

20th annual report

2009 - 10



INDSIL

Indsil Hydro Power and
Manganese Limited



INDSIL

INDSIL HYDRO POWER AND MANGANESE LIMITED

20th ANNUAL REPORT FOR THE YEAR ENDED 30th JUNE 2010

BOARD OF DIRECTORS

SRI S.N.VARADARAJAN
CHAIRMAN

SRI VINOD NARSIMAN
MANAGING DIRECTOR

SRI S. INDERCHAND

SRI B. BALCHAND

SMT. D. PUSHPA VARADARAJAN

DR. S. RAMA IYER

SRI K.S. MAHADEVAN

DR. A.K. SREEDHARAN

SRI. K. RAMAKRISHNAN

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
"KANAPATHY TOWERS"
3rd FLOOR, 1391/A-1
SATHY ROAD
GANAPATHY
COIMBATORE 641 006
PHONE : 0422-6549995, 2539835/836
e-mail : info@skdc-consultants.com

CERTIFIED TRUE COPY

For INDSIL HYDRO POWER AND MANGANESE LIMITED


S. MAHADEVAN
COMPANY SECRETARY

BANKERS

STATE BANK OF INDIA
STATE BANK OF TRAVANCORE
THE FEDERAL BANK LIMITED
IDBI BANK 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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**NOTICE OF THE 20th ANNUAL GENERAL MEETING**

NOTICE is hereby given that the 20th Annual General Meeting of the Company will be held at Chamber Towers, 8/732 Avanashi Road, Coimbatore 641 018 on Wednesday, the 6th day of October, 2010 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, 2010 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 K.S. Mahadevan, who retires from office by rotation, and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Dr. A.K. Sreedharan, 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.

6. SPECIAL BUSINESS

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

"RESOLVED THAT subject to the Memorandum and Articles of Association of the Company and to such consents and approvals as may be required and subject to the compliance with relevant guidelines issued by the Securities and Exchange Board of India (SEBI), the Companies Act 1956 and the Foreign Exchange Management Act 1999, an amount of Rs.6,35,47,170/- out of the amount standing to the credit of General Reserve as on 30th June 2010 be and is hereby capitalized and transferred from the said account to the equity share capital account and for being applied in full for the allotment of fully paid up equity shares not exceeding 63,54,717 shares of the face value of Rs. 10/- each as bonus shares to the holders of the existing equity shares of the Company (including unvested options granted under INDSIL ESOS Scheme) whose names appear on the Register of Members of the Company or whose names appear as the beneficial owners of the equity shares of the Company on the records of the Depositories as on such date (hereinafter referred to as the "Record Date") as may be fixed by the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall be deemed to include any Committee of the Board) in the proportion of TWO (2) new equity shares for every THREE (3) existing equity shares of the Company held by them (ignoring fractions, if any), on the following terms and conditions :

1. That the new equity shares so allotted shall be treated as an increase in the nominal amount of the paid up capital of the Company held by each member and not as income.
2. That the new equity shares to be allotted as bonus shares shall rank pari passu in all respects with and carry the same rights as the existing fully paid-up equity shares of the Company and notwithstanding the date or dates of allotment thereof shall be entitled to participate in full in any dividend to be declared in respect of the financial year in which the allotment of the new equity shares pursuant to this resolution is made.
3. That all fractions resulting from the issue of said bonus shares in the aforesaid manner shall be consolidated into equity shares and allotted in the name of a director or officer of the Company who shall hold the same in trust for the members who are originally entitled to such fractional entitlements and who shall sell those shares as per directions of the Board at market price prevailing at the time of sale and remit the proceeds thereof to the Board for being distributed (less expenses if any) proportionately as far as practicable to the members entitled thereof.
4. That the issue and allotment of the bonus shares in favour of non resident members of the Company shall be made in accordance with the guidelines issued by the Reserve Bank of India and such other applicable legislations from time to time.
5. That in the case of shares held in dematerialized form, the intimation of allotment of the bonus shares shall be sent, while in case of shares held in physical form, share certificates shall be issued directly instead of allotment letters within the statutory time limit.



