

18th
annual report
2007 - 08



Indsil Hydro Station Reservoir, Rajakkad, Idukki District, Kerala



INDSIL

Indsil Electrosmelts Limited



INDSIL ELECTROSMELTS LIMITED

18th ANNUAL REPORT FOR THE YEAR ENDED 30th JUNE 2008

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 (Upto 18.2.2008)

DR. A.K. SREEDHARAN

SMT. S. USHA
NOMINEE OF IDBI LTD (Upto 1.9.2008)

SRI V. MURALIDHARAN

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 - 6549995
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
AXIS BANK LIMITED
STANDARD CHARTERED BANK

REGD. & CORPORATE OFFICE

'INDSIL HOUSE', T.V.SAMY ROAD (WEST)
R.S.PURAM, COIMBATORE 641 002

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 18th ANNUAL GENERAL MEETING

NOTICE is hereby given that the 18th Annual General Meeting of the Company will be held at Chamber Towers, 8/732 Avanashi Road, Coimbatore 641 018 on Friday, the 5th day of December 2008 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, 2008 and Profit & Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To declare dividend on the equity shares.
3. To appoint a Director in place of Sri B. Balchand, who retires from office by rotation, and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Dr. S. Rama Iyer, who retires from office by rotation, and 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. Borrowing Powers:

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

"RESOLVED THAT pursuant to Sections 293(1)(d) and 293(1)(a) of the Companies Act, 1956 and in pursuance of Clause III B(17) of the Memorandum of Association of the Company, consent of the Company be and is hereby accorded to the Board of Directors of the Company:

- a) To borrow moneys from time to time, for and on behalf of the Company, notwithstanding that the aggregate of the moneys proposed to be borrowed together with the moneys, if any, already borrowed, might exceed the aggregate paidup capital and free reserves of the Company at any time by a maximum of Rs.500 crores (Rupees Five Hundred crores only).
- b) To create charge on any or whole or substantially the whole of the assets / properties / undertakings / interests of the Company, whether movables or immovables, tangibles or intangibles, whether present and / or future, whether by way of pledge and / or mortgage or otherwise as the Board may deem fit so as to operate as security for the moneys borrowed / raised by way of loans for the purpose of the Company or otherwise in the interests of the Company from Banks / Financial Institutions / Bodies Corporate / Other persons within the limit aforesaid".

7. Change in the name of the Company:

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

"RESOLVED THAT pursuant to Section 21 and other applicable provisions, if any, of the Companies Act, 1956, and subject to approval of the Central Government, the name of the Company be and is hereby changed from the existing name "Indsil Electrosmelts Limited" to "Indsil Hydro Power and Manganese Limited."

"RESOLVED FURTHER THAT after receipt of the fresh certificate of incorporation consequent upon the above change of name, the following changes be made: -

- (i) The present name clause of the Memorandum of Association be substituted by the following:
"The name of the Company is "Indsil Hydro Power and Manganese Limited."



- (ii) The present name of the Company wherever appearing in the Memorandum and Articles of Association of the Company shall be substituted with "Indsil Hydro Power and Manganese Limited."
- (iii) Necessary changes be made in the bills, letter heads, invoices and all other official correspondences etc., wherever the name of the Company appears and requires to be published".

8. Enhancement of remuneration in respect of commission payable to Sri Vinod Narsiman, Chief Executive Officer:

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, 311 and Schedule XIII and other applicable provisions, if any, of the Companies Act 1956, (including any statutory modifications or enactments thereof for the time being in force) and as per the Remuneration Committee's recommendation and approval of the Board of Directors of the Company, consent of the Company be and is hereby given to the enhancement of remuneration in respect of commission payable to Sri Vinod Narsiman, Chief Executive Officer of the Company, from 1% to 3% of the net profits of the Company from the financial year 2007-08 onwards till the remaining tenure of his office. All the other terms and conditions of his reappointment and remuneration as approved by the members in the last Annual General Meeting held on 13.12.2007 remain unchanged."

