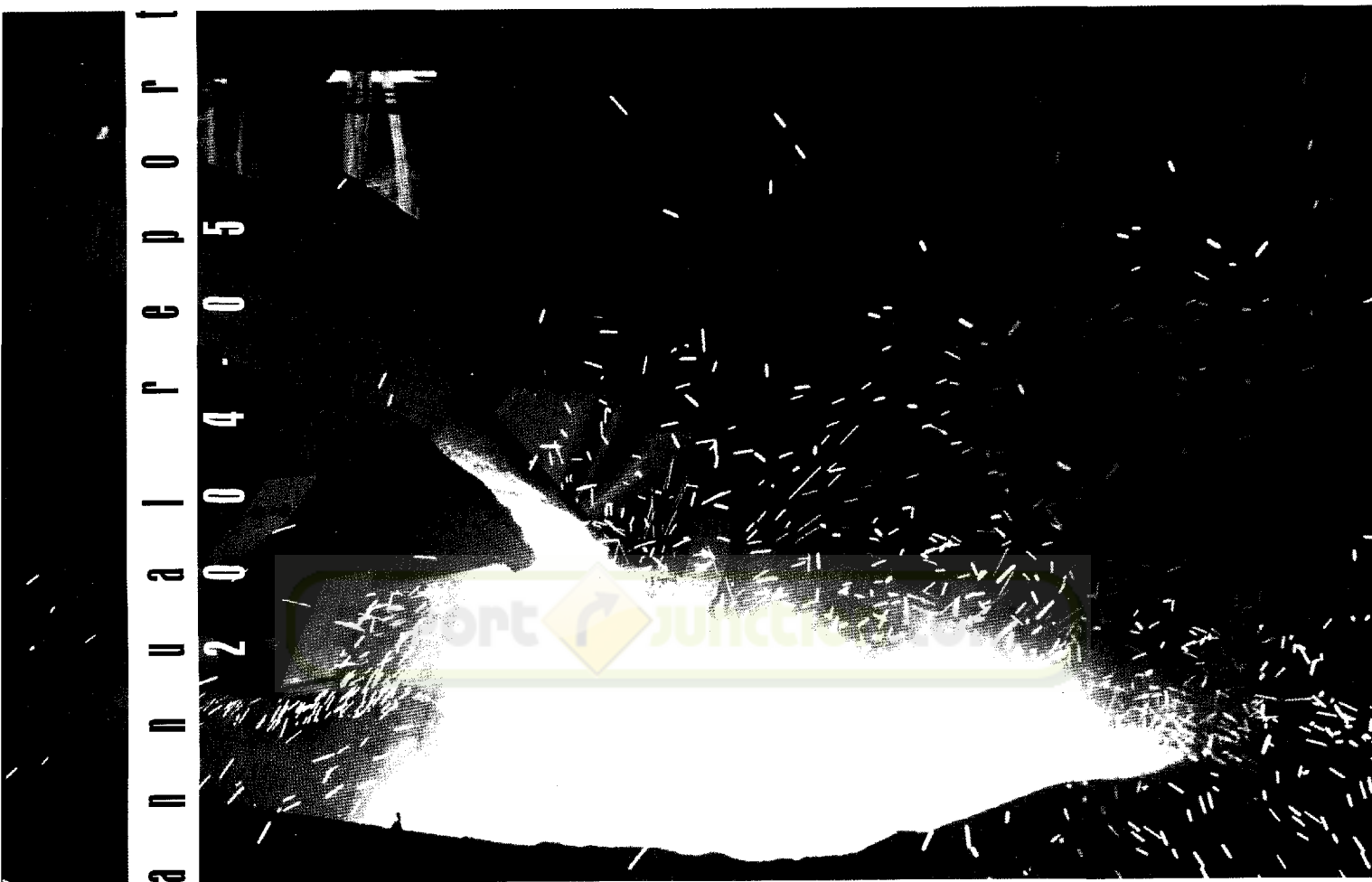


15th



INDSIL

Indsil Electrosmelts Limited

**INDSIL**

INDSIL ELECTROSMELTS LIMITED

15TH ANNUAL REPORT FOR THE YEAR ENDED 30TH JUNE 2005

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

INTERNAL AUDITORS

M/S. SURI & 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 - 5549995
E-mail : info@skdc-consultants.com

BANKERS

STATE BANK OF INDIA
STATE BANK OF TRAVANCORE
THE FEDERAL BANK LIMITED
INDUSTRIAL DEVELOPMENT BANK
OF INDIA LIMITED
UTI BANK LIMITED