"RESOLVED FURTHER THAT the Board be and is hereby authorized :

1. To apply for listing of the new equity shares issued as bonus shares to the Stock Exchange(s) where the Company's shares are listed / traded and to make an application to the depositories for crediting the Bonus shares to the individual depository accounts of the allottees.
2. To modify the terms and conditions, quantum and amount to be capitalized, and number of new equity shares to be allotted, relating to the aforesaid issue of bonus shares, if the circumstances so arise as would necessitate these and to settle all questions or difficulties that may arise with regard to the allotment and issue of the said new equity shares in such manner as they shall determine in their absolute discretion".

"RESOLVED FURTHER THAT the Board be and is hereby authorized to prepare and file necessary forms, documents with Registrar of Companies and other authorities and to do all such acts, deeds and things as may be required or deemed necessary in this regard".

"RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts as may be found necessary for giving effect to the Resolution for issue of such Bonus shares".

Place : Coimbatore
Date : 23.08.2010

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. Dividend, if approved at the Annual General Meeting will be paid to those members whose names appear :
 - a) As Beneficial owners as at the end of business hours on 13th September, 2010 as per the list to be furnished by NSDL & CDSL in respect of the shares held in electronic form and
 - b) as members in the Register of Members of the Company after giving effect to all valid share transfers in physical form lodged with the Company on or before 13th September, 2010.

The Register of Members and Share Transfer books will be closed from 14th September, 2010 to 16th September, 2010 (both days inclusive).

4. Details in respect of Directors retiring by rotation, pursuant to Clause 49 of the Listing Agreements 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 2000-2001 were transferred to the abovesaid fund accordingly. The Company did not declare dividend for the financial years from 2001-2002 to 2003-2004. Members who have not encashed their dividend warrants from the financial year 2004-05 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 address 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 meeting.
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 : 23.08.2010

By Order of the Board

Sd/-
S.MAHADEVAN
Company Secretary.

**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 6 of the accompanying Notice dated 23rd August, 2010.

The Company has to its credit Rs. 49,85,04,913/- in Free Reserves (including share premium account) as on 30th June 2010. The present paid up capital of the Company is Rs. 9,53,20,750/- divided into 95,32,075 equity shares of Rs. 10/- each (including unvested options granted under INDSIL ESOS Scheme) The Board of Directors considered desirable that it will be advantageous to the Company and the shareholders if a portion of General Reserve is capitalized by issue of Bonus shares. Hence, at the meeting held on 23rd August 2010 the Board of Directors has recommended that Bonus equity shares be issued and allotted in the proportion of TWO (2) new equity shares for every THREE (3) existing equity shares held by the eligible Members of the Company on the Record date to be fixed by the Board of Directors for this purpose. Fractional entitlements will be consolidated and sold at market price and the proceeds thereof, after deducting expenses, will be distributed in a proportionate manner to all those who are entitled to fractional entitlements.

Issue of Bonus Shares is a corporate action leading to the need for making adjustment in the ESOS. The number and price of ESOS shall be adjusted in a manner that the total value of the ESOS remains the same after corporate action. Thus in respect of bonus shares, proportionate number of bonus shares will be issued to INDSIL ESOS TRUST and simultaneously the TRUST will reissue appropriate bonus shares to the eligible employees as per the Scheme.

No amount will be payable upon exercising the bonus options. However if original options are not exercised during the exercise period, they lapse due to nonexercising. Thus bonus options would vest simultaneously with the original and are exercisable simultaneously with the exercising of original options. If original options lapse, bonus options also lapse.

The said Bonus shares shall rank pari passu with the existing Equity Shares in all respects and carry the same rights as the existing fully paid up Equity Shares of the Company.

The Bonus shares shall be issued pursuant to the applicable provisions of the Companies Act, Memorandum and Articles of Association of the Company, and the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 [SEBI ICDR Regulations].