9. Commission to Non-whole time (non-executive) Directors :

To consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special 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% (one percent) 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.6,00,000/- (Rupees Six lakhs only) per year, be paid to and distributed amongst the non-whole time (non-executive) Directors of the Company. Such amounts be paid in 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 period of three financial years commencing from the financial year 2007-08."

10. Increase in sitting fees :

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

"RESOLVED THAT sitting fees payable to each Director for attending each meeting of the Board or each meeting of any committee thereof be increased from the present amount of Rs.500/- (Rupees Five hundred only) per Director, per Meeting to Rs.2,500/- (Rupees Two thousand five hundred only) per Director, per Meeting with effect from the date of approval of the amendment of Article 70 of the Articles of Association of the Company by the members in the Annual General Meeting to be held on 5th December 2008".

"RESOLVED FURTHER THAT the Articles of Association of the Company be amended by substituting the following new Article 70 in the place of the existing Article 70."

"Every Director of the Company, including the nominated Directors, shall be paid out of the funds of the Company, by way of sitting fees a sum not exceeding Rs.2,500/- (Rupees Two thousand five hundred only) for every meeting of the Board or any Committee thereof, attended by him/her. The Directors shall also be reimbursed any reasonable travelling and halting expenses that may be incurred by them for the purpose of attending the meeting of the Board or of any Committee thereof."

11. Employee Stock Option Scheme (ESOS) :

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

"RESOLVED THAT pursuant to the provisions of Section 81(1A) 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, subject to the provisions of Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999 (hereinafter referred to as "the Guidelines") and other Rules, Regulations, Guidelines, Provisions of Memorandum and Articles of Association of the Company and further subject to such approvals, permissions and sanctions as may be necessary from SEBI, the Stock Exchanges, Reserve Bank of India, Govt. of India and other appropriate authorities as may be required and subject to such terms and conditions that may be prescribed or imposed by such authorities while granting such approval which may be agreed or accepted by the Board of Directors (hereinafter referred to as "the Board" which expression shall include Compensation Committee or any other committee of the Board duly authorised by the Board in this regard) at its sole discretion, the consent of the members of the Company be and is hereby accorded to create, issue, grant/allot upto 5% of the Issued and Subscribed equity share capital of the Company as on 30.6.2008 i.e., 4,72,453 equity Stock Options to the eligible present and future employees of the Company including Whole time Directors of the Company in one or more tranches through Employee Stock Option Scheme (ESOS) of the Company which entitles the option holders to subscribe to 1(one) equity share of the Company of Rs.10/- each per option granted i.e. in the aggregate 4,72,453 equity shares of face value of Rs.10/-each at par or such other price in such manner and during such period and on such terms and conditions as may be determined by the "Board".


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"RESOLVED FURTHER THAT the Board be and is hereby authorised to frame, evolve, decide upon and bring into effect the Employee Stock Option Scheme (ESOS) on such terms and conditions as contained in the Scheme, material particulars where of have been reproduced in the Explanatory Statement annexed to this notice in respect of this item and to make any modification(s), change(s), variation(s), alteration(s) or revision(s) in the terms and conditions of the Scheme from time to time including but not limited to amendments with respect to vesting period, exercise price, eligibility criteria, vesting schedule or to suspend, withdraw or revive the ESOS, subject to the provisions of the Guidelines."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to constitute and establish INDSIL ESOS TRUST for the purpose of issuing in advance 64,500 equity shares and to hold them for the benefit of the option grantees and issue the shares to eligible employees when they exercise the options vested in them."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to issue and allot such number of additional shares as may be required to be issued to the Trust from time to time concomitant with the decision of the Board of Directors to issue additional options under the Scheme subject to the over all limit of 4,72,453 equity shares."

