPAL OF COMPANY

Item Code No.	N. A.
Product Description	N. A.

Signatures to Schedules A to L

For M. D. Pandya & Associates
Chartered Accountants

(A. D. Pandya)
Partner

Place : Mumbai
Date : 8th September, 2008

For and on behalf of the board of
Radio Components & Transistors Company Limited

(Devaki J. Jariwala)
(Asha M. Khatau)
Directors

Mumbai
Date : 8th September, 2008

INDOKEM LIMITED

(Formerly: Khatau Junker Limited)

Regd. Office : Khatau House, Plot No.410/411, Mogul Lane, Mahim, Mumbai – 400 016

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-second Annual General Meeting held at Khatau House, Plot No.410/411, Mogul Lane, Mahim (W), Mumbai – 400 016 on Tuesday the 18th November, 2008 at 4.00 p.m.

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

Member's / Proxy's Signature

(To be signed at the time of handing over this slip)



Tear Here

INDOKEM LIMITED

(Formerly: Khatau Junker Limited)

Regd. Office : Khatau House, Plot No.410/411, Mogul Lane, Mahim, Mumbai – 400 016

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 **FORTY-SECOND ANNUAL GENERAL MEETING** held at Khatau House, Plot No.410/411, Mogul Lane, Mahim (W), Mumbai - 400 016 on Tuesday the 18th November, 2008 at 4.00 p.m.

Signed thisday of2008.

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

Please affix
Revenue
Stamp
Re. 1/-

The Companies Act, 1956 lays down that an instrument appointing a proxy shall be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for holding the Meeting.

BOOK POST

If undelivered please return to:
Indokem Limited
Khatau House, Plot No. 410 / 411,
Mogul Lane,
Mahim, Mumbai - 400 016.

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