



INDSIL ELECTROSMELTS LIMITED

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**ANNUAL REPORT
2000-2001**

FOR MEMBER'S KIND ATTENTION

- ◆ Members are requested to notify change, if any, of their address to the Registered Office of the Company immediately.
- ◆ 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 the same on the Dividend Warrants.
- ◆ Your Company has entered into Agreements with National Securities Depository Limited (NSDL) and Central Depository Service (India) Limited (CDSL) and SKDC Consultants Ltd., Coimbatore (for connectivity with NSDL & CDSL) to enable the Members to have the option of holding and dealing in the shares of the Company in electronic form through NSDL and CDSL. The ISIN of the equity shares of your company is **INE867D01018**. For more details please refer page No. 3 of the Annual Report.
- ◆ Members are requested to bring their copy of the Annual Report to the meeting.
- ◆ **Kindly fill in the required details in the prepaid post card hereunder and return the same to the Company.**



INDSIL ELECTROSMELTS LIMITED

11TH ANNUAL REPORT FOR THE YEAR ENDED 31ST MARCH 2001

BOARD OF DIRECTORS

SRI.S.N.VARADARAJAN
CHAIRMAN & MANAGING DIRECTOR

SRI.VINOD NARSIMAN
EXECUTIVE DIRECTOR

SRI S. INDERCHAND

SRI B. BALCHAND

SMT. D. PUSHPA VARADARAJAN

DR. S. RAMA IYER

SRI K.S. MAHADEVAN

SRI M.K. RAVINDRANATHAN, IAS (RETD.)
NOMINEE OF KSIDC

DR. A.K. SREEDHARAN

SMT. P.S. PREMA
NOMINEE OF IDBI

COMPANY SECRETARY

SRI S. MAHADEVAN

AUDITORS

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

DEPOSITORY SERVICES (RTA)

SKDC CONSULTANTS LTD.
No.11, Street No.1, S.N. Layout, Tatabad
COIMBATORE 641 012
Phone : 499856, 494704, 495962
E-mail : info@skdc.consultants.com

BANKERS :

STATE BANK OF INDIA
STATE BANK OF TRAVANCORE
THE FEDERAL BANK LIMITED
INDUSIND BANK LIMITED
THE SOUTH INDIAN BANK LIMITED
IDBI BANK LIMITED

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 DISTRICT
KERALA 685 566

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INDSIL**NOTICE OF THE ELEVENTH ANNUAL GENERAL MEETING.**

NOTICE is hereby given that the Eleventh Annual General Meeting of the Company will be held at Chamber Towers, 8/732 Avanashi Road, Coimbatore 641 018 on Thursday, the 27th September, 2001 at 10.00 A.M. to transact the following business :

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, 2001 and Balance Sheet as at that date, Auditors' Report thereon and the Directors' Report for the year ended 31st March 2001.
2. To declare dividend on equity shares.
3. To appoint a Director in the place of Sri. K.S. Mahadevan who retires by rotation and being eligible for re-election offers himself for reappointment.
4. To appoint a Director in the place of Dr. A.K. Sreedharan 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 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 wheresoever situated both present and future (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 Industrial Development Bank of India (IDBI) to secure :

- a. Repayment of the Rupee Term Loan of Rs.50 million 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, expenses and other monies payable by the Company to IDBI under the loan agreement entered/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."

By Order of the Board.

Place : Coimbatore
Date : 30-07-2001

S.N. VARADARAJAN
Chairman & Managing Director



NOTES FOR MEMBERS' ATTENTION :

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 17.09.2001 to 27.09.2001. (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 5% on the paid up equity share capital for the year ended March 31, 2001. The dividend, if declared at the meeting, will be paid to those members (or their mandatees) whose names are borne in the Register of Members of the Company on 27-09-2001
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 the same on the Dividend Warrants.
8. The equity shares of the Company are listed on Coimbatore, Mumbai, Chennai, Cochin, New Delhi and Ahmedabad Stock Exchanges. The Annual Listing fees has been paid upto date to all the exchanges.
9. Members who have multiple accounts in identical names or joint accounts in same order are requested to send their share certificates to the Registered Office of the Company for consolidation of all such shareholding 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 the 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.

DEMATERIALISATION OF SHARES

Consequent to the direction received from the Governing Board of Mumbai Stock Exchange that trading of equity shares of your Company in dematerialised form has been made compulsory, we are pleased to inform that your Company has entered into agreements with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and SKDC Consultants Ltd., Coimbatore (for connectivity with NSDL & CDSL) to enable the shareholders to have the option of holding and dealing in the shares of the Company in electronic form through NSDL or CDSL. The ISIN of the equity

INDSIL

shares of your Company is **INE867D01018**

The Depository System (DS) envisages the elimination of several problems involved in the scrip-based system such as bad deliveries, fraudulent transfers, fake certificates, thefts in postal transit, delay in transfers, long settlement cycles, mutilation of share certificates, etc.,. Simultaneously, DS offers several advantages like exemption from stamp duty, elimination of concept of market lot, elimination of bad deliveries, reduction in transaction costs, improved liquidity, etc.,.

