

14th



INDSIL

Indsil Electrosmelts Limited

**INDSIL**

INDSIL ELECTROSMELTS LIMITED

14TH ANNUAL REPORT FOR THE YEAR ENDED 30TH JUNE 2004

BOARD OF DIRECTORS

SRI.S.N.VARADARAJAN
CHAIRMAN & MANAGING DIRECTOR

SRI.VINOD NARSIMAN
CHIEF EXECUTIVE OFFICER

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. S. USHA
NOMINEE OF IDBI

COMPANY SECRETARY

SRI S. MAHADEVAN

AUDITORS

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

REGISTRAR & SHARE TRANSFER AGENT (PHYSICAL & DEMAT)

SKDC CONSULTANTS LTD.
No.11, Street No.1
S.N. Layout, West Power House Road, Tatabad
COIMBATORE 641 012
Phone : 0422 - 2499856, 2494704, 2495962
E-mail : info@skdc_consultants.com

BANKERS

STATE BANK OF INDIA
STATE BANK OF TRAVANCORE
THE FEDERAL BANK LIMITED
IDBI BANK LIMITED

REGISTERED & ADMN. OFFICE

49 AVANASHI ROAD
COIMBATORE 641 037

WORKS

SMELTER UNIT
VI-679 PALLATHERI
ELAPULLY
PALAKKAD 678 007
KERALA

RAJAKKAD HYDRO ELECTRIC POWER PLANT
VIII/351 RAJAKKAD
IDUKKI DISTRICT - 685 566
KERALA

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INDSIL

NOTICE OF THE 14th ANNUAL GENERAL MEETING

NOTICE is hereby given that the 14th Annual General Meeting of the Company will be held at Chamber Towers, 8/732 Avanashi Road, Coimbatore 641 018 on Monday, the 13th December 2004 at 10.15 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 30th June, 2004, the Balance Sheet as at that date, Auditors' Report thereon, Directors' Report and the Cash Flow Statement for the year ended 30th June 2004.
2. 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.
3. 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.
4. 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

5. 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) and subject to the approval of the shareholders Sri.S.N.Varadarajan be and is hereby reappointed as Chairman & Managing Director of the Company for a period of five years with effect from 17th November, 2004. The remuneration for the current financial year will remain the same as that existing and can be subject to review at any time during the period of appointment.

- I.
 1. Salary : Rs.50,000/- per month. (Rupees Fifty Thousand only).
 2. Commission : 3% of the Net Profit of the Company in each year computed in accordance with Section 349 of the Companies Act, 1956.
 3. 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 month's salary per annum or 3 months salary over a period of 3 years.
 - c. Leave travel concession for self, wife and dependent children once in an 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. Company's contribution to provident fund as per rules of the Company and as laid down under Income Tax Rules, 1962.
 - f. Contribution of super-annuation fund / annuity as per rules of the Company.
 - g. Gratuity as per rules of the Company, but not exceeding half a month's salary for each completed year of service.

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- h. Encashment of leave at the end of the tenure as per the rules of the Company.
- i. Any other perquisites as may be allowed by the Board of Directors of the Company within the permissible limits.

The above is subject to the fact that the aggregate of the total salary, commission, and perquisites payable shall not exceed the prescribed ceiling of the net profits 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 Chairman & Managing Director of the Company, Sri.S.N.Varadarajan shall be entitled to receive remuneration as above subject to minimum remuneration specified in para 1(A) 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 remuneration.

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

III. OTHERS

- a. The Chairman & Managing Director shall be entitled to reimbursement of all actual expenses including on entertainment and traveling 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 Chairman & Managing Director. Provisions 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 purposes shall be billed by the Company to the Chairman & Managing Director.

