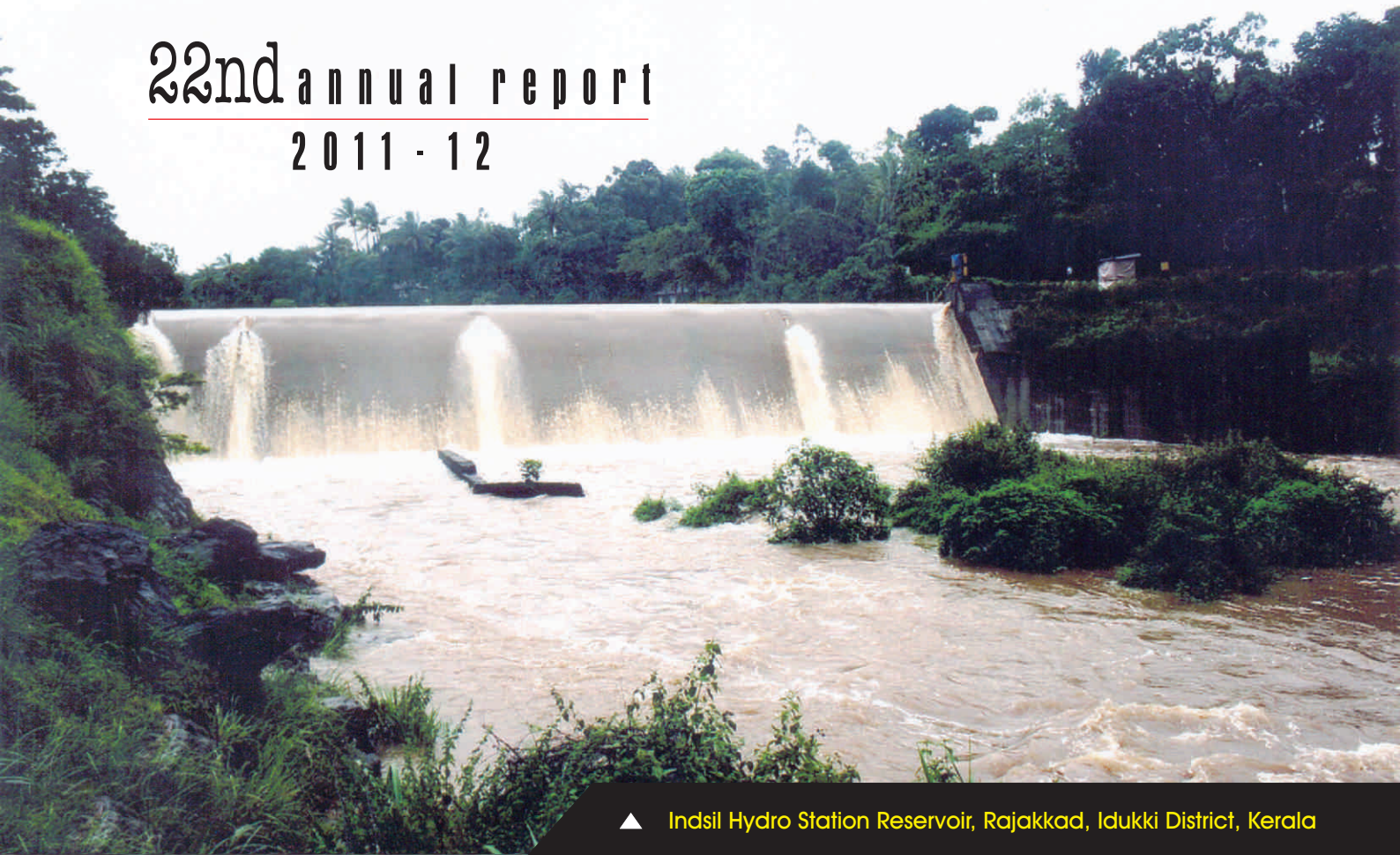


22nd annual report

2011 - 12



▲ 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

22ND ANNUAL REPORT FOR THE YEAR ENDED 30TH JUNE 2012

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

STATUTORY AUDITORS

M/S. K.S.G. SUBRAMANYAM & CO.,
CHARTERED ACCOUNTANTS
II FLOOR, UNITED SHOPPING COMPLEX
94/36, DR. NANJAPPA ROAD, COIMBATORE 641 018

REGISTRARS & SHARE TRANSFER AGENT (PHYSICAL & DEMAT)

S.K.D.C 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
YES 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

