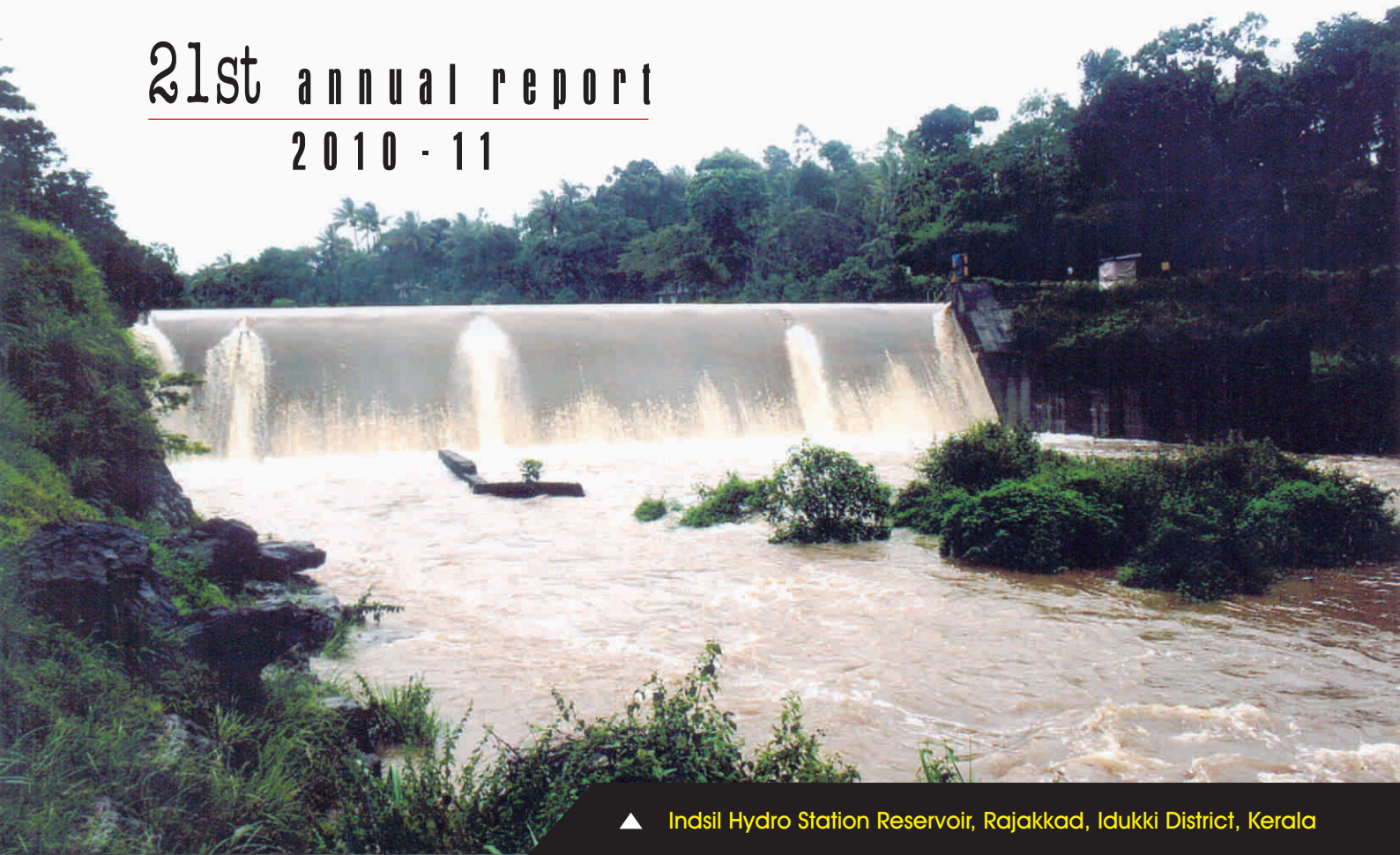


21st annual report

2010 - 11



▲ Indsil Hydro Station Reservoir, Rajakkad, Idukki District, Kerala

Indsil Hydro Station Power House, Rajakkad, Idukki District, Kerala ▼



INDSIL

Indsil Hydro Power and
Manganese Limited

**INDSIL**

INDSIL HYDRO POWER AND MANGANESE LIMITED

21ST ANNUAL REPORT FOR THE YEAR ENDED 30TH JUNE 2011

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

**REGISTRARS & 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

BANKERS

STATE BANK OF TRAVANCORE
THE FEDERAL BANK LIMITED
IDBI BANK LIMITED
AXIS BANK LIMITED
STANDARD CHARTERED BANK
YES BANK LIMITED

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 21ST ANNUAL GENERAL MEETING

NOTICE is hereby given that the 21st Annual General Meeting of the Company will be held at Chamber Towers, 8/732 Avanashi Road, Coimbatore 641 018 on Wednesday, the 14th day of December, 2011 at 10.00 A.M. to transact the following business:

Members are requested to make it convenient to attend the meeting.