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

"RESOLVED THAT subject to the provisions of the Companies Act, 1956, (including any statutory modification or re-enactment thereof for the time being in force) the Securities Contracts (Regulation) Act, 1956, Listing Agreement with Stock Exchanges, Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 dated 17th February 2003 and Rules framed thereunder in this regard and subject to such other approvals, permissions and sanctions as may be required from the Stock Exchange with which the Equity Shares of the Company are listed and/or any other appropriate authority, and subject to applicable laws, guidelines and rules and such conditions or modifications as may be imposed while granting such approvals, permissions and sanctions and mutually agreed to in the best interest of the Company, consent of the Members of the Company be and is hereby accorded to the Board of Directors of the Company (which term shall be deemed to include any Committee thereof or any Director for the time being exercising the powers conferred on the Board of Directors by this resolution) to seek voluntary delisting of its equity shares from M/s. Delhi Stock Exchange Assn. Ltd., New Delhi and from M/s. Madras Stock Exchange Ltd., Chennai where the Company's equity shares are presently listed without giving an exit option to the shareholders of the regions where the aforesaid stock exchanges are situated and after taking into account various factors such as but not limited to the incidence, impact or burden of the cost of listing fee payable to the quantity of shares traded in M/s. Delhi Stock Exchange Assn. Ltd., New Delhi and M/s. Madras Stock Exchange Ltd., Chennai.

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to forward application in the manner so required together with such documents and such information and further authorized to execute such papers, declarations, undertakings and writings and to do and perform all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, desirable or appropriate to give effect to this resolution."

Place : Coimbatore
Date : 15.10.2004

By Order of the Board

Sd/-
S.MAHADEVAN
Company Secretary.

**INDSIL****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 01.12.2004 to 13.12.2004. (Both days inclusive)
3. Details in respect of reappointment of Directors retiring by rotation, pursuant to Clause 49 of the Listing Agreements are annexed hitherto.
4. 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 of the Central Government and no payments shall be made in respect of any such claims by the Fund. After completion of seven years, unclaimed dividend amount for the financial year 1995-96 was transferred to the abovesaid fund accordingly. Members who have not encashed their dividend warrants for the subsequent years are requested to make their claim to the Company.
5. Members holding shares in physical form are requested to notify change in their address, if any, of their address to the Registrar & Share Transfer Agent of the Company and Members holding shares in dematerialised form are requested to notify change in their address to their respective Depository Participants.
6. 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 Registrar & Share Transfer Agent of the Company.
8. The equity shares of the Company are listed on Coimbatore, Mumbai, Chennai and New Delhi. The Annual Listing fees have 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 all their share certificates to the Registrar & Share Transfer Agent 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 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.
13. Equity shares of the Company have been placed under Compulsory Demat Trading. Members who have not dematerialised their physical holding in the Company are advised to avail the facility of dematerialisation of equity shares of the Company.

14. 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, your Company 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 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.,.

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In order 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 Registrar and Share Transfer Agent of the Company for Dematerialization. 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 Dematerialization and Rematerialisation are to be made only to the DP with whom you have opened an account AND NOT DIRECTLY TO THE COMPANY.

Place : Coimbatore
Date : 15.10.2004

By Order of the Board

Sd/-
S.MAHADEVAN
Company Secretary.

EXPLANATORY STATEMENTS :

As required by Section 173 of the Companies Act, 1956, the following Explanatory Statement set out all material facts relating to the business mentioned under Item No.5& 6 of the accompanying Notice dated 15th October, 2004.

ITEM NO.5

Sri.S.N.Varadarajan, was re-appointed as Managing Director of the Company for a period of 5 years from 17-11-1999 and his term of office expires on 16-11-2004. The Board of Directors of the Company at their meeting held on 15-10-2004 re-appointed Sri.S.N.Varadarajan as Chairman & Managing Director of the Company subject to the approval of the Members. 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, Chairman & Managing Director, Smt.D.Pushpa Varadarajan, Director and Sri.Vinod Narsiman, Chief Executive Officer are interested in this resolution.