The Board recommends the passing of the resolution set out in item no. 6 of the Notice convening the meeting. After receipt of your approval for capitalization as set out in the resolutions under this item, the Board of Directors will undertake the allotment process. Pursuant to SEBI ICDR Regulations, the bonus issue should be completed within 60 days from the date of Board's recommendation thereof.

None of the Directors of your Company are interested or concerned in any respect in the Bonus issue except to the extent of Bonus shares that may be issued to them or their relatives in the same manner in which the other shareholders of your Company are entitled to the same.

Place : Coimbatore
Date : 23.08.2010

By Order of the Board

Sd/-
S.MAHADEVAN
Company Secretary.

**Details of the Directors seeking re-appointment at the forthcoming Annual General Meeting**

Mr. K.S. Mahadevan (Independent Non Executive Director) is a reputed businessman of Erode region with considerable contacts among business communities. He joined the Board on 27-06-1995 and the Company will be benefited by his vast experience.

Dr A.K. Sreedharan (Independent 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 21-04-1996. He is the Chairman of Audit Committee and Remuneration Committee and Member of the Compensation Committee of the Board of Directors of the Company.

Place : Coimbatore
Date : 23.08.2010

By Order of the Board

Sd/-
S.MAHADEVAN
Company Secretary.

**DIRECTORS' REPORT**

Your Directors have great pleasure in presenting the 20th Annual Report of your Company together with the Audited statements of accounts for the year ended 30th June 2010.

FINANCIAL RESULTS

| Particulars | Rs. in lakhs | |
|--|-----------------|-----------------|
| | 2009-10 | 2008-09 |
| Profit before depreciation and Financial charges | 2,044.38 | 1,053.54 |
| Less : Financial charges | 148.92 | 235.14 |
| Profit before Depreciation | 1,895.46 | 818.41 |
| Less : Depreciation | 348.53 | 350.07 |
| Profit before taxes and extraordinary items | 1,546.93 | 468.33 |
| Less : Irrecoverable advances written off | -- | 91.97 |
| Profit before tax | 1,546.93 | 376.36 |
| Less : Provision for Tax | 210.00 | 115.00 |
| Add : Deferred Tax asset | 22.05 | 24.74 |
| Less : Fringe benefit tax | -- | 3.00 |
| Profit after tax | 1,358.98 | 283.10 |
| Add : Balance brought forward | 2,825.48 | 2,652.93 |
| Surplus available for appropriation | 4,184.46 | 2,936.03 |
| Less: Transfer to General Reserve | 1,000.00 | -- |
| Less: Proposed Dividend | 142.98 | 94.49 |
| Less: Tax on Proposed Dividend | 23.75 | 16.06 |
| Balance to be carried over to Balance Sheet | 3,017.73 | 2,825.48 |
| Paid-up Equity Share Capital | 951.36 | 944.91 |
| Earnings per Share | Rs. 14.34 | Rs. 3.00 |
| Book value per Share | Rs. 64.36 | Rs.50.30 |

REVIEW OF OPERATIONS:

Your Company's financial performance significantly improved this year on account of a highly value added product mix coupled with strong demand from European markets for its core product viz., low carbon silico manganese.

The Company registered a PBDIT of Rs. 2,044.38 lakhs as compared to Rs. 1,053.54 lakhs in 2008-09. PBT is Rs. 1,546.93 lakhs as compared to Rs. 376.36 lakhs in 2008-09.

A more detailed view is given in the "Management Discussion and Analysis Report" forming part of this Annual Report.

FUTURE PROSPECTS

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

PROJECT IN CHHATTISGARH STATE & EXPANSION OF CAPACITY IN KERALA:

Your Company is in the process of expanding its manufacturing facility of Low Carbon Sillico Manganese by setting up a green field 9 MVA SAF smelter in the State of Chhattisgarh and it is expected to go operational by June 2011. Your Company has also decided to carry out de-bottle-necking operations at its existing Palakkad, Kerala facilities, as a result of which the smelter would undergo a capacity expansion of around 25%.