"RESOLVED FURTHER THAT for the purpose of making available shares of the Company to be issued to eligible employees in accordance with ESOS, the Board of Directors of the Company be and is hereby authorised to issue to INDSIL ESOS TRUST, 64500 fully paid up equity shares of the Company of Rs.10/- each at par aggregating Rs.6,45,000/- and for the said purpose to treat an amount equal to the total paid up value of such shares as a loan granted to INDSIL ESOS TRUST which loan amount shall be recovered from INDSIL ESOS TRUST when eligible employees pay up money for the respective shares while exercising options vested in them under the ESOS."

"RESOLVED FURTHER THAT the new equity shares to be issued and allotted by the Company under the aforesaid ESOS shall rank pari passu in all respects with the existing fully paid equity shares of the Company."

"RESOLVED FURTHER THAT the Company be and is hereby authorised to take necessary steps for listing of the shares allotted under ESOS on the Stock Exchange where the shares of the Company are listed as per the provisions of the Listing Agreement and other applicable guidelines, rules and regulations with the concerned Stock Exchange."

"RESOLVED FURTHER THAT in case the Company's equity share capital or its valuation is affected due to any corporate actions like issue of bonus/rights shares, any split or consolidation of face value of equity shares or in the event of any merger/amalgamation, capitalization or other reorganization of the Company, tender / offer of equity shares or sale of undertaking, the Board, at its discretion, may make such adjustment with respect to stock options and take any other action as it deems necessary or appropriate to reflect such corporate action including but without limitation the substitution of new stock options or adjustment of outstanding stock options, the acceleration of exercise period or the removal of restriction on outstanding stock options which shall however be subject to necessary approval(s)."

"RESOLVED FURTHER THAT for the purpose of giving effect to the above resolutions the Board and the Compensation Committee of the Board of Directors, be and are hereby authorised to act as follows:

- To invite experts;
- To identify the eligible employees;
- To determine the number of options and tranches that may be offered to eligible employees;
- To appoint Merchant Bankers;
- To apply for approval and listing of the shares arising from ESOS;
- To determine the conditions governing cancellation of vested options, either before or after exercising of the options but before issue of shares against options exercised;

"RESOLVED FURTHER THAT the Company do make an application to the National Securities Depository Limited and/or Central Depository Services (India) Limited for dematerializing the equity shares to be issued under ESOS."

"FURTHER RESOLVED THAT the Board of Directors be and is hereby authorized to do all such deeds, matters and things as may be necessary or expedient including getting the shares issued upon exercise of options, listing of such shares in the Stock Exchange where the existing securities are listed, sign up agreements with Depositories and to settle any questions, difficulties, or doubts that may arise in this regard at any stage including at the time of listing of securities without requiring the Board of Directors to secure any further consent or approval of the members of the Company in this regard, subject to the provisions of the Guidelines."

"RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred to Sri S. N. Varadarajan, Chairman and Managing Director or Sri Vinod Narsiman, Chief Executive Officer or any of the Directors of the Company."

Place : Coimbatore
Date : 31.10.2008

By Order of the Board

Sd/-
S.MAHADEVAN
Company Secretary.