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

The foregoing material facts may also be treated as an abstract of the terms of Sri.S.N.Varadarajan's re-appointment as Chairman & Managing Director for the purpose of Section 302 of the Companies Act, 1956.

ITEM NO. 6

The Securities & Exchange Board of India (SEBI) had notified "Delisting of Securities Guidelines, 2003" on February 13, 2003 (the Guidelines). As per the Guidelines, a company may seek voluntary delisting of its securities from all or some of the stock exchanges and further that an exit opportunity is not required to be provided in cases where such securities continue to be listed at a Stock Exchange having nationwide terminals i.e. The Stock Exchange, Mumbai, The National Stock exchange and any other Stock Exchange(s) that may be specified by SEBI in this regard.

The equity shares of your Company are presently listed in four stock exchanges, Coimbatore Stock Exchange (CSX), Madras Stock Exchange Ltd.(MSE), The Stock Exchange Mumbai (BSE) and the Delhi Stock Exchange Assn. Ltd.(DSE)

The trading of the equity shares of your company in the Madras Stock Exchange Ltd., and Delhi Stock Exchange Assn. Ltd., is rare and trading volumes negligible. Hence, it is proposed to delist the equity shares from the Madras Stock Exchange Ltd. and the Delhi Stock Exchange Assn. Ltd. Though the delisting proposal for the equity shares of the Company from Delhi Stock Exchange Ltd., was approved by the shareholders in earlier General Meeting, fresh resolution is sought once again as required.

With the introduction of screen based trading on the BSE, trading in shares can easily be done throughout the country. Hence, the shareholders in Madras Stock Exchange and Delhi Stock Exchange regions may not suffer due to delisting and hence no exit option is given to the shareholders of the regions where Madras Stock Exchange Ltd. and Delhi Stock Exchange Ltd. are situated. The shares shall continue to be listed on The Coimbatore Stock Exchange Ltd., being the regional stock exchange and Mumbai Stock Exchange.

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Members' approval is being accordingly sought by a special resolution to enable voluntary delisting of the Company's shares from Madras Stock Exchange Ltd., and Delhi Stock Exchange Assn. Ltd. in accordance with SEBI Guidelines and Stock Exchange Rules.

Your Directors recommend the resolution for your approval.

None of the Directors is concerned or interested in the resolution.

Place : Coimbatore
Date : 15.10.2004

By Order of the Board

Sd/-
S.MAHADEVAN
Company Secretary.

Details of the Directors seeking reappointment at the forthcoming Annual General Meeting

Mr.K.S.Mahadevan (Non-executive Director) is a reputed businessman of Erode region with considerable contacts among business communities. He joined the Board since 27-06-1995.

Dr.A.K.Sreedharan (Non Executive Director) is a well known person in Palakkad having wide contacts in Kerala and considering his very rich experience the company will be benefited. He joined the Board on 21-04-96.

Place : Coimbatore
Date : 15.10.2004

By Order of the Board

Sd/-
S.MAHADEVAN
Company Secretary.

**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 14th Annual Report of your Company together with the Audited statement of accounts for the year ended 30th June 2004.

FINANCIAL RESULTS

Rs. in lakhs

	2003-04	2002-03
Profit before depreciation and Financial charges	1240.42	220.40
Less : Financial charges	564.65	615.97
Profit /(Loss) before Depreciation	675.77	(395.57)
Less : Depreciation	339.51	340.20
Profit /(Loss) before tax	336.26	(735.77)
Add : Deferred Tax asset	42.79	44.47
Profit /(Loss) after tax	379.05	(691.30)
Add : Balance brought forward	(594.16)	97.14
Balance carried over to Balance sheet	(215.11)	(594.16)

OPERATIONS:

The Company has exhibited a major turn around in performance during the year under review and when compared to that of the previous year, sales has recorded an impressive growth of 63%. The Company has recorded cash profit of Rs. 675 lakhs and a Net profit of Rs. 379 lakhs as compared to previous year's cash loss of Rs. 395 lakhs and Net loss of Rs. 691 lakhs.