SUBSIDIARY COMPANY

SREE MAHALAKSHMI SMELTERS PVT LTD
MERAKAMUDIDAM MANDALAM
GARBHAM 535 102, VIZIANAGARAM DIST (A.P)

JOINT VENTURE COMPANY

AL-TAMMAN INDSIL FERRO CHROME LLC
CR.NO.1090488, P.O.BOX 592, AL HAMRIYA
POSTAL CODE 131, SULTANATE OF OMAN

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NOTICE OF THE 22ND ANNUAL GENERAL MEETING

NOTICE is hereby given that the 22nd Annual General Meeting of the Company will be held at Chamber Towers, 8/732 Avanashi Road, Coimbatore 641 018 on Monday, the 17th day of December, 2012 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, 2012 and statement of Profit & Loss 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 S. Inderchand, who retires from office by rotation, and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Sri K. Ramakrishnan, 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. **APPOINTMENT OF M/S HARIBHAKTI & CO., AS JOINT STATUTORY AUDITORS FOR THE FINANCIAL YEAR 2012-13**

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

"RESOLVED THAT M/s Haribhakti & Co., Chartered Accountants, having its office at "Shree Shanmugapriya", 2nd Floor, 454, Ponnaiyan Street, Crosscut Road, Gandhipuram, Coimbatore - 641 012 be and are hereby appointed as the Joint Statutory Auditors of the Company together with M/s K S G Subramanyam & Co, Chartered Accountants, Coimbatore - 641 018, the retiring Statutory Auditors of the Company from the conclusion of the ensuing Annual General Meeting till the conclusion of the next Annual General Meeting at such remuneration as may be mutually agreed upon between the said Joint Statutory Auditors and the Board of Directors of the Company."

7. **RE-APPOINTMENT OF SRI VINOD NARSIMAN AS MANAGING DIRECTOR**

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

"RESOLVED THAT subject to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof, for the time being in force), Sri. Vinod Narsiman, be and is hereby unanimously re-appointed as Managing Director of the Company for a period of 5 (five) years with effect from 6th November, 2012. The remuneration as mentioned below is subject to review at any time during the period of appointment as the Board of Directors may revise from time to time duly recommended in that respect by the Remuneration Committee.

- I. 1. Salary :

Salary in the range of Rs. 50,000/- to Rs. 3,00,000/- per month during the tenure of his appointment as may be decided by the Board of Directors from time to time.

2. Commission :

3% of the net profits of the Company in each year computed in accordance with Section 349 of the Companies Act, 1956.



3. Perquisites :

In addition to the above salary:

- a. Expenditure for medical treatment incurred for self, wife and dependent children not exceeding one month's salary per annum or 3 month's salary over a period of 3 years.
- b. Leave travel concession for self, wife and dependent children once in an year in accordance with the rules of the Company.
- c. Fees of clubs of choice, however not exceeding 2 clubs, over and above admission fees payable.
- d. Company's contribution to Provident Fund as per rules of the Company and as laid down under Income Tax Rules, 1962.
- e. Contribution to super-annuation fund / annuity as per rules of the Company and as laid down under Income Tax Rules, 1962.
- f. Gratuity as per rules of the Company, but not exceeding half a month's salary for each completed year of service.
- g. Encashment of leave at the end of the tenure as per the rules of the Company.
- h. Personal accident insurance premium not exceeding Rs.1,00,000/- per annum.
- i. Any other perquisites as may be allowed by the Board of Directors of the Company within the permissible limits.

The above is subject to the fact that the aggregate of the total salary, commission and perquisites payable shall not exceed the prescribed ceiling of the net profits of the Company calculated in accordance with Section 198 and Section 309 of the Companies Act, 1956.

- II. In case the Company has no profits or its profits are inadequate in any financial year during the currency of the tenure of Sri Vinod Narsiman, Managing Director of the Company, he shall be entitled to receive remuneration as above subject to the minimum remuneration specified in para 1(A) of Section II of Part II of Schedule XIII of the Companies Act, 1956 as amended from time to time provided that the following perquisites shall not be included in the computation of remuneration.

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

III. OTHERS :

- a. The Managing Director shall be entitled to reimbursement of all actual expenses including on entertainment and travelling incurred in the course of the Company's business.
- b. The Company shall provide a car with driver and telephone facility at the residence of the Managing Director. Provisions of car with driver for use of the Company's business and telephone facility at the residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purposes shall be billed by the Company to the Managing Director.

"RESOLVED FURTHER THAT as the above appointee is already the Managing Director of Indsil Energy and Electrochemicals Limited, (Company having Registered Office at "INDSIL" House, T.V.Samy Road (West), R.S.Puram, Coimbatore 641 002) and drawing remuneration from the said Company, the total remuneration drawn by him from both the Companies shall not exceed the higher maximum limit admissible from the Company or the said Company".