**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 / herself 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. Corporate members are requested to send a duly certified copy of their Board Resolution authorizing their representatives to attend and vote at the Annual General Meeting.
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special Business is annexed hereto.
3.
 - a. The Register of Members and the Share Transfer Books of the Company will be closed from 2.12.2008 (Tuesday) to 5.12.2008 (Friday) both days inclusive.
 - b. The dividend, if approved by the members in the 18th Annual General Meeting, shall be paid to those members whose names appear on the Register of Members as on 5th December 2008 in respect of physical segment and in respect of shares held in electronic form, the dividend will be payable, on the basis of beneficial ownership as per the details furnished by NSDL & CDSL for this purpose as at the close of business hours on Monday, 1.12.2008.
4. Details in respect of Directors retiring by rotation, pursuant to Clause 49 of the Listing Agreement are annexed hereto.
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 dividends 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 years upto 1999-2000 were transferred to the abovesaid fund. Members who have not encashed their dividend warrants for the financial year 2000-01 and subsequent years are requested to make their claim to the Company immediately.
6. Members holding shares in physical form are requested to notify change in their addresses, if any, to the Registrar & Share Transfer Agent of the Company and Members holding shares in dematerialised form are requested to notify change in their addresses to their respective Depository Participants.
7. 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.
8. 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.
9. The equity shares of the Company are listed on The Bombay Stock Exchange Ltd. The Annual Listing fee has been paid upto date to the abovesaid exchange.
10. 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.
11. 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 AGM.
12. All the documents referred to in the Notice of the AGM are open for inspection at the Registered Office of the Company during office hours (9.30 A.M to 5.30 P.M) on all working days except holidays before the date of the AGM.
13. Shareholders seeking any information with regard to accounts are requested to write to the Company seven days prior to the date of the AGM so as to enable the management to keep the information ready.
14. 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.
15. The ISIN of the equity shares of your Company is **INE867D01018**.

Place : Coimbatore
Date : 31.10.2008

By Order of the Board

Sd/-
S.MAHADEVAN
Company Secretary.



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 Nos. 6 to 11 of the accompanying Notice dated 31.10.2008.

ITEM NO.6 - Borrowing Powers

The resolution proposed under Item No.6 is an enabling resolution for according the consent of the shareholders for borrowing of money as specified in the resolution No. 6 for meeting the expansion programmes of the Company. As specified under Section 293(1)(d) of the Companies Act, 1956, such borrowal is required to be approved by the members. Approval of the members is also required under Section 293(1)(a) of the Companies Act, 1956 for mortgaging of the assets of the Company to banks / financial institutions for the purpose of their securing the borrowings.

None of the Directors are concerned or interested in the resolution

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

ITEM NO.7 - Change in the name of the Company

The Board of Directors of your Company has proposed to change the name of the Company to "Indsil Hydro Power and Manganese Limited" at its meeting held on 31.10.2008, subject to the availability of new name, in order to indicate one of its principal objects viz., generation of electricity from its captive Hydro Electric Power station at Rajakkad, Idukki District, Kerala. Change in the name of the Company requires approval of the members in general meeting by a Special Resolution as per Section 21 of the Companies Act, 1956 and other applicable provisions, if any.

Hence the resolution under the above item is placed before you for being passed as a Special Resolution. Change of name also requires approval of the Central Government. The powers of Central Government in this respect have been delegated to the Registrar of Companies.

An application has already been made to the Registrar of Companies, Tamil Nadu, Coimbatore for ascertaining the availability of the proposed name.

None of the directors are concerned or interested in the resolution.

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

ITEM NO. 8 - Enhancement of remuneration in respect of commission payable to Sri Vinod Narsiman, Chief Executive Officer:

Sri Vinod Narsiman was reappointed as Chief Executive Officer of the Company by the members with effect from 7.11.2007 for a period of 5 years at the Annual General Meeting held on 13.12.2007. Sri Vinod Narsiman is paid a salary of Rs.50,000/- per month, commission of 1% on the net profits and other perquisites as approved by the members in the above Annual General Meeting.

The Board, on the recommendation of the Remuneration Committee at its meeting held on 31.10.2008 took up the review of the remuneration being paid to the Chief Executive Officer. After taking into account the substantial growth and improvement in the operations and financial position of the Company and the prevailing remuneration packages in other companies, the Board decided for the enhancement of remuneration in respect of commission payable to Sri Vinod Narsiman as set out in the Resolution.

Sri Vinod Narsiman is B.E (Mechanical) and MBA (Finance) from the University of Michigan, Ann Arbor, Michigan, USA. He has been heading the Company as Executive Director and Chief Executive Officer since 6.11.1997.

Sri Vinod Narsiman has brought the Company to a pre-eminent position in the Ferro Alloy and Power Industry pursuing dynamic production and marketing strategies. The Company has received several accolades in the areas of exports, quality, etc. under his stewardship.

