

INDSIL Electrosmelts Limited.

Annual Report

1998 - 1999



INDSIL ELECTROSMELTS LIMITED

9TH ANNUAL REPORT FOR THE YEAR ENDED 31ST MARCH 1999

BOARD OF DIRECTORS

SRI. K.G.BALAKRISHNAN
CHAIRMAN

SRI. S.N. VARADARAJAN
MANAGING DIRECTOR

SRI.VINOD NARSIMAN
EXECUTIVE DIRECTOR

SRI. S. INDERCHAND

SMT. D. PUSHPA VARADARAJAN

DR. S. RAMA IYER

SRI. B. BALCHAND

SRI. K.S. MAHADEVAN

SRI. M.K. RAVINDRANATHAN
NOMINEE OF KSIDC

DR. A.K. SREEDHARAN

SRI.L.M.MENEZES
NOMINEE OF IREDA

COMPANY SECRETARY

SRI. S. MAHADEVAN

AUDITORS

M/S. K.S.G. SUBRAMANYAM & CO.,
CHARTERED ACCOUNTANTS
COIMBATORE

BANKERS :

STATE BANK OF TRAVANCORE
THE FEDERAL BANK LTD

REGISTERED & ADMINISTRATIVE OFFICE

49, AVANASHI ROAD
COIMBATORE - 641 037

WORKS :

VI-679 PALLATHERI, ELAPULLY
PALAKKAD 678 007, KERALA

HYDRO ELECTRIC POWER PROJECT

PROJECT OFFICE :

VIII/351
RAJAKKAD, IDUKKI DIST.
KERALA 685 566.

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INDSIL**NOTICE OF THE NINTH ANNUAL GENERAL MEETING**

NOTICE is hereby given that the Ninth Annual General Meeting of the Company will be held at Chamber Towers, 8/732 Avanashi Road, Coimbatore 641 018 on Friday, the 24th September, 1999 at 10.00 A.M to transact the following business:

All the members are requested to make it convenient to attend the meeting.

AGENDA**ORDINARY BUSINESS**

1. To consider and adopt the Profit & Loss Account for the year ended 31st March, 1999 and Balance Sheet as at that date, Auditors' report thereon and the Directors' report for the year ended 31st March, 1999.
2. To declare dividend on equity shares.
3. To appoint a Director in the place of Dr. S. Rama Iyer who retires by rotation and being eligible for re-election offers himself for reappointment.
4. To appoint a Director in the place of Sri B. Balchand who retires by rotation and being eligible for re-election offers himself for reappointment.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting on such remuneration as may be decided by the Board of Directors of the Company. The retiring Auditors M/s. K.S.G. Subramanyam & Co., Chartered Accountants are eligible for reappointment.

SPECIAL BUSINESS

6. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution :

Resolution : "RESOLVED THAT in accordance with Schedule XIII read with Sections 198, 269, and 309 and other applicable provisions, if any, of the Companies Act 1956, (including any statutory modifications or re-enactment thereof, for the time being in force) the consent of the Company be and is hereby given to the re-appointment of Sri S.N.Varadarajan as Managing Director of the Company for a period of five years with effect from 17th November, 1999 on the same remuneration, terms and conditions as of now exists as per the following details ".

- I A. Salary : Rs. 50,000/- per month.
- B. Commission : 3% of the net profit of the Company in each year computed in accordance with Section 349 of the Companies Act, 1956.
- C. Perquisites : In addition to the above salary :-
 - a) Company leased residential accommodation on recovery of 10% of the salary.
 - b) Expenditure for medical treatment incurred for self, wife and dependent children not exceeding one months' salary per annum or 3months' salary over a period of 3 years.
 - c) Leave travel concession for self, wife and dependent children once in a year in accordance with the rules of the Company.
 - d) Fees of clubs of choice, however not exceeding 2 numbers over and above admission fees payable.
 - e) Personal accident insurance premium not exceeding Rs.6000/- per annum.
 - f) Company's contribution to Provident Fund as per rules of the Company.
 - g) Contribution to superannuation fund/annuity as per rules of the Company.
 - h) Gratuity as per rules of the Company, but not exceeding half a month's salary for each completed year of service.
 - i) Encashment of leave at the end of the tenure as per the rules of the Company.
 - j) Any other perquisites as may be allowed by the Board of Directors of the Company.

