



INDSIL ELECTROSMELTS LIMITED

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ANNUAL REPORT
1999-2000



INDSIL ELECTROSMELTS LIMITED

10 TH ANNUAL REPORT FOR THE YEAR ENDED 31ST MARCH 2000

BOARD OF DIRECTORS

SRI. S.N. VARADARAJAN
CHAIRMAN & 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, IAS (Retd.)
NOMINEE OF KSIDC

DR. A.K. SREEDHARAN

SRI.L.M.MENEZES, IAS (Retd.)
NOMINEE OF IREDA

COMPANY SECRETARY

SRI. S. MAHADEVAN

AUDITORS

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

BANKERS :

STATE BANK OF INDIA
STATE BANK OF TRAVANCORE
THE FEDERAL BANK LTD.
INDUSIND BANK LIMITED
THE SOUTH INDIAN BANK LTD.
IDBI 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 TENTH ANNUAL GENERAL MEETING**

NOTICE is hereby given that the Tenth Annual General Meeting of the Company will be held at Chamber Towers, 8/732 Avanashi Road, Coimbatore 641 018 on Wednesday, the 27th September, 2000 at 10.30 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, 2000 and Balance Sheet as at that date, Auditors' report thereon and the Directors' report for the year ended 31st March, 2000.
2. To declare dividend on equity shares.
3. To appoint a Director in the place of Smt. D. Pushpa Varadarajan who retires by rotation and being eligible for re-election offers herself for reappointment.
4. To appoint a Director in the place of Sri S. Inderchand 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(a) 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 the Company including those pertaining to 21 MW Kuthungal Hydro Electric Power Project at Panniar, Idukki District, Kerala, and/or conferring power to enter upon and take possession of the assets of the Company in certain events to or in favour of The Federal Bank Limited to secure :

- a. Repayment of the rupee term loan of Rs.1200 Lakhs agreed to be lent and advanced to the Company by The Federal Bank Limited.
- b. Interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, commitment charges, premia on prepayment or on redemption, costs, charges, expenses and other monies payable by the Company to The Federal Bank Limited under the loan agreement to be entered into by the Company in respect of the said term loan"

" RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to finalise with The Federal Bank Limited the documents for creating aforesaid mortgage and / or charge and to do all such acts, things and deeds as are 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".

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- (b) 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 the Company including those pertaining to 21 MW Kuthungal Hydro Electric Power Project at Panniar, Idukki District, Kerala, and/or conferring power to enter upon and take possession of the assets of the Company in certain events to or in favour of State Bank of India to secure :

- a. Repayment of the Rupee term loan of Rs.1000 Lakhs agreed to be lent and advanced to the Company by State Bank of India.
- b. Interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, commitment charges, premia on prepayment or on redemption, costs, charges, expenses and other monies payable by the Company to State Bank of India under the loan agreement to be entered into by the Company in respect of the said term loan"

" RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to finalise with State Bank of India the documents for creating aforesaid mortgage and/or charge and to do all such acts, things and deeds as are 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".

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

Resolution : " RESOLVED THAT pursuant to the provisions of Sections 198, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956, and such other approvals as are necessary, a sum not exceeding 1% of the annual net profits of the Company computed in accordance with the provisions of Sections 198, 349 and 350 of the said Act and subject to an overall ceiling of Rs.5,00,000 (Rupees Five Lakhs Only) per year, be paid to and distributed amongst such Directors of the Company (other than the Managing Director and Executive Director) such amounts or such proportions and in such manner as may be directed by the Board of Directors and such payment shall be made in respect of the profits of the Company for each year for a further period of five financial years commencing from April 1, 2000".

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

Resolution : "RESOLVED THAT the consent of the Company be and is hereby accorded to the Company for voluntary delisting of its equity shares from Delhi, Cochin and Ahmedabad Stock Exchanges and that the Board be and is hereby authorised to do all such acts and things as may be necessary in this regard".

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

Resolution : "RESOLVED THAT the Articles of Association of the Company be and is hereby amended in the manner set out below".