REGISTERED & ADMN. OFFICE

49 AVANASHI ROAD
COIMBATORE 641 037
TAMILNADU

WORKS

SMELTER UNIT

VI-679 PALLATHERI
ELAPULLY
PALAKKAD 678 007
KERALA

RAJAKKAD HYDRO ELECTRIC POWER PLANT

VIII/351 RAJAKKAD
IDUKKI DISTRICT - 685 556
KERALA

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**INDSIL****NOTICE OF THE 15th ANNUAL GENERAL MEETING**

NOTICE is hereby given that the 15th Annual General Meeting of the Company will be held at Chamber Towers, 8/732 Avanashi Road, Coimbatore 641 018 on Monday, the 19th December 2005 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 receive, consider and adopt the audited Balance Sheet as at 30th June, 2005 and Profit & Loss Account for the year ended on that date and the Reports of the Auditors and Directors of the Company
2. To declare dividend on equity shares.
3. To appoint a Director in place of Sri. B. Balchand who retires from office by rotation, but being eligible, offers himself for reappointment.
4. To appoint a Director in place of Dr.S.Rama Iyer who retires from office by rotation, but being eligible, 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 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. Coimbatore Stock Exchange Limited where the Company's equity shares are presently listed without giving an exit option to the shareholders of the region where the aforesaid stock exchange is 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 the said stock exchange."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to forward the requisite 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 : 24.10.2005

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 16-12-2005 to 19-12-2005 (both days inclusive) for the purpose of determining the names of the shareholders entitled to the dividend for the financial year ended 30th June 2005, if declared at the Annual General Meeting. In respect of shares held in dematerialized form, the dividend will be paid on the basis of beneficial ownership as per the details furnished by the Depositories for this purpose at the end of business hours on 15th December 2005.
3. Details in respect of reappointment of Directors retiring by rotation, pursuant to Clause 49 of the Listing Agreement are reported elsewhere in the Annual Report.
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 and 1996-97 were 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 Annual General meeting. No fresh copies will be issued at 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 the Stock Exchanges of Coimbatore and Mumbai. The Annual Listing fees have been paid upto date to the abovesaid 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. The ISIN of the equity shares of your Company is **INE867D01018**.

Place : Coimbatore
Date : 24.10.2005

By Order of the Board

Sd/-
S.MAHDEVAN
Company Secretary.

**INDSIL**

INDSIL ELECTROSMELTS LIMITED

49, Avanashi Road, Coimbatore-641037

Phone: 91 422 2210922,3,4

Fax: 91 422 2210925

E-mail indsilho@indsil.com

Dear Shareholder,

RE: PAYMENT OF DIVIDEND THROUGH ELECTRONIC CLEARING SERVICE (ECS)

The Securities and Exchange Board of India (SEBI) has advised companies to mandatorily use ECS facility wherever available for distributing dividends to the shareholders. This facility provides instant credit of dividend amount to your bank account electronically at no extra cost. ECS also eliminates the delay in postal transit and fraudulent encashment of warrants.

Under this facility, the amount of dividend payable to you would be directly credited to your bank account. Your bank's branch will credit your account and indicate the credit entry as 'ECS' in your pass book /statement of account. We would be issuing an advice to you directly after the transaction is effected.

In respect of shareholders holding shares in dematerialized form, the Company will make payment through ECS if the bank account details are furnished by the shareholder to the concerned depository participant with whom the shareholder is maintaining his demat account. In case you are holding shares in demat form and the bank details have so far not been furnished to the depository participant or the bank details furnished to the depository participant are desired to be altered, we would request you to kindly submit the same to the **depository participant immediately**.

In case you are holding the Company's shares in physical form, you may kindly return the ECS Mandate form given overleaf duly completed and signed by you immediately to SKDC CONSULTANTS LTD., No.11, Street No.1, S.N. Layout, West Power House Road, Tatabad, COIMBATORE 641 012, Phone : 0422 - 5549995, E-mail : info@skdc-consultants.com

In locations where ECS facility is not available, the Company will print the bank account details on the Payment Instrument, on receipt of the same.

