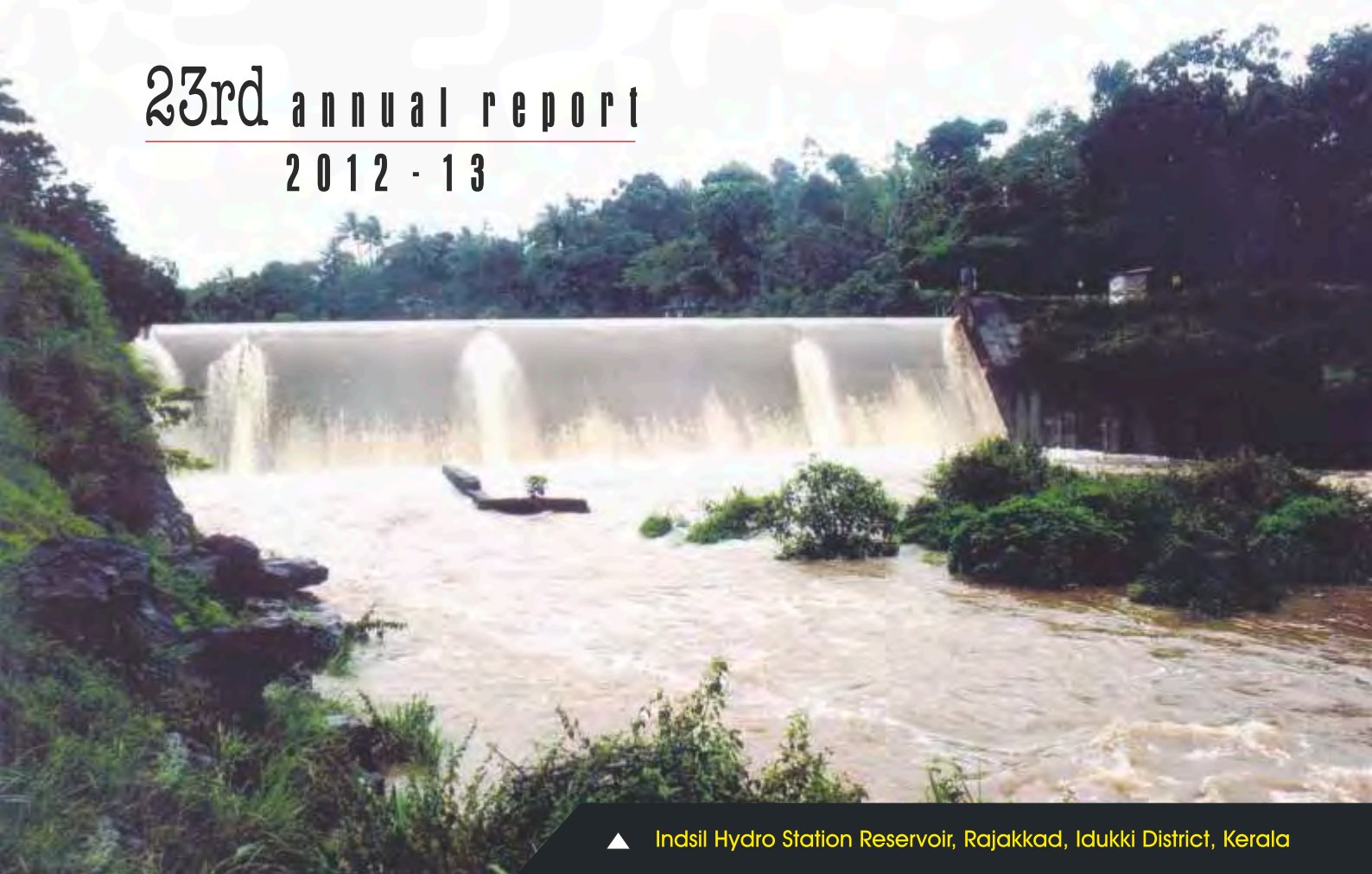


23rd annual report

2012 - 13



▲ 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 HYDRO POWER AND MANGANESE LIMITED