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The above is subject hereunder to the fact that the aggregate of the total salary, commission and perquisites payable shall not exceed the prescribed ceiling of the net profit of the Company calculated in accordance with Section 198 and Section 309 of the Act.

II) In case the Company has no profits or its profits are inadequate in any financial year during the currency of the tenure of Sri.S.N.Varadarajan as Managing Director of the Company, Sri.S.N.Varadarajan shall be entitled to receive a total minimum remuneration as above subject to a minimum remuneration specified in para 1 of Section II of Part II of Schedule XIII of the Companies Act, 1956 as amended from time to time provided that the following perquisites shall not be included in the computation of total minimum remuneration.

- a) Company's contribution to provident fund, superannuation fund/annuity to the extent that either singly or put together are not taxable under the Income Tax Act, 1961.
- b) Gratuity payable at a rate not exceeding half a months' salary per each completed year of service, and
- c) Encashment of leave at the end of the tenure.

All perquisites shall be evaluated as per Income Tax Rules, 1962 wherever applicable and in the absence of such rule, perquisites shall be evaluated at actual cost.

III. OTHERS

- a) The Managing Director shall be entitled to reimbursement of all actual expenses including on entertainment and travelling incurred in the course of the Company's business.
- b) The Company shall provide a car with driver and telephone facility at the residence of the Managing Director. Provision of car with driver for use of the Company's business and telephone facility at the residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the Managing Director.

IV. Appointment may be terminated by either side at any time by giving 3 months' notice in writing provided that in case termination is desired by the Company, payment of 3 months' salary in lieu of notice will be taken as sufficient.

7. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution :

Resolution : "RESOLVED THAT after the existing Article 26, a new Article 26 A be inserted to read as under :-

Nomination by Shareholder : On the death of a shareholder/debenture holder of the Company, the Company shall confer the shares/debentures or interest of the deceased shareholder/debenture holder to a person or persons nominated by the shareholder/debenture holder in accordance with the rules framed by the Board of Directors or if no such person is nominated as may appear to the Board of Directors, to the heir, legal representative of the deceased shareholder/debenture holder. Provided that such nominee or heir or legal representative of the deceased as the case may be is or duly admitted as a shareholder/debenture holder of the Company. All transfers and payments duly made by the Company in accordance with the provisions herein contained shall be valid and effective against any demand made upon the Company by any other person. Nomination and Transmission of shares/debentures will be governed by the provisions of Section 109-A and 109-B of the Act as amended from time to time."

8. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

Resolution : "RESOLVED THAT consent of the Company be and is hereby accorded in terms of Section 293 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956, to mortgaging and/or charging by the Board of Directors of the Company of all the immovable and movable properties of

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the Company wheresoever situated (including those pertaining to 21 MW Kuthungal Hydro Electric Power Project at Panniar, Idukki District, Kerala), both present and future and/or conferring power to enter upon and take possession of the assets of the Company in certain events to or in favour of Industrial Development Bank of India (IDBI) to secure:

- a. Repayment of the Rupee term loan of Rs.1310 Lakhs sanctioned under Project Finance Scheme.
- b. Interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, commitment charges, premia on prepayment on redemption, costs, charges, expenses and other monies payable by the Company to IDBI under the loan agreement to be entered into by the Company in respect of the said Rupee term loan sanctioned under Project Finance Scheme".

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to finalise with IDBI the documents for creating aforesaid mortgage and/or charge and to do all such acts, and things as may be necessary for giving effect to the above said resolution".

"RESOLVED FURTHER THAT for the purpose of giving effect to the above resolutions, the Board be and is hereby authorised to do all such acts, deeds, matters and things and execute all such deeds, documents, instruments and writings as it may in its absolute discretion deem necessary or desirable and pay fees and commission and incur expenses in relation thereto".