A new Article viz., 29A be inserted after existing Article 29 to read as below.

SECURITIES IN DEPOSITORY SYSTEM

- 29 A (a) For the purpose of this Article :

" Beneficial Owner" means a person or persons whose name(s) is /are recorded as such with a Depository.

" Depository " means a Company formed and registered under the Companies Act, 1956 and which has been granted a certificate of registration to act as a Depository under the Securities and Exchange Board of India Act, 1992.

" SEBI" means the Securities and Exchange Board of India established under Securities and Exchange Board of India Act, 1992.

" Act " means the Companies Act, 1956

" Member" means the duly registered holder from time to time of the shares of the Company and including the subscribers to the Memorandum of Association of the Company and the beneficial owner (s) as defined in clause (a) of sub section (1) of Section 2 of the Depositories Act, 1996.

" SECURITY" or "SECURITIES" means such security or securities as defined in the Securities Contracts (Regulation) Act, 1956 or such Security or Securities as may be specified by SEBI.

- (b) Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its securities, rematerialise its securities and/or to offer securities for subscription in a dematerialised form pursuant to the Depositories Act, 1996.
- (c) Every person subscribing to securities offered by the Company shall have the option to receive security certificates or to hold the securities with a Depository. Such a person who is the beneficial owner of the securities can at any time opt out of a Depository, if permitted by the law, in respect of any security in the manner provided by the Depositories Act, 1996 and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required certificates of securities. If a person opts to hold his security with a Depository, the Company shall intimate to such Depository the details of allotment of the security, and on receipt of the information, the Depository shall enter in its record the name of the allottee as the beneficial owner of the security.
- (d) All securities held by a Depository shall be dematerialised and be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372 of the Act shall apply to a Depository in respect of the securities held by it on behalf of the beneficial owners.
- (e)
 - (i) Notwithstanding anything to the contrary contained in the Act or these Articles, a Depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of security on behalf of the beneficial owner.
 - (ii) Save as otherwise provided in (i) above, the Depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.
 - (iii) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the Depository shall be deemed to be a Member of the Company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a Depository.

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- (f) Notwithstanding anything contained in the Act or in these Articles to the contrary, where securities are held in a Depository, the records of the beneficial ownership may be served by such Depository on the Company by means of electronic mode or by delivery of floppies or discs.
- (g) Nothing contained in Section 108 of the Act or these Articles shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of the Depository
- (h) Notwithstanding anything contained in the Act or in these Articles, where securities are dealt with by a Depository, the Company shall intimate the details thereof to the Depository immediately on allotment of such securities.
- (i) Nothing contained in the Act or in these Articles regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held with a Depository.
- (j) The Register and Index of beneficial owners maintained by a Depository under the Depository Act, 1996 shall be deemed to be the Register and Index of Members and Security holders for the purposes of these Articles.
10. To consider and if thought fit, to pass, with or without modification (s), the following resolution as a Special Resolution :
- Resolution : " RESOLVED THAT the existing Capital Clause V of the Memorandum of Association of the Company be and is hereby altered and the same is substituted by the following :
- V. The Share Capital of the Company is Rs.30,00,00,000/- (Rupees Thirty Crores only) divided into 2,00,00,000 Equity shares of Rs.10/- (Rupees Ten only) each and 10,00,000 Redeemable Cumulative Preference Shares of Rs.100/- (Rupees one hundred only) each provided that an option or right to call of shares shall not be given to any person(s) except with the sanction of the Company in General Meeting."
11. To consider and if thought fit, to pass, with or without modification (s), the following resolution as a Special Resolution :
- Resolution : " RESOLVED THAT the existing Article 3 of the Articles of Association of the Company be and is hereby altered and the same be substituted by the following :
3. The Share Capital of the Company is Rs.30,00,00,000/- (Rupees Thirty Crores only) divided into 2,00,00,000 Equity shares of Rs.10/- (Rupees Ten only) each and 10,00,000 Redeemable Cumulative Preference shares of Rs.100/- (Rupees one hundred only) each provided that an option or right to call of shares shall not be given to any person (s) except with the sanction of the Company in General Meeting".
12. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution :
- Resolution : " RESOLVED THAT pursuant to Article 5 of the Articles of Association of the Company and subject to Section 81 of the Companies Act, 1956 and other applicable provisions, if any, and subject to such terms and conditions and such other consents and approvals from the appropriate authorities, if any, Cumulative Redeemable Preference Shares of Rs.100/- each forming part of the Authorised Capital not exceeding Rs.10 Crores be issued and allotted at such rates and terms to any person or persons as the Board of Directors may deem fit on the following conditions :
1. The said Preferences Shares shall carry a right to a cumulative preference dividend fixed in relation to the capital paid up on them.
 2. The holders of the said preference shares shall have a right to attend general meetings of the Company and vote on resolutions directly affecting their interest or where the dividends in respect thereof are in arrears for not less than two years on the date of the meeting, on all resolutions at every meeting of the Company.