23RD ANNUAL REPORT FOR THE YEAR ENDED 30TH JUNE 2013

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

CHIEF FINANCIAL OFFICER

SRI R. MURALI

STATUTORY AUDITORS

M/S. RAJA & RAMAN
CHARTERED ACCOUNTANTS
1055/11, GOWTHAM CENTRE
1ST FLOOR, AVANASHI 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

CONTENTS

NOTICE.....	3
DIRECTORS' REPORT.....	6
MANAGEMENT DISCUSSION AND ANALYSIS.....	14
REPORT ON CORPORATE GOVERNANCE	18
AUDITORS' REPORT.....	29
BALANCE SHEET	34
STATEMENT OF PROFIT & LOSS	35
NOTES TO FINANCIAL STATEMENTS.....	36
CASH FLOW STATEMENT	53
SECTION 212 STATEMENT.....	54
CONSOLIDATED AUDITORS' REPORT	55
CONSOLIDATED BALANCE SHEET	56
CONSOLIDATED STATEMENT OF PROFIT & LOSS.....	57
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS	58
CONSOLIDATED CASH FLOW STATEMENT.....	71



NOTICE OF THE 23RD ANNUAL GENERAL MEETING

NOTICE is hereby given that the 23rd Annual General Meeting of the Company will be held at Chamber Towers, 8/732 Avanashi Road, Coimbatore 641 018 on Friday, the 13th day of December, 2013 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, 2013 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 Smt. D. Pushpa Varadarajan, who retires from office by rotation, and being eligible, offers herself for reappointment.
4. To appoint a Director in place of Sri K. S. Mahadevan, who retires from office by rotation, and being eligible, offers himself for reappointment.
5. To appoint M/s Raja & Raman, Chartered Accountants, Coimbatore as Statutory Auditors of the Company 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 in the place of M/s. K S G Subramanyam & Co and M/s Haribhakti & Co, the retiring Auditors.

Place : Coimbatore
Date : 07.11.2013

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. 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 9th December 2013 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 9th December 2013.

The Register of Members and Share Transfer books will be closed from Tuesday, the 10th December 2013 to 13th December 2013 (both days inclusive).

3. Details in respect of Directors retiring by rotation, pursuant to Clause 49 of the Listing Agreement are annexed hereto.
4. Consequent upon amendment in Section 205A of the Companies Act, 1956 and introduction of Section 205C by the Companies (Amendment) Act, 1999, the amount of 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.



5. 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.
6. Members are requested to bring their copy of the Annual Report to the Annual General Meeting. No fresh copies will be issued at the Meeting.
7. Members who have not yet given their bank's name, address and account number are requested to furnish the same to the Registrars & Share Transfer Agent of the Company.
8. 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.
9. Members who have multiple accounts in identical names or joint accounts in same order are requested to send all their share certificates to the Registrars & Share Transfer Agent of the Company for consolidation of all such shareholding into one account to facilitate better service.
10. For the convenience of the Members, an attendance slip is annexed to the proxy form. Members are requested to affix their signatures at the space provided and hand over the attendance slip at the place of the meeting.
11. All the documents referred to in the Notice of the AGM are open for inspection at the Registered Office of the Company during office hours (9.30 A.M to 5.30 P.M) on all working days except holidays before the date of the AGM.
12. 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.
13. Equity shares of the Company have been placed under Compulsory De-mat Trading. Members who have not dematerialized their physical holding in the Company are advised to avail the facility of dematerialisation of equity shares of the Company.
14. The ISIN of the equity shares of your Company is INE867D01018.
15. 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.
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 being sent to the registered addresses of the concerned shareholders.
17. 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 Registrar & Share Transfer Agent the prescribed Statutory Form 2B. Should any assistance be desired, members should get in touch with the Company's Registrar & Share Transfer Agent.
18. 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 : 07.11.2013

By Order of the Board

Sd/-
S.MAHADEVAN
Company Secretary.

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

Annexure to Items 3 & 4 of the Notice Details of Directors seeking re-appointment at the Annual General Meeting (In pursuance of Clause 49 of Listing Agreement)		
Name	Smt. D. Pushpa Varadarajan	Sri K.S. Mahadevan
Date of Birth	03/02/1948	30/06/1948
Date of Appointment	30/08/1990	27/06/1995
Area of experience	Smt. D Pushpa Varadarajan, B.A. B.ED., is the wife of Sri S N Varadarajan, Chairman and she is the first