Sri Vinod Narsiman is an experienced professional and has substantially contributed to the growth of the Company by his rich experience and expertise and the Company has derived considerable benefits which is evident from the enormous growth achieved in terms of diversification, turnover and profitability in the past few years.

None of the directors other than Sri S.N.Varadarajan, Chairman and Managing Director, Smt.D.Pushpa Varadarajan, Director, Dr.S.Rama Iyer, Director and Sri Vinod Narsiman, Chief Executive Officer are concerned or interested in the resolution.

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

The foregoing material facts may also be treated as an abstract of the enhancement of remuneration payable to Sri Vinod Narsiman, Chief Executive Officer for the purpose of Section 302 of the Companies Act, 1956.



ITEM NO.9 - Commission to Non-whole time (non-executive) Directors:

Since the Non-wholetime (non-executive) Directors devote considerable time to the business of the Company and the Company substantially benefits by their expertise and mature advice, it is appropriate that they are paid suitable remuneration by way of commission not exceeding 1% (one percent) per annum of the net profits of the Company subject to a ceiling of Rs.6,00,000/- (Rupees Six lakhs only) per annum computed in accordance with the provisions of the Companies Act, 1956. This remuneration shall be made in respect of the profits of the Company for each year for a period of three financial years commencing from the financial year 2007-08.

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

All the Directors of the Company 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. 10 - Increase in sitting fees

Presently, the Articles of Association of the Company provide for the payment of Director's sitting fees not exceeding Rs.500/- (Rupees Five hundred only) per Director for each meeting attended. It is proposed to increase the sitting fees to Rs.2,500/- (Rupees Two thousand five hundred only) per Director for attending each meeting of the Board or of any Committee thereof with effect from the date of approval of the amendment of Article 70 of the Articles of Association of the Company by the members in the Annual General Meeting to be held on 5th December 2008.

Though Rules framed under Section 310 of the Companies Act, 1956, permit the payment of higher sitting fees to the Directors not exceeding Rs.20,000/- in case of companies having paid-up capital and free reserves of Rs.10 crores or above or a turnover of Rs.50 crores and above, it is proposed to increase the sitting fees to Rs.2,500/- only.

All the Directors for the time being would be deemed to be interested in the resolution.

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

ITEM NO. 11 - Employee Stock Option Scheme (ESOS)

A glance through the Annual Reports of the Company for the last 3 years reveals the tremendous leap the Company has made in the areas of Net Profits, Earnings per share, etc. This was made possible only with the hard work of the employees. The Board of Directors at its meeting held on 31.10.2008 deliberated on the need to reward the employees and felt that grant of stock options to the employees would go a long way in rewarding the existing employees who have put in long years of service and to offer incentive to the new staff members.

Stock options have been recognized as an effective tool to attract, reward, retain and motivate the employees. They create a proprietary interest among the employees, provide them an opportunity to share in the growth of the Company and create long term wealth in their hands. Therefore, the Board of Directors of the Company has thought it fit to offer stock options to its eligible employees. Accordingly, the Company has framed a stock option scheme called 'Indsil Electrosmelts Limited Employee Stock Option Scheme 2008' (INDSIL ESOS-2008). The Scheme will be fully compliant of Securities and Exchange Board of India (Employee Stock Options Scheme & Employee Stock Purchase Scheme) Guide lines, 1999. (SEBI Guidelines)

The Compensation Committee and the Trust

Your company has constituted a committee of Directors known as the Compensation Committee of the Board (CCB) in accordance with the SEBI Guidelines which will administer the Scheme. The Scheme has already been approved by the CCB and the Board of Directors of your Company. For the purpose of managing the issue of shares upon exercising of options by eligible employees, the Scheme contemplates establishing a Trust known as INDSIL ESOS TRUST which will be declared by the Company solely for the benefit of eligible employees. The Company will issue fully paid up shares to the said Trust which will in turn issue those shares to eligible employees in accordance with the terms of the Scheme. The members of the CCB and the Secretary of the Company will be the Trustees of the said Trust. None of them has any personal interest in the Trust except to the extent of options that may be granted to them under the Scheme.