Place : Coimbatore
Date : 30.07.1999

By Order of the Board
S.N. VARADARAJAN
Managing Director

NOTES :

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. The proxy form should be lodged at the Registered Office of the Company atleast 48 hours before the commencement of the meeting
2. The Register of Members and Share Transfer Books of the Company will remain closed from 16.09.1999 to 24.09.1999 (both days inclusive)
3. The relevant Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the special business is annexed hitherto.
4. The Directors have recommended a dividend of 10% on the paid up equity share capital for the year ended March 31, 1999. The dividend, if declared at the meeting, will be paid to those members (or their mandates) whose names are borne in the Register of Members of the Company on 24.09.1999.
5. Consequent upon amendment in Section 205A of the Companies Act, 1956 and introduction of Section 205C by the Companies (Amendment) Act, 1999, the amount of dividend remaining unclaimed for a period of seven years shall be transferred to the Investor Education and Protection Fund. Members who have not encashed their Dividend Warrants for the earlier years are requested to make their claim to the Company.
6. Members are requested to notify change, if any, of their address to the Registered Office of the Company immediately. Members are requested to bring their copy of the Annual Report to the meeting.
7. Members who have not yet given their Bank's Name, Address and Account Number are requested to furnish the same to the Registered Office of the Company on or before the date of the Annual General Meeting to facilitate printing of the same on the Dividend Warrants.
8. The equity shares of the Company are listed on Coimbatore, Mumbai, Chennai, Cochin and Ahmedabad Stock Exchanges.
9. Members who have multiple accounts in identical names or joint accounts in same order are requested to send all their share certificates to the Registered Office of the Company for consolidation of all such shareholding into one account to facilitate better service.

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10. For the convenience of the Members, an attendance slip is annexed to the proxy form. Members are requested to affix their signatures at the space provided and hand over the attendance slip at the place of the meeting.
11. All documents referred to in the Notice of the AGM and the Explanatory Statement are open for inspection at the Registered Office of the Company during the office hours (9.30 A.M to 5.30 P.M) on all working days except Holidays before the date of the Annual General Meeting.
12. Shareholders seeking any information with regard to accounts are requested to write to the Company seven days prior to the meeting so as to enable the management to keep the information ready.

Place : Coimbatore
Date : 30.07.1999

By Order of the Board
S.N. VARADARAJAN
Managing Director

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

ITEM NO. 6

Sri S.N. Varadarajan was re-appointed as Managing Director of the Company for a period of 5 years from 17.11.1994 and his term of office expires on 16.11.1999. The Board of Directors of the Company at their meeting held on 30.07.1999 re-appointed Sri S.N. Varadarajan as Managing Director of the Company subject to the approval of the Members, on the same remuneration, terms and conditions as of now exists for a further period of 5 years. The remuneration and perquisites payable to Sri S.N. Varadarajan are in line with the requirements of Schedule XIII to the Companies Act, 1956.

None of the Directors other than Sri S.N. Varadarajan, Managing Director, Smt.D. Pushpa Varadarajan, Director and Sri Vinod Narsiman, Executive Director are interested in this resolution.

Necessary resolutions re-appointing Sri S.N. Varadarajan as Managing Director of the Company and for the remuneration payable to him are placed before you for your approval.

The foregoing material provisions may also be treated as an abstract of the terms of Sri. S.N. Varadarajan's reappointment as Managing Director for the purposes of Section 302 of the Companies Act, 1956.

ITEM NO. 7

With the introduction of new Sections 109-A and 109-B to the Companies Act, 1956 by the Companies (Amendment) Act, 1999, shareholders/debenture holders are permitted to nominate any person or persons to whom the shares/debentures shall vest in the event of his/her/their death. To enable nomination by the shareholders/debenture holders it is proposed to insert a new Article 26 A after the existing Article 26 in the Articles of Association of the Company.

Necessary resolution for inserting a new Article is placed before you for your approval.

None of the Directors of the Company are interested in the resolution.

ITEM NO. 8

Industrial Development Bank of India (IDBI), vide their letter of intent no IDBI (CBO) Ref. No. 892 CFD (27) dated 21st July 1999, has sanctioned Rs.1310 Lakhs as Rupee Term Loan under Project Finance Scheme (PFS) towards part funding the Kuthungal Hydro Electric Power Project. As per Section 293 (1) (a) of the Companies Act, 1956, shareholders' approval is required for mortgaging/charging the assets of the Company.

The Board of Directors recommend the resolution and the same is placed before you for your approval.

None of the Directors of the Company are interested in this resolution.