AGENDA

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 30th June, 2011 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. Variation of vesting period of options under "INDSIL ESOS 2008"

To consider and if thought fit, to pass with or without modification the following resolution as a SPECIAL resolution:

"RESOLVED THAT approval of the Shareholders of the Company be and is hereby accorded for the variation of the terms relating to vesting of the options under the "INDSIL ESOS 2008" as under:

Under Para 7(b) falling under the head "Vesting of Options", the clause (iv) shall be replaced by the following clauses (iv) and (v)

(iv) 25% shall be vested when a period of 36 months would expire from the Effective Date.

(v) 25% shall be vested when a period of 48 months would expire from the Effective Date."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to take all effective steps and to do all deeds and things that are expedient to give effect to this resolution and also to seek the approval of the Bombay Stock Exchange to obtain its requisite approval, prior to giving effect to the aforesaid variation and further the Board shall authorize the communication of the said variation to the Eligible Employees who are Option Grantees accordingly."

7. 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 and further 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 2010-11".

Place : Coimbatore
Date : 28.10.2011

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 8th December 2011 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 8th December 2011.

The Register of Members and Share Transfer books will be closed from 9th December 2011 to 14th December 2011 (both days inclusive).

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.

The Company did not declare dividend for the financial year 2003-04 and the question of transferring the dividend amount after 7 years to the Investor Education and Protection Fund did not arise for this year. 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 Registrars & 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 Registrars & 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 above said 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 Registrars & 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 the 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.
16. The soft copy of the Annual Report has been sent to the e-mail addresses registered with the respective Depository Participant of the shareholders and where such e-mail addresses are not available, physical form of Annual Reports are sent to the registered addresses of the concerned shareholders.

Place : Coimbatore
Date : 28.10.2011

By Order of the Board

Sd/-
S.MAHADEVAN
Company Secretary.

EXPLANATORY STATEMENT:

As required by Section 173(2) of the Companies Act, 1956 the following Explanatory Statement sets out all material facts relating to the business mentioned under items 6 and 7 of the accompanying Notice dated 28th October 2011.

Item No. 6. - Variation of vesting period of options under "INDSIL ESOS 2008"

"INDSIL ESOS 2008" (the Scheme), was approved by the Shareholders at the 18th Annual General Meeting of your Company held on 5th December, 2008. The Bombay Stock Exchange vide their letter dated 4th August, 2009 granted in-principle approval for the Scheme.

As per the Scheme, the vesting would take place in the following manner:

- a. 25% shall be vested when a period of 12 months would expire from the Effective Date.
- b. 25% shall be vested when a period of 24 months would expire from the Effective Date.
- c. 50% shall be vested when a period of 36 months would expire from the Effective Date.

The Exercise Period as per the Scheme is 3 years from the date of vesting of the options.

The Human Resource Department of your Company proposed to the Board that splitting the third and final tranche into two tranches of 25% each would be advantageous to the Eligible Employees because it improves their loyalty factor and it also makes it easier for them to pay the Exercise Price in two stages. Further they would be in a position to enjoy the benefits of capital appreciation as a result of the benefits that are likely to accrue due to the constant expansion activities undertaken by the management.

It is hereby clarified that the aforesaid variation in the vesting of options will not be prejudicial to the interests of the Eligible Employees and in turn it will be advantageous to them. It is hereby further clarified that the aforesaid variation does not involve any change in the Eligible Employees or the Exercise Price or the Appraisal Policy or the number of options granted. Further there will be no change in any other terms and conditions of the Scheme, apart from the split of the third tranche of vesting of options as explained.

As per Clause 7 of the Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999, read with Para 7(j) of the Scheme, any variation to the ESOS Scheme requires prior approval of the Shareholders by means of a Special Resolution. Further it is provided that such variation should not relate to options that are already exercised and such variation is not detrimental to the interests of the Option Grantees. The proposal to vary the "INDSIL ESOS 2008" to the extent of vesting as explained are in conformity with the said Guidelines and the Scheme.

A copy of the Scheme is kept at the meeting venue for inspection by the Shareholders.

The Board proposes the Resolution under Item No.6 as a SPECIAL Resolution. Approval of BSE for the variation will be sought if the Shareholders pass the Resolution.

None of the Directors are either interested or concerned in the Resolution.

Item No 7 - Commission to Non-Wholetime (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 paid in respect of the profits of the Company for each year for a period of three financial years commencing from the financial year 2010-11.

Necessary resolution for payment of commission to Non-wholetime (Non-Executive) Directors is proposed under Item No. 7 as a SPECIAL Resolution 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.

Place : Coimbatore

Date : 28.10.2011

By Order of the Board

Sd/-
S.MAHADEVAN
Company Secretary.



INDSIL

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 : 28.10.2011

By Order of the Board

Sd/-
S.MAHADEVAN
Company Secretary.



DIRECTORS' REPORT

Your Directors have great pleasure in presenting the 21st Annual Report of your Company together with the Audited statements of account for the year ended 30th June 2011.