Powers of CCB

The CCB has significant powers under the Scheme which include the power to determine the criteria for deciding who are Eligible Employees and the conditions subject to which even vested Options could lapse or could be forfeited or cancelled. CCB has also been entrusted with the responsibility of making suitable adjustments to the Scheme to meet requirements arising from any corporate actions and to meet any eventuality as a result of which the Scheme in the present form may not continue to be attractive to eligible employees.

The salient features of the INDSIL ESOS-2008 are as under:

(A) Total number of options to be granted

1. The total number of options to be granted under this Scheme shall initially not exceed 5% of the share capital of the Company as at 30.6.2008.
2. One option entitles the holder of the option to apply for one equity share of the Company.



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(B) Identification of classes of employees entitled to participate in the ESOS.

Persons who are in permanent employment of the Company including Whole-time Directors are entitled to benefit by the Scheme. Full details of those who are eligible and who are not eligible and the conditions subject to which they are so eligible and other related parameters in this regard are contained in the Scheme. The appraisal process and the criteria to be followed in respect of grant of options shall be approved by CCB.

(C) Date of Grant

The date of grant would be a date as would be decided by the Board/Compensation Committee for the purpose of grant of options. The date of grant shall be 31.12.2008.

(D) Requirements of vesting, period of vesting and maximum period of vesting.

1. There shall be a gap of one year between the grant of options and vesting of options.
2. The vesting will be a graded vesting and shall take place over a period of three years.
3. 25% shall be vested in December, 2009 when a period of 12 months would expire from the date of grant of options.
4. 25% shall be vested in December, 2010 when a period of 24 months would expire from the date of grant of options.
5. 50% shall be vested in December, 2011 when a period of 36 months would expire from the date of grant of options.

(E) Exercise Price or Pricing formula.

Exercise price shall be at such price, in such manner, during such period and on such terms and conditions as the Board may decide, provided that the Exercise Price per option shall not be less than the par value of the equity share of the Company and shall not be more than market price as defined in the Guidelines.

(F) Exercise Period and the Process of Exercise.

Exercise Period will be a period of 3 (three) years from respective dates of vesting of options.

(G) Issue of Options to Whole-time Directors.

The Scheme does not prohibit issue of options to whole-time Directors who are not forming part of Promoters / Promoters' Group.

(H) Additional options

The Board has may decide on issue of additional options from time to time

(I) Other Provisions.

In addition, the Scheme contains provisions as regards regulatory requirements, accounting methods, valuation norms and disclosure requirements.

Clause 6 of the SEBI Guidelines requires that any ESOS offering stock options to the employees of the Company must be approved by the members by way of a Special Resolution. Furthermore, as the scheme will entail further shares to be offered to persons other than existing shareholders of the Company, consent of the shareholders is required by way of a Special Resolution pursuant to the provisions of Section 81(1A) of the Companies Act, 1956.

Accordingly the resolution set as item No. 11 is being placed for the approval of members pursuant to the provisions of Sections 81(1A) of the Companies Act, 1956 and clause 6 of the SEBI guidelines and all other applicable provisions of law for the time being in force.

A draft Scheme is available at the Registered Office for inspection by members during office hours 9.30 am to 5.30 pm on all working days except holidays before the date of the Annual General Meeting.

Subject to recommendations of CCB, Merchant Bankers and the Stock Exchange, the Scheme may undergo suitable changes.

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

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

Place : Coimbatore

Date : 31.10.2008

By Order of the Board

Sd/-

S.MAHADEVAN

Company Secretary.