Place : Coimbatore
Date : 30.07.1999

By Order of the Board
S.N. VARADARAJAN
Managing Director

INDSIL**DIRECTORS' REPORT**

To

The Shareholders,
Indsil Electrosmelts Limited,
49, Avanashi Road
COIMBATORE - 641 037.

Ladies and Gentlemen,

Your Directors have great pleasure in presenting the Ninth Annual Report of your Company together with the Audited statement of accounts for the year ended 31st March, 1999.

FINANCIAL RESULTS

(Rs. in lakhs)

	1998-99	1997-98
Profit before Depreciation and Financial charges	767.21	477.31
Financial charges	152.18	208.93
Profit before Depreciation	615.03	268.38
Depreciation	115.00	111.95
Profit before Tax	500.03	156.43
Less : Appropriations		
Income Tax for Prior years	2.03	1.78
Provision for taxation	16.00	...
Transfer to MAT Credit Reserve	...	16.00
	18.03	17.78
Profit after tax	482.00	138.65
Add : Balance brought forward	119.11	492.43
	601.11	631.08
Less : Transfer to General Reserve	500.00	461.00
Proposed Dividend	77.23	46.34
Addl. Tax on proposed Dividend	8.50	4.63
	585.73	511.97
Carried over to Balance Sheet	15.38	119.11

DIVIDEND

In order to conserve funds for the completion of the Kuthungal Hydro Electric Power Project which is slated for completion in the current year, your Directors are constrained to restrict the dividend to 10%

PERFORMANCE

The financial performance for this year has been the best since the inception of the Company. Despite major challenges in the pricing trends of our products, the Company has managed to sustain volumes through value addition.

Exports constituted 16.86% of the total Sales.

The Company was awarded "KSIDC'S AWARD FOR EXCELLENCE-99" in recognition for its outstanding performance in terms of employment generation, good labour relations, contribution to economy and profitability.

CINDSIL**FUTURE PROSPECTS**

With the rapidly changing, dynamic markets for our products, the Company has been active in operating with optimal product mixes from time to time. The Company will continue its quest for value addition and widening its scope for supply in the global markets.

The Company's major challenge in the forthcoming year will be the early commissioning of the captive Hydro Electric Power Project at Kuthungal, Kerala and your Directors are confident that this Project will be commissioned by the last quarter, 1999. This Project, once commissioned, will develop enormous competitive advantage for the Company in terms of reliable and economical power. With this advantages, the Company will be in a position of major strength to achieve its objectives.

FINANCE

The World Bank through IREDA continues to participate in the financial assistance for developing the Kuthungal Hydro Electric Power Project.

DEPOSITS

No deposits are outstanding as on the date of the report.

Y2K COMPLIANCE

The Company has already taken requisite steps to become Y2K compliant.

DIRECTORS

On the expiry of the period of appointment, Sri. S.N. Varadarajan, Managing Director has been reappointed by the Board subject to the approval of the Members for a further period of 5 years with effect from 17th November, 1999 on the same remuneration, terms and conditions as of now exists.

Dr. S.Rama Iyer and Sri. B. Balchand are retiring by rotation at the forthcoming Annual General Meeting and being eligible for re-election offer themselves for re-election.

AUDITORS

M/s. K.S.G. Subramanyam & Co., Company's existing Auditors are to retire at the ensuing Annual General Meeting and being eligible for reappointment, they have consented to continue to be the Auditors of the Company.

PARTICULARS REQUIRED UNDER SECTION 217 OF THE COMPANIES ACT, 1956.

Particulars required under Section 217 of the Companies Act, 1956 read with relevant rules are annexed vide Annexure A and B.

BANKERS

State Bank of Travancore and The Federal Bank Limited continue to be our bankers.

ACKNOWLEDGEMENTS

Your Directors are extremely thankful to Indian Renewable Energy Development Agency Limited, World Bank, Industrial Development Bank of India, State Bank of Travancore, Kerala State Industrial Development Corporation Limited and The Federal Bank Ltd for their continued support and guidance.

Your Directors place on record their gratefulness to the shareholders for the trust they have reposed on them. They also appreciate the co-operation and contribution made by the Executives, Staff and Workers of the Company.

Place : Coimbatore
Date : 30.07.1999

By Order of the Board
K.G. BALAKRISHNAN
Chairman