FINANCIAL RESULTS:

	Rs. in lakhs	
Particulars	2010-11	2009-10
Profit before depreciation and Financial charges	1789.61	2044.38
Less : Financial charges	66.32	148.92
Profit before Depreciation	1723.30	1895.46
Less : Depreciation	354.45	348.53
Profit before taxes and extraordinary items	1368.85	1546.93
Less : Extraordinary items	22.50	---
Profit before tax	1346.35	1546.93
Less : Provision for Tax	280.00	210.00
Add/Less : Deferred Tax asset/liability	-11.85	22.05
Profit after tax	1054.50	1358.98
Add : Balance brought forward	3017.73	2825.48
Surplus available for appropriation	4072.23	4184.46
Less: Transfer to General Reserve	-	1000.00
Less: Proposed Dividend	158.87	142.98
Less: Tax on Proposed Dividend	25.77	23.75
Balance carried over to Balance sheet	3887.59	3017.73
Paid-up equity share capital	1588.68	951.36
Earnings per share (Rs.)	7.55	14.34
Book value per share (Rs.)	43.03	62.61

REVIEW OF OPERATIONS:

Your Company's financial performance was on expected lines this year. Your Company's increased exposure to the European markets for its core product low carbon silico manganese and most of the business were contractual in nature with price formula clause.

The Company registered a PBDIT of Rs.1,790 lakhs as compared to Rs.2,044 lakhs in the previous year. The PBT is Rs.1,346 lakhs as compared to Rs.1,547 lakhs in the previous year.

The hydro electric power generated 43.12 million units in the previous year. 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.

LOCK-OUT:

A lock-out was declared in the Company's Smelter division with effect from August 11, 2011. This lock-out was pursuant to industrial unrest in the factory which in turn was a consequence of temporary breakdown in talks for a long term settlement of wages. The situation is expected to be resolved any time soon and the factory is expected to commence normal operations from 1st November 2011. It is to be noted here that the Company's Hydro Electric Power Plant was unaffected and operations were normal.

JOINT VENTURE PROJECT IN OMAN :

As reported in the last year's Directors' Report, your Company along with a group sister company, was in the process of promoting a 75,000 tpy Ferro Chrome smelter in the Sultanate of Oman. Indsil group has a 50% interest in the JV with the Sultanate's largest chrome ore miner viz., the Muscat Overseas Group.



As shareholders are aware, the JV called Al-Tamman Indsil Ferro Chrome LLC was established in the Sultanate of Oman and the project was earlier expected to go on stream in its FIRST phase by December 2011. Your Company's stake is 25% in the entire venture.

Due to delay in environmental clearance, the project implementation scheme got delayed.

Having obtained the environmental clearance, your Company signed an agreement with the Sohar Free Zone in mid September this year.

The new JV Al-Tamman Indsil Ferro Chrome LLC is coming up in a 15 hectare plot in Sohar Free Zone and this is the FIRST Ferro Chrome Project in the Sultanate of Oman.

The JV will be building a world class ferro chrome smelter within Sohar Free Zone with an initial capacity to produce 75,000 tpa.

In the initial phase, two smelters with an investment of USD 35 million are expected to commence production by December 2012. The Second phase will follow with an additional investment of USD 45-50 million for building two additional smelters to produce ferro chrome which is the key ingredient in making stainless steel.

By the turn of 2014, around 1,50,000 tons of ferro chrome and 20,000 tons of low carbon ferro chrome are expected to be produced and the expected revenue will be in the range of USD 200 million.

ACQUISITION OF SREE MAHALAKSHMI SMELTERS (P) LTD (SMSPL):

Your Company, on October 24, 2011 has acquired a 51% stake in SMSPL and subsequently SMSPL would become a material subsidiary of your Company.

SMSPL operates a 8400 tpy silico manganese smelter at Garbham, Vizianagaram-Dist., Andhra Pradesh. The two key advantages that SMSPL enjoys are proximity to the Vizag Port and access to economical electric power from the Andhra Pradesh grid.

More than 80% of your Company's products are sold in the global markets and more than 50% of the main feed stock, manganese ore is imported. Consequent to the acquisition, your Company plans to carryout de-bottlenecking and capacity enhancement measures to increase the existing capacity by around 50%. The acquisition has been financed purely by internal accruals.

DIVIDEND:

Your Directors recommend payment of dividend at 10% on the equity share capital of Rs.15,88,67,920/-for the year ended 30th June 2011. The dividend, if approved, will be paid to those members whose names appear on the Register of members of the Company as on 8th December 2011, the date fixed for the purpose, subject to the approval of the shareholders.

The aggregate dividend payout for the year 2010-11 amounts to Rs 1,85,64,027/- including Corporate dividend tax.

KERALA STATE INDUSTRIAL DEVELOPMENT CORPORATION (KSIDC) AWARD:

KSIDC had honored your Company with "Outstanding Entrepreneurship Award" and the award was presented by Sri Oommen Chandy, Hon'ble Chief Minister of Kerala to our Chairman Sri S. N. Varadarajan during the Golden Jubilee function of KSIDC held on 30th July 2011 at the Le Meridien Convention Centre, Kochi.

FORBES RANKING:

The global magazine, Forbes came out with the list of top 200 Companies having revenues "Under a Billion in the Asia Pacific Region". Your Company has been selected as one amongst them. Specifically, the magazine points out to your Company's consistent profitability, dividend track record and low indebtedness as key factors behind this selection.