With both the above projects in place, the capacity for production of low carbon sillico manganese is expected to go up from 14,400 tons per annum to 28,500 tons per annum.

JOINT VENTURE PROJECT IN OMAN :

Your Company, along with a Group sister Company is promoting a 75,000 tpy ferro chrome smelter in the Sultanate of Oman. The Indsil Group would be having a 50% interest in the JV with the Sultanate's largest chrome ore miner viz., the Muscat Overseas Group.



A Joint Venture Company called Al-Tamman Indsil Ferro Chrome LLC has been established and the project is expected to go on-stream in its first phase by December 2011. Indsil Hydro Power & Manganese Ltd is expected to hold 25% stake in the entire venture.

The Company considers this investment an exciting opportunity because the project would have access to captive chrome ore from its JV partner's mines. This factor coupled with the fact that electricity in Oman is available at economical levels would make the proposed chrome smelter a globally competitive one.

FINANCE:

The Company's debt equity ratio as on 30.6.2010 is 0.04 and the long term debt outstanding is Rs. 261 lakhs. The Company would become completely debt free this year.

DIVIDEND:

Your Directors recommend payment of dividend at 15% on the Equity Share Capital of Rs.9,53,20,750/-. The dividend, if approved, will be paid to those members whose names appear on the Register of members of the Company as on 13th September, 2010, the subject to the approval of the shareholders.

The aggregate dividend payout for the year amounts to Rs 1,66,72,851 including Corporate dividend tax.

ISSUE OF BONUS SHARES :

The Board of Director at its meeting held on 23rd August, 2010 approved to issue bonus Shares by capitalising the reserves, at the rate of two fully paid up equity shares for every three equity Shares held by the members on a record date which would be announced to the Bombay Stock Exchange.

EMPLOYEE STOCK OPTION SCHEME:

The Company implemented the Employees Stock Option Scheme ("Scheme") in accordance with the Securities Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 the SEBI (Guidelines). The Compensation Committee, constituted in accordance with the SEBI Guidelines, administers and monitors the Scheme.

Details of the total number of options are as shown below :

| | On 28.1.2009 | On 30.4.2010 |
|-----------------|--------------|--------------|
| Options granted | 64,500 | 18,500 |
| Exercise Price | Rs.10 | Rs.10 |

For options granted on 28.1.2009:

As per the Scheme, INDSIL ESOS TRUST has been formed to manage and administer the Scheme and accordingly 64,500 shares were allotted to the said Trust on 28.1.2009. As per the Scheme, the vesting being graded, 16,125 options (being 25% of 64,500 options granted) were vested with eligible employees, which were exercised by them in full. As a result, 16,125 shares were re-issued as detailed below. There were no options lapsed which were vested with the eligible employees as a result of not being exercised by the eligible employees.

| Name of the eligible Employee | No. of Options Granted | Date of grant | 25% of the options vested | Date of vesting | Exercise price (Per Share) | Shares transferred to eligible employees by ESOS Trust | Date of transfer |
|-------------------------------|------------------------|---------------|---------------------------|-----------------|----------------------------|--|------------------|
| Sri V. Natarajan* | 10,000 | 28.1.09 | 2,500 | 29.1.10 | Rs.10 | 2,500 | 13.5.10 |
| Smt. B. Meenakshi* | 10,000 | 28.1.09 | 2,500 | " | Rs.10 | 2,500 | 13.5.10 |
| Sri S. Mahadevan* | 10,000 | 28.1.09 | 2,500 | " | Rs.10 | 2,500 | 13.5.10 |
| Sri K. Rajan Jose* | 7,500 | 28.1.09 | 1,875 | " | Rs.10 | 1,875 | 15.5.10 |
| Sri M. Kannan* | 7,500 | 28.1.09 | 1,875 | " | Rs.10 | 1,875 | 13.5.10 |
| Sri K. Ramakrishnan* | 7,500 | 28.1.09 | 1,875 | " | Rs.10 | 1,875 | 04.6.10 |
| Sri S. Chakrapani* | 5,000 | 28.1.09 | 1,250 | " | Rs.10 | 1,250 | 31.5.10 |
| Sri M. P.L.Sukumar | 3,000 | 28.1.09 | 750 | " | Rs.10 | 750 | 13.5.10 |
| Sri K. Jayasuriyan | 2,000 | 28.1.09 | 500 | " | Rs.10 | 500 | 13.5.10 |
| Sri N. Sundararajan | 2,000 | 28.1.09 | 500 | " | Rs.10 | 500 | 13.5.10 |
| | 64,500 | | 16,125 | | | 16,125 | |