Thanking you,

Yours faithfully,
For **INDSIL ELECTROSMELTS LTD.,**

Place: Coimbatore
Date: 24-10-2005

Sd/-
S.MAHADEVAN
Company Secretary

**INDSIL**

**Electronic Clearing Service (Credit Clearing) ECS Mandate form
for payment of dividend on equity Shares**

1.	First Shareholder's Name (In Block Letters)	<input type="text"/>		
2.	Shareholders Folio No.	<input type="text"/>		
3.	Particulars of Bank Account	<input type="text"/>		
	A. Bank Name	<input type="text"/>		
	B. Branch Name, Address & Phone number	<input type="text"/>		
		<input type="text"/>		
	C. Account No. (as appearing on the cheque book)	<input type="text"/>		
	D. Account Type	<input type="text"/>		
	(SB Account/Current A/c or Cash Credit) with codes 10/11/13 (tick the correct box)	10.S.B	11. Current	13. Cash Credit
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	E. Ledger Folio No. of the Bank A/c. (if appearing on the cheque book)	<input type="text"/>		
	F. 9 Digit Code No. of the Bank & Branch appearing on the MICR Cheque issued by the bank	<input type="text"/>	<input type="text"/>	<input type="text"/>

Important : Please attach the photocopy of a cheque or a blank cancelled cheque issued by your Bank relating to your above account for verifying the accuracy of the code number

I, hereby declare that the particulars given above are correct and complete. If the transaction is delayed or not effected at all for reasons of incomplete information, I would not hold the Company responsible.

Date:

Signature of the First Shareholder

**INDSIL****EXPLANATORY STATEMENT :**

As required by Section 173 of the Companies Act, 1956, the following Explanatory Statement sets out all material facts relating to the business mentioned under Item No. 6 of the accompanying Notice dated 24.10.2005.

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. Bombay Stock Exchange Ltd., 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 two stock exchanges, Coimbatore Stock Exchange Ltd (CSX) and Bombay Stock Exchange Ltd., (BSE).

The trading of the equity shares of your company in the Coimbatore Stock Exchange Ltd., is rare and trading volumes negligible. Hence, it is proposed to delist the equity shares from the Coimbatore Stock Exchange Ltd.

With the introduction of screen based trading on the BSE, trading in shares can easily be done throughout the country. Hence, the shareholders in the Coimbatore region may not suffer due to delisting and hence no exit option is given to the shareholders of the region where Coimbatore Stock Exchange Ltd. is situated. The shares shall continue to be listed on Bombay Stock Exchange Ltd., (BSE)

Members' approval is being accordingly sought by a special resolution to enable voluntary delisting of the Company's shares from Coimbatore Stock Exchange 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 : 24.10.2005

By Order of the Board

Sd/-
S.MAHADEVAN
Company Secretary.

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

Mr.B.Balchand (Non-executive, Independent Director) is a reputed businessman of Coimbatore region with considerable contacts among business communities. He is in the Board since 30-09-1992. He is also Chairman of the Board of Directors of M/s Sarmangal Synthetics Limited.

Dr.S.Rama Iyer (Non Executive, Non Independent Director) has his Doctorate in Chemical Engineering and is also a leading professional in the field of project engineering, instrumentation and structurals. He is on the Board of several companies. He is the Chairman & Managing Director of Kvaerner Powergas India Private Ltd.

Place : Coimbatore
Date : 24.10.2005

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 15th Annual Report of your Company together with the Audited statement of accounts for the year ended 30th June 2005.

FINANCIAL RESULTS

Rs. in lakhs

	2004-05	2003-04
Profit before depreciation and Financial charges	1820.16	1240.42
Less : Financial charges	475.12	564.65
Profit before Depreciation	1345.04	675.77
Less : Depreciation	343.11	339.51
Profit before tax	1001.93	336.26
Less : Provision for Tax*	141.27	---
Add : Deferred Tax asset	16.62	42.79
Profit after tax	877.27	379.05
Add : Balance brought forward	(-)215.11	(-)594.16
Surplus available for appropriation	662.16	(-)215.11
Less: Proposed Dividend	70.87	---
Less: Tax on Proposed Dividend	9.94	---
Balance to be carried over to Balance sheet	581.36	(-)215.11

OPERATIONS:

The year 2004-05 witnessed an unprecedented boom in the prices of all major Ferro alloys. This boom was largely on account of an enormous increase in demand from China which led to a temporary supply demand gap. Though the alloy price increases were soon followed by a steep increase in prices of input raw material namely manganese ore, the operating margins of the company over the whole year saw a significant improvement over that of the previous year.

2004-05 also witnessed an average to good monsoon performance and for the first time since the inception of the hydro electric power plant, the division could see a Plant Load Factor (PLF) of about 20%. The average PLF over the last 4 to 5 years had been not more than 13 to 14%.

In terms of numbers, PBDIT for the year 2004-05 has witnessed a 50% increase to Rs.18.2 crores and the company achieved PBT levels of Rs.10.02 crores for the year which is a growth of over 200% compared to that of the previous year.