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3. In a winding up, the holders of the said preference shares shall be entitled to a preferential right of return of the amount paid up on such shares together with arrears of cumulative preferential dividend due on the date of winding up but shall not have any further right or claim over the surplus assets of the Company".

By order of the Board

Place : Coimbatore
Date : 14.08.2000

S.N. VARADARAJAN
Chairman & 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 15.09.2000 to 27.09.2000 (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 7% on the paid up equity share capital for the year ended March 31, 2000. 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 27.09.2000.
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 addresses to the Registered Office of the Company immediately. Members are requested to bring their copies of the Annual Reports 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, Ahmedabad and Delhi Stock Exchanges and the annual listing fees has been paid to each of the 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 shareholdings into one account to facilitate better service.
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.

By order of the Board

Place : Coimbatore
Date : 14.08.2000

S.N. VARADARAJAN
Chairman & Managing Director

INDSIL**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.****ITEM NO. 6 (a) & (b)**

In order to enable the Company to pay all the loan obtained from IREDA for the development of the Kuthungal Hydro Electric Power Project prematurely and thereby reduce the interest burden, the Company had arranged loans from The Federal Bank Limited and State Bank of India. With the amount thus obtained, the Company had paid all IREDA's loan amount including their premium for pre-mature pre-payment.

The Federal Bank Limited (FBL), by their letter of Sanction no. 173 dated 19th June 2000, has sanctioned Rs.1200 Lakhs as Term Loan 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.

State Bank of India (SBI), by their letter of Sanction no. CB/ADV/RMI dated 6th July 2000, has sanctioned Rs.1000 Lakhs as Term Loan 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 these resolutions and the same are placed before you for your approval.

None of the Directors of the Company are interested in these resolutions

ITEM NO. 7

The Members had approved of a similar resolution at the 6th Annual General Meeting of the Company held on 21st August 1996. Since the special resolution in respect of commission on profits to the Directors is valid only for a period of five years and will be expiring on 31.3.2000, it is proposed to seek a fresh mandate from the Members for a further period of five years.

Since the Non-wholetime Directors devote considerable time to the business of the Company and the Company substantially benefits by their expertise and mature advice, it is only fair that they are paid suitable remuneration by way of commission not exceeding one percent per annum of the net profits of the Company (subject to a ceiling of Rs.5,00,000/- (Rupees Five Lakhs only) per annum, computed in accordance with the provisions of the Act. This remuneration will be distributed amongst the Directors in accordance with the directions given by the Board.

Necessary resolution for payment of commission to Non-wholetime Directors is placed before you for your approval.

All the Directors of the Company except Sri. S.N. Varadarajan, Chairman & Managing Director and Sri Vinod Narsiman, Executive Director may be deemed to be concerned or interested in the aforesaid resolution to the extent of the remuneration that may be received by them.

ITEM NO. 8

The Company's equity shares are presently listed on the Stock Exchanges at Ahmedabad, Bombay, Coimbatore, Cochin, Delhi and Madras. The expenses incurred by the Company due to listing in all the six exchanges are increasing day by day. Further the number of transactions put through the Stock Exchanges of Delhi, Cochin and Ahmedabad were practically nil or negligible.