"FURTHER RESOLVED THAT the scope and quantum of remuneration specified herein above, may be enhanced, enlarged or varied by the Board of Directors, in the light of and in conformity with any amendments to the relevant provisions of the Companies Act, 1956 and/or the rules and regulations made thereunder and/or such guidelines as may be announced by the Government of India from time to time".



"RESOLVED FURTHER THAT the Board/Remuneration Committee of Directors of the Company be and is hereby authorized to do all acts, deeds, matters and things as may be considered necessary, desirable or expedient for giving effect to this resolution".

8. 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:

Para 7(b) falling under the head "Vesting of Options", shall be deleted in toto and the following shall be substituted in its place:

The Compensation Committee of the Board (CCB) be empowered to choose the mode of vesting either on accelerated basis or on graded basis as follows :

- (i) Accelerated basis vesting shall happen in respect of those eligible employees chosen or specified by the CCB such that all the options granted to such employees shall vest immediately on the expiry of 12 months from the effective date.
- (ii) Graded vesting shall happen in a graded basis over a period of four years in respect of those eligible employees chosen or specified by the CCB as mentioned in the Scheme and as amended by the special resolution passed by the shareholders in the Annual General Meeting held on 14th December, 2011 ie., @ 25% from the effective date as follows :
 - 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) 25% shall be vested when a period of 36 months would expire from the effective date.
 - d) 25% shall be vested when a period of 48 months would expire from the effective date.
 - e) In respect of options that are already vested on graded vesting basis, the CCB shall have the liberty to shift certain grantee(s) or all grantees from graded vesting to accelerated vesting to enable the accelerated vesting of options that are yet to be vested as on the date of such decision by CCB.

"RESOLVED FURTHER THAT the Company shall comply with the accounting policies specified in Schedule I of the SEBI (ESOS & ESPS) Guidelines, 1999. In case of any acceleration of vesting, the Company shall recognize immediately the amount that otherwise would have been recognized for services received over the remaining vesting period."

"FURTHER RESOLVED 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 necessary or expedient to give effect to the above resolution and also to seek the approval of the Bombay Stock Exchange, if any, prior to giving effect of the aforesaid variation and further the Board shall authorize the communication of the variation to such selected eligible employees who are option grantees accordingly."

Place : Coimbatore
Date : 05.11.2012

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 11th December, 2012 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 11th December, 2012

The Register of Members and Share Transfer books will be closed from Wednesday, 12th December 2012 to Monday, 17th December 2012 (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.
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 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 Ministry of Corporate Affairs (vide Circular Nos. 17/2011 and 18/2011 dated April 21 and April 29, 2011 respectively), has undertaken a "Green Initiative in Corporate Governance" and allowed Companies to share documents with its share holders through an electronic mode. Members are requested to support this green initiative by registering / updating their e-mail addresses, in respect of shares held in dematerialized form with their respective Depository Participants and in respect of shares held in physical form with M/s S.K.D.C Consultants Ltd.
17. The soft copy of the Annual Report is being 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 being sent to the registered addresses of the concerned shareholders.
18. Pursuant to the provisions of Section 109A of the Companies Act, 1956, members are requested to file Nomination Forms in respect of their shareholdings. Any member wishing to avail this facility may submit to the Company's Registrars & Share Transfer Agent the prescribed Statutory Form 2B. Should any assistance be desired, members should get in touch with the Company's Registrars & Share Transfer Agent.
19. The Company has a designated e-mail id for investor grievances. All the shareholders are requested to mail their grievance to mahadevan@indsil.com

Place : Coimbatore
Date : 05.11.2012

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 to 8 of the accompanying Notice dated 5th November, 2012.

Item No. 6 - Appointment of M/s Haribhakti & Co. as Joint Statutory Auditors for the Financial year 2012-13

In view of the substantial increase in the activities of the Company, the Board of Directors felt it necessary to recommend appointment of a Joint Statutory Auditors M/s. Haribhakti & Co., Chartered Accountants, having its office at "Shree Shanmugapriya", 2nd Floor, 454, Ponnaiyan Street, Crosscut Road, Gandhipuram, Coimbatore - 641 012 to hold office along with the existing Statutory Auditors of the Company for the financial year 2012-13.