If you wish to maintain your shareholding in the electronic form by joining the DS, you will have to open an account with a DEPOSITORY PARTICIPANT (DP), who are agents of NSDL or CDSL and lodge your share certificates through the DP with the Share Department of the Company for Dematerialisation. The DP will then ensure that the physical share certificates are cancelled and after verification by the Company, an equivalent number of shares will be credited to your account with the DP in the electronic form. You are also permitted under the DS to reconvert your electronic shareholding into the physical form of share certificates by a process of Rematerialisation. It may be noted that the DP would charge the investors for its services, which may vary from one DP to another.

It is reiterated that requests for Dematerialisation and Rematerialisation are to be made only to the DP with whom you have opened an account **AND NOT DIRECTLY TO THE COMPANY.**

By Order of the Board.

Place : Coimbatore
Date : 30-07-2001

S.N. VARADARAJAN
Chairman & Managing Director

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

ITEM NO.6

Industrial Development Bank of India (IDBI), by their letter of intent no.IDBI(CBO) Ref.No.1822 CFD(27) dated 18th August 2000, has sanctioned Rs.500 lakhs under Corporate Loan Scheme (CLS) to augment the Company's Ferro alloys unit's long term working capital margin requirements and normal capital expenditure. 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 the resolution.

By Order of the Board.

Place : Coimbatore
Date : 30-07-2001

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 Eleventh Annual Report of your Company together with the Audited statement of accounts for the year ended 31st March 2001.

FINANCIAL RESULTS

	(Rs. In Lakhs)	
	2000-2001	1999-2000
Profit before Depreciation and Financial charges	752.75	1037.38
Financial charges	472.38	214.51
Profit before Depreciation	280.37	822.87
Depreciation	226.90	117.68
Profit before tax	53.46	705.19
Less : Appropriations		
MAT / Income Tax for prior years	7.15	19.62
Provision for taxation.	5.00	70.00
	<u>12.14</u>	<u>89.62</u>
Profit after tax	41.32	615.57
Add : Balance brought forward	465.00	15.38
	<u>506.32</u>	<u>630.95</u>
Less : Transfer to General Reserve	100.00
Proposed Dividend	40.21	54.06
Addl. Tax on proposed dividend	4.10	11.89
	<u>44.31</u>	<u>165.95</u>
Carried over to Balance Sheet	<u>462.01</u>	<u>465.00</u>

DIVIDEND

Having completed the Kuthungal Hydro Electric Power Project and taking into account the various financial commitments to be met on completion of the Project, your Directors recommend for your consideration a dividend of 5% on the paidup value of equity shares which after your approval in the Annual General Meeting will be paid in accordance with the regulations applicable.

PERFORMANCE

The highlight of the year was your Company successfully commissioning the 21 MW Kuthungal Hydro Electric Power Project. It is the largest private hydel scheme in Kerala. The highlight of this achievement is that your Company implemented this Project in a record period of 28 months. Another significant achievement is that of ZERO cost escalation. In fact, your Company managed to peg the project cost down to the estimates that were made as early as in 1994.

INDSIL

The project cost on a per MW basis works out to Rs.2.3 Crores per MW and this is arguably one of the most competitive power plants in the country today.

Coming to the subject of financial performance, the year under review saw the Company achieving record production levels. This was due to continuous improvement in productivity levels at your Company's manufacturing facilities at Palakkad.

Your Company maintains market leadership in its core products.

However, financial performance for the year does not reflect these positive performance measures because of a set back during the latter half of the year that was totally beyond your Company's control. The reason is explained below :

Your Company commissioned its captive Hydro Electric Power Project as early as in May 2000 and was ready for full scale commercial operation from August 2000. Unfortunately, the power plant could not evacuate power because of the Kerala State Electricity Board's delay in drawing a 110 KV transmission line that was required for evacuation of power. Therefore the power project remained mostly idle and waiting for the 110 KV transmission line to be drawn.

In the meanwhile, your Company had to bear the entire fixed charges on loans borrowed for the power project as well as fixed charges on maintaining the mostly idle power plant. This amount worked out to Rs.4.67 Crores for the period from August 2000 to March 2001. Over and above this, full electricity charges were billed by the Kerala State Electricity Board despite the fact that your Company would have had access to its own power free of cost had the Kerala State Electricity Board fulfilled its obligation. Amount on this account works out to Rs.11.09 Crores for the period under dispute (August 2000 to March 2001). Your Company has sought legal redressal of the situation and the process to obtain suitable compensation is on. Your Company, as a matter of prudent measure and caution, has provided for the full electricity charges in addition to the fixed charges on an idle power plant.