Hence the Board of Directors decided to delist its shares from Ahmedabad, Cochin and Delhi Stock Exchanges. However the shares of the Company will continue to be listed in Coimbatore, Bombay and Madras Stock Exchanges and accordingly there will be no difficulty for the shareholders of the Company in dealing with the shares through Stock Exchanges. However such delisting is subject to the provisions of "voluntary delisting guidelines" issued by SEBI.

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 the resolution.

INDSIL**ITEM NO. 9**

The Depositories Act, 1996, provides investors the facility of dealing in securities in electronic mode.

Recently, the Companies Act, 1956 has been amended, recognising the beneficial holders of shares in dematerialised form with a Depository as members of the Company and vesting them all rights and powers as shareholders of the Company. In order to bring the provisions of the Articles of Association of the Company in consonance with the latest provisions of the Companies Act, 1956 and the Depositories Act, 1996, it is proposed to suitably amend the Articles as set out in the Special Resolution. Thus enabling provisions would facilitate the Company for dematerialisation of its shares in the event it is made compulsory for the Company to do so in future on receipt of such directives from appropriate authorities.

In terms of Section 31 of the Companies Act, 1956 the special resolution for amending/altering the provisions of the Articles requires the approval of the shareholders.

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 the resolutions.

ITEM NO. 10 & 11

The Company is working out a proposal for re-structuring the capital structure to replenish part of the term loan by way of issue of Cumulative Redeemable Preference Shares. The existing Capital Clause V of Memorandum of Association is altered to make a provision for issue of Ten Lakh Cumulative Redeemable Preference Shares of Rs.100/- each, amounting to a total of Rs. 10 crores subject to the requisite approval from authorities concerned. Consequently, corresponding amendment is to be made in Article 3 of the Articles of Association of the Company. Hence the proposed amendment in the Memorandum of Association and Articles of Association.

The Board of Directors recommend the resolutions and the same are placed before you for your approval.

None of the Directors of the Company are interested in these resolutions.

ITEM NO. 12

The Company is taking steps to negotiate with institutional investors for the issue of Cumulative Redeemable Preference Shares. The proceeds of the issue is for replenishing part of the loan earlier availed and it is a cost saving measure. In such a case the institutional investors would require approval of the shareholders for issue of such Cumulative Redeemable Preference Shares, apart from other requisite approvals.

The resolution is an enabling resolution for issue of Cumulative Redeemable Preference shares.

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 : 14.08.2000

By order of the Board

S.N. VARADARAJAN

Chairman & Managing Director



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 Tenth Annual Report of your Company together with the Audited statement of accounts for the year ended 31st March, 2000.

FINANCIAL RESULTS

(Rs. in lakhs)

	1999-2000	1998-99
Profit before Depreciation and Financial charges	1037.38	767.21
Financial charges	214.51	152.18
Profit before Depreciation	822.87	615.03
Depreciation	117.68	115.00
Profit before Tax	705.19	500.03
Less : Appropriations		
MAT / Income Tax for Prior years	19.62	2.03
Provision for taxation	70.00	16.00
	89.62	18.03
Profit after tax	615.57	482.00
Add : Balance brought forward	15.38	119.11
	630.95	601.11
Less : Transfer to General Reserve	100.00	500.00
Proposed Dividend	54.06	77.23
Addl. Tax on proposed Dividend	11.89	8.50
	165.95	585.73
Carried over to Balance Sheet	465.00	15.38

DIVIDEND

To enable the Company to meet the various financial obligations arising out of the setting up of the Kuthungal Hydro Electric Power Project which will be fully commissioned during the course of this current year, your Directors are constrained to restrict the dividend to 7%.

PERFORMANCE

The financial performance of the Company is the best so far in its existence. This has been possible through consistent and innovative improvement in the product lines both in terms of volume and quality and their value addition.

The total value of sales registered an increase of 46.17%. The export constitutes 12.32% on the increased turn over, though in absolute terms the export was marginally higher when compared to last year.