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

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

Item No. 7 - Re-appointment of Sri Vinod Narsiman as Managing Director

Sri. Vinod Narsiman, was re-appointed as CEO of the Company for a period of 5 years with effect from 06.11.2007 on a salary of Rs.50,000/- per month and a commission of 1% on the net profits of the Company with perquisites and his designation was changed to Managing Director w.e.f 25.10.2009 for the remaining period of office upto 06.11.2012. His commission was revised from 1% to 3% on the net profits of the Company as approved by the shareholders in the AGM held on 05.12.2008 till his remaining period of tenure of office. The Remuneration Committee, at its meeting held on 05th November 2012, had recommended the re-appointment and remuneration of Sri Vinod Narsiman, Managing Director. The Board of Directors of the Company, at its meeting held on 05th November 2012, re-appointed Sri Vinod Narsiman as Managing Director of the Company subject to the approval of the Members. The remuneration and perquisites payable to Sri Vinod Narsiman are in conformity with the requirements of the Companies Act, 1956.

Save and except Sri Vinod Narsiman, Managing Director, being the appointee, Sri S N Vardarajan, Chairman and Smt. D. Pushpa Varadarajan, Director, being related to Sri Vinod Narsiman, none of the other Directors are concerned or interested in this resolution.

The Board of Directors recommends the resolution as set out in Item No. 7 of the Notice for the approval of the members.

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

Item No. 8. - Variation of vesting period of options under "INDSIL ESOS 2008"

- a) "INDSIL ESOS 2008" (the Scheme), was approved by the Shareholders at the 18th Annual General Meeting of your Company held on 5th December, 2008 and subsequently the shareholders in the Annual General Meeting held on 14th December, 2011 approved a variation in the vesting period to the effect that the exercise period as per the Scheme is extended from 3 years to 4 years. The Bombay Stock Exchange vide their letter dated 4th August, 2009 granted 'in-principle' approval for the original Scheme and the variation as approved by the shareholders in the AGM held on 14th December, 2011 as mentioned above was filed with the Bombay Stock Exchange accordingly.
- b) Thus, 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. 25% shall be vested when a period of 36 months would expire from the effective date.
 - d. 25% shall be vested when a period of 48 months would expire from the effective date.
- c) The Human Resource Department of your Company proposed that considering the need to retain talent and to encourage the employees of the Company, discretion could be given to the Compensation Committee of the Board to choose the mode of vesting of the options under the Scheme. Hence an accelerated vesting was proposed whereby vesting of the options to chosen eligible employees can happen with immediate effect after the expiry of 12 months from the effective date. The graded vesting of 25% of options over a four year period after the expiry of the 12 months from the effective date is also retained to such eligible employees as are chosen by the Compensation Committee of the Board.
- d) Further, it has been proposed to provide liberty to the Compensation Committee of the Board to shift certain or all grantees from graded vesting to accelerated vesting as regards the unvested options.



- e) The Company feels that this would certainly motivate such employees who perform par-excellence and as a result of such vesting period, the Management would be able to retain such exceptional talents.
- f) It is hereby clarified that the aforesaid additional variation in the vesting of options as added in the resolution placed before the shareholders in this general meeting will benefit the grantees and that it will not be prejudicial to the interests of the eligible employees and in turn it will be advantageous as a factor to motivate them to perform exceedingly well so as to make them eligible for such vesting options. Further, there will be no change in any other terms and conditions of the Scheme other than the aspect mentioned herein.
- g) 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 placed before the shareholders is in conformity with the guidelines in this regard and the Scheme.
- h) Accordingly, as per the proposed resolution, the Compensation Committee of the Board (CCB) is being empowered to choose the mode of vesting either on accelerated basis or on graded basis as follows :
 - (i) Accelerated basis vesting shall happen in respect of those eligible employees chosen or specified by the CCB such that all the options granted to such eligible employees shall vest immediately on the expiry of 12 months from the effective date.
 - (ii) Graded vesting shall happen in a graded basis over a period of four years in respect of those eligible employees chosen or specified by the CCB as follows :
 - (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) 25% shall be vested when a period of 36 months would expire from the effective date.
 - (d) 25% shall be vested when a period of 48 months would expire from the effective date.
 - (iii) In respect of options that are already vested on graded vesting basis, the CCB shall have the liberty to shift certain grantee(s) or all grantees from graded vesting to accelerated vesting as per para h(1) supra, to enable the accelerated vesting of options that are yet to be vested as on the date of such decision by CCB.

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

The Board proposes the resolution under Item No.8 as a special resolution. Approval of Bombay Stock Exchange, if any required, from them for the variation will be sought, if the shareholders approve the resolution.

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

Place : Coimbatore
Date : 05.11.2012

By Order of the Board

Sd/-
S.MAHADEVAN
Company Secretary.