With the availability of the evacuation line from 1st June 2001 onwards, the Company has started its operations in full and your Directors hope that this year's results (Financial Year 2001-2002) will reflect the competitive advantages of owning a captive hydro electric power facility.

FUTURE PROSPECTS

With the hydel power project being in full operation from 1st June 2001 onwards, it is our expectation that the Company would be able to show a better performance both in the domestic and in the export front in the years to come.

By virtue of your Company developing Kerala's largest private hydro electric power project within a record time and within very competitive costs, a tremendous amount of expertise and core competence has been built up in this field of activity. Your Company will leverage upon these advantages and focus on power generation from hydel sources and the business model could be even that of an independent power producer.

Depending on the Government of Kerala's Power Policy, your Company would be an important bidder for new hydro electric power schemes and if the Company's assumptions are proved right, the development of new hydro electric power schemes could start during the subsequent financial year itself.

FINANCE

In continuance to the restructuring activities undertaken during the year, the Company strengthened its working capital base by availing a sanction of Rs.500 Lakhs Corporate Loan from IDBI.

DIRECTORS RESPONSIBILITY STATEMENT UNDER SECTION 217 (2AA) OF THE COMPANIES (AMENDMENT) ACT, 2000**The Board of Directors Report**

1. That in the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures.
2. That 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 fair view of the state of affairs of the Company at the end of the period and of the profit or loss of the Company for that period.
3. That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets for preventing and detecting fraud and other irregularities.
4. The Directors have prepared the annual accounts on a going concern basis.

DEPOSITS

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

DIRECTORS.

IDBI has nominated Smt. P.S. Prema as a Director on the Board.

As the Company had repaid the entire loan taken from IREDA, IREDA had withdrawn the nomination of Sri L.M. Menezes from the Board.

Sri K.S. Mahadevan and Dr. A.K. Sreedharan are retiring by rotation at the forthcoming Annual General Meeting and being eligible for re-election offer themselves for re-appointment.

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, read with relevant rules are annexed vide Annexures A & B.

BANKERS

Besides State Bank of Travancore (SBT) and The Federal Bank Limited (FBL) facilities and services are being availed from IndusInd Bank Limited, State Bank of India, The South Indian Bank Limited and IDBI Bank Limited as well.

CORPORATE GOVERNANCE

Matters of importance are given in Annexure - C.

ACKNOWLEDGEMENT

Your Directors are extremely thankful to Industrial Development Bank of India, Kerala State Industrial Development Corporation Limited, State Bank of Travancore, State Bank of India, The Federal Bank Limited, IndusInd Bank Limited, The South Indian Bank Limited and IDBI Bank Limited 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 : 30-07-2001

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

ANNEXURE 'A' TO DIRECTORS' REPORT

INFORMATION REQUIRED UNDER SECTION 217 (1)(e) OF THE COMPANIES ACT, 1956.

I. CONSERVATION OF ENERGY.

- | | | |
|--|---|--|
| a. Energy conservation measure | : | At the time of installation of the equipment, sufficient devices have already been incorporated to conserve energy. These devices and furnace operation practices based on indigenous technology have resulted in maintaining the industry standards of consumption. |
| b. Additional Investments proposed for reduction in consumption of energy | : | Nil. |
| c. Impact of measures at (a) and (b) above for energy conservation | : | Nil |
| d. Total energy consumption per unit of production as per Form A of the Annexure in respect of industries specified. | : | Being a ferro alloy industry, not applicable. |

II. TECHNOLOGY ABSORPTION

- | | | |
|--|---|--|
| a. Research & Development | : | The Company through R&D in process control has consistently improved the performance through innovative practices developed and perfected in-house. |
| b. Benefits derived as a result of the above R&D | : | The metallurgical balance and recovery rates achieved through in-house R&D has made this Company outstanding in performance when compared with other industries in this class. |
| c. Future plan of action | : | To concentrate with in-house R&D |
| d. Expenditure on R&D | : | Nil. |
| e. Technology absorption, adoption & innovation | : | The Company's indigenous technological methods have already yielded results that match well with imported ones. |

III. FOREIGN EXCHANGE EARNINGS AND OUTGO

- | | | |
|--|---|--|
| a. Earnings (Exports) | : | Rs. 318.85 Lakhs (Previous year Rs.501.85 Lakhs) |
| b. Initiatives taken to increase exports | : | The Company is taking efforts to increase the exports by constant quality improvements, change of product and penetrating a wider customer base. |
| c. Outgo on account of | | |
| i. Net dividend | : | Rs. 2.53 Lakhs (Previous year Rs.4.13 Lakhs) |
| ii. Professional consultation fees subscription & others | : | Rs. 9.45 Lakhs (Previous year Rs.16.05 Lakhs) |