SMELTER DIVISION:

The performance has been largely aided by improved productivity in the smelter operations as well as bullish price trends on your company's core product, Low Carbon Silico Manganese. Ferro alloy prices globally has seen a major upturn since March 2004 and have recorded all time high levels in terms of generic Manganese based alloys. By virtue of this global strength, sales realization for your company's core product, Low Carbon Silico Manganese too has improved substantially. Most of this bullishness in pricing has been captured in the performance of the last quarter of the financial year. The smelter division recorded a sales turnover of Rs. 5222 lakhs with corresponding operating profit (PBDIT) of Rs. 410 lakhs.

POWER DIVISION:

The 21 MW power plant yielded a very poor figure of 20.27 million units as against an expected level of 80 plus million units annually. This has been due to extreme drought like conditions prevailing over the high range areas of Kerala for the past 3 years. The power plant anyhow managed to record a sales of Rs. 861 lakhs and the corresponding operating profit (PBDIT) of Rs. 831 lakhs.

FUTURE PROSPECTS :

The short and medium term outlook appears quite bright because of continued increase in value of premium for the Company's core product namely Low carbon Silico Manganese.

The Smelter's core product Low carbon Silico Manganese continues to find new users and new markets worldwide and that has been reflected in domestic pricing as well.

Your company's hydel power plant is completely dependent on monsoon rains for water availability and monsoon over the last 3 years (since the commissioning of the power plant) has played truant and it is hoped that from the coming year onwards, monsoon would be atleast normal enough to generate the expected quantum of power.

The company's future financial performance would be more sensitive to the performance of the hydro electric power plant than that of the smelter operations. Therefore normalcy of the monsoon seasons, both the South West monsoon and the North East monsoon, could be a key factor of influence in terms of financial performance of the Company.

**INDSIL****DIVIDEND :**

Since there is no allocable surplus, your Directors are unable to recommend any dividend for the year under review.

FINANCE

During the year under review, the lenders rescheduled the principal repayment of the debt for the power plant and reduced the rate of interest by 250 basis points. The company is also exploring all possibilities to reduce the interest rate on its debts even further.

ADDITIONAL DISCLOSURES

In line with the requirements of the Listing Agreement with the Stock Exchanges, Management's Discussion and Analysis report, Corporate Governance report, Segment reporting and Related Party Disclosures are made part of this annual report.

DELISTING OF SHARES

The Company's shares were delisted from Ahmedabad Stock Exchange with effect from 31.03.2004.

The Company is proposing to delist the shares from Delhi and Madras Stock Exchanges as per resolution placed before the shareholders in this Annual General Meeting. The justification for delisting of the shares has been narrated in the explanatory statement annexed to the Notice of the Annual General Meeting.

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. There are no material or other departures in following the accounting standards.
2. That the Directors have selected such accounting policies and applied them consistently and made judgements 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 received or renewed during the year.

DIRECTORS.

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.

IDBI nominated Smt.S.Usha as a Director on the Board in the place of Smt.P.S.Prema.

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 in Annexure-A.

None of the employees of the Company were in receipt of remuneration, which in the aggregate exceeded the limits prescribed under sub-section (2A) of Section 217 of the Companies Act, 1956.

BANKERS

Besides State Bank of Travancore (SBT) and The Federal Bank Limited (FBL), State Bank of India(SBI), facilities and services are being availed from IDBI Bank Limited as well. Your Company is maintaining a Current Account with Citi Bank NA, IndusInd Bank and South Indian Bank.

**INDSIL****ACKNOWLEDGEMENT**

Your Directors are extremely thankful to Industrial Development Bank of India Limited, Kerala State Industrial Development Corporation Limited, State Bank of Travancore, State Bank of India, The Federal 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 : 15.10.2004

On behalf of the Board

Sd/-
S.N. VARADARAJAN
Chairman & Managing Director.

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