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

Sri B.Balchand (Independent, Non-Executive Director) is a reputed businessman of Coimbatore region with considerable contacts among business communities. He joined the Board on 30.9.1992. He is also Chairman of the Board of Directors of M/s.Sumangala Synthetics Ltd.

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

Place : Coimbatore

Date : 31.10.2008

By Order of the Board

Sd/-

S.MAHADEVAN

Company Secretary.



INDSIL

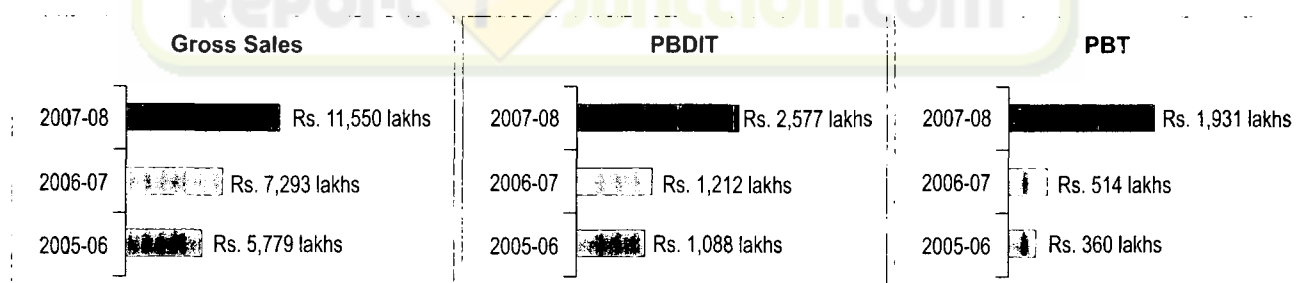
DIRECTORS' REPORT

Your Directors have great pleasure in presenting the 18th Annual Report of your Company together with the Audited statements of account for the year ended 30th June 2008.

FINANCIAL RESULTS

Particulars	Rs. in lakhs	
	2007-08	2006-07
Profit before depreciation and Financial charges	2,576.69	1,212.13
Less : Financial charges	295.64	351.87
Profit before Depreciation	2,281.06	860.26
Less : Depreciation	350.20	346.27
Profit before tax	1,930.86	513.99
Less : Provision for Tax	170.84	46.00
Add : Deferred Tax asset	27.21	27.48
Less : Fringe benefit tax	4.00	5.70
Profit after tax	1,783.22	489.77
Add : Balance brought forward	1,130.53	831.58
Surplus available for appropriation	2,913.75	1321.35
Less : Transfer to General Reserve	25.00	25.00
Less: Proposed Dividend	141.74	141.74
Less: Tax on Proposed Dividend	24.09	24.09
Balance to be carried over to Balance sheet	2,722.93	1130.53
Paid-up equity share capital	944.91	944.91
Earnings per share	Rs.18.87	Rs.5.18
Book value per share	Rs.48.45	Rs.31.33

Synopsis of last three years' performance:



OPERATIONS:

The Company has recorded an impressive financial performance for the period under review. On revenue of Rs.11550 lakhs, your Company recorded a PBDIT of Rs.2577 lakhs and a PBT of Rs.1931 lakhs reflecting a growth of 113% and 276% respectively over the previous year. The performance was largely aided by bullish markets for manganese alloys globally and record power generation levels at your Company's captive hydro electric power plant.

A detailed view of performances and challenges ahead are discussed in the "Management Discussion and Analysis" forming part of this report.

FUTURE PROSPECTS:

The outlook and future prospects of the Company are presented in the "Management Discussion and Analysis" forming part of this report.

INDONESIAN JOINT VENTURE :

Your Company recently acquired a 50% stake in an Indonesian manganese ore mining venture. The investment is primarily exploratory in nature. Exploration work commenced around April 2008 and is expected to show results by the end of the calendar year based on the manganese ore grades available in the mine alongwith expectation of volumes for each type of grade. After that, your Company would decide to invest further sums towards full scale mining.