64,500 shares allotted to INDSIL ESOS TRUST were listed on the Bombay Stock Exchange on 27th July 2010.



There is no variation in terms of the options granted as per the Scheme.

Money realized by exercise of options : Rs. 1,61,250/-

* No. of employees who received a grant of options in any one year amounting to 5% or more of options granted during the year : SEVEN

Identified employees, who were granted options, during any one year, equal to or exceeding 1% of the issued Capital of the Company at the time of grant : NIL

Diluted Earnings Per Share (EPS) before exceptional items pursuant to issue of share on exercise of options calculated in accordance with Accounting Standard (AS) 20 "Earnings per Share" : Rs. 14.34

The issue of Equity Shares pursuant to exercise of options will affect the Profit & Loss Account of the Company, as the exercise has been made at par value of Rs. 10/- per share.

For options granted on 30.4.2010

As recommended by the Compensation Committee, the Board of Directors of the Company at its meeting held on 30.4.2010 has approved the grant of 18,500 options to another batch of eligible employees of the Company as per the Scheme. The details of options granted are given below as required under the Guidelines:

| Sl. No. | Name of the employee | Designation | No. of Options granted |
|---------|------------------------|----------------------------|------------------------|
| 1 | Sri C.J.Andappan | Advisor (Electrical) | 3,000 |
| 2 | Sri S.Varadarajan | Manager (Admn.) | 3,000 |
| 3 | Sri V. D.Johnson | Asst. Manager (Prodn.) | 2,500 |
| 4 | Sri V. Pushparajan | Asst. Manager (Prodn.) | 2,500 |
| 5 | Sri N.Hariharan Pillai | Deputy Chief Engr. (Elec.) | 5,000 |
| 6 | Sri K. Balamurugan | Manager(Electrical) | 2,500 |
| | | TOTAL | 18,500 |

The options were granted at face value of Rs.10/- each. All the eligible employees to whom the options are granted are senior managerial personnel.

As per the Scheme, the granted options will be vested from 30.4.2011 as graded vesting and hence the Company is not required to issue any shares during the year to these eligible employees. To this extent the disclosure relating to details of issue of shares under the Scheme and other disclosure to be made as per the Guidelines in the Directors' Report will not arise during the year. These 18,500 options granted to another set of eligible employees were allotted as 18,500 fully paidup Equity Shares to INDSIL ESOS TRUST on 23rd August, 2010. The said shares will be re-issued to the eligible employees as and when they are entitled to exercise their options as per the Scheme.

Valuation of options:

As required, the employee compensation cost as a result of calculations made under Black Scholes model is Rs 15.21 per share having regard to the fact that the strike price is Rs. 10 per share and the stock price (price on the date of grant i.e., 28.1.09) is Rs.23.95 in respect of 64,500 shares.

The Company has received a Certificate from the Auditors of the Company that the Scheme has been implemented in accordance with the SEBI Guidelines and the resolution passed by the shareholders. The Certificate would be placed at the Annual General Meeting for inspection by members.

The Audited accounts placed before the shareholders in this meeting have been prepared recognizing the employee compensation cost using the intrinsic value.

INSURANCE:

All the properties of the Company including buildings, plant & machinery and stocks have been adequately insured.