SMELTER DIVISION:

The smelter division's performance was largely aided by bullish markets for ferro alloys for most part of the financial year. Despite the fact that the last quarter saw a significant correction in the manganese alloy markets, for the overall year, the smelter division put up a robust performance and earned a PBT of Rs.528 lakhs. The key challenge for the smelter division through the year was availability of prime feed stock namely manganese ore. Due to the sudden bullish trend in the ferro alloy industry, new capacities came up in quick time and this caused a squeeze in the availability of manganese ore through out the world. Since ore suppliers took some time to ramp up capacity to cater to the new demand, the interval period witnessed a spike in manganese ore prices by more than 300 to 400% across grades and this trend was uniform throughout the world.

Your company managed to keep the cost on a 'per tonne basis' to reasonable levels by mixing and blending various grades of ore and by using a judicious combination of imported and domestic material.

Sales of Low carbon Silico Manganese, your company's core product, showed healthy signs.

During the year under review, the smelter division established a proto type facility to refine its existing product, Low carbon Silico Manganese. Refining is done to upgrade the product to another variant called Low Carbon Ferro Manganese and this product is used in the steel industry.

The Refining melt shop was set up at a cost of Rs.1.95 crores and since it is a proto type by nature and requires extensive trials to establish the product, no major earnings from this asset is expected till the second half of 2005-06.


INDSIL

POWER DIVISION:

The company generated 29.26 Million units during the year under review compared to that of 20.27 million Units during the year 2003-04. Monsoons through the year were above average and for the first time since inception of the hydro electric scheme, one could witness a PLF above the 20% range. To give an example, the average PLF from the year 2001 up until June 2004 was 13.5% and this year has seen a PLF of 18.5%

Even though the project is designed for PLFs above 30%, even with 20% PLF levels, the plant generated a PBDIT of Rs.1110 lakhs for the year under review.

Therefore the company is quite bullish about the financial prospects of the hydel power division and of course, such expectations are subject to favourable monsoon conditions prevailing over the medium term.

FUTURE PROSPECTS :

The unprecedented boom in Ferro alloy markets were naturally followed by a correction and unfortunately, while alloy markets corrected, manganese ore prices did not correct in a proportionate manner and this led to a severe margin squeeze during the last part of the year.

Due to this, it would not be surprising to see the smelter recording negative operating margins well into the first half of 2005-06.

Eventhough the steel industry continues to be robust and strong, it is a fact that the temporary boom in Ferro alloys saw large new ferro alloy capacities coming up all around the world and this factor too has contributed in keeping ferro alloy prices at extremely low levels. To give an illustrative example, a generic ferro alloy namely High carbon silico manganese sold for around Rs.23 per kg in the year 2003, went all the way up to Rs.40 per kg by year end 2004 and in mid 2005 was quoting at around Rs.21 per kg.

Due to Government's intervention to keep steel prices down, import duties were slashed across the board for all products in the steel industry and ferro alloys too faced a severe blow when duties were brought down as low as 5%. The domestic industry is now facing a daunting prospect in terms of competing with global players on at par basis, but would have to pay significantly more for infrastructure like power and transport.

This anomaly if not viewed or corrected by the Government at appropriate levels, will become a severe blow to the industry. Government's correction should be either in the form of reducing cost of infrastructure like transportation and power or in the form of correcting this competitive imbalance by restoring duties to reasonable levels. Otherwise, the ferro alloy industry is in for very challenging times, in the medium and long term.

Your company has an advantage of access to its own power and that too competitive, hydel power.

To a very large extent, the company's financial fortunes are going to be almost entirely dependent on the performance of the hydro electric power plant.

The smelter division would have to be viewed as a vehicle to consume power generated by the hydel division.

Your company's future investments are mostly going to be in the area of hydro electric power generation in the State of Kerala. Steps have been taken to bid for a couple of schemes. Your company has also entered into an understanding with Gas Authority of India Ltd. (GAIL) for supply of liquefied natural gas to set up a 50 MW power plant in the Palakkad district, Kerala. This gas is expected to be available only around the year 2009. A firm gas supply Agreement would be made only after taking into account long term viable arrangement in terms of price of gas.

DIVIDEND :

Your directors recommend payment of dividend at 7.5% on the equity share capital of Rs.94490750 for the year ended 30th June 2005.

FINANCE

Two major initiatives that have taken place over the recent past have yielded benefit during the year under review. The overall interest cost on the debt has been brought down to 10.25% from that of 13.5% for the year 2003-04.

The company has also prepaid Rs.4.34 crores to Industrial Development Bank of India Limited during the year under review. Both of these together will yield an overall interest cost reduction from Rs.4.65 Crores per year to Rs.3.08 crores per year and is on account of term loans drawn for the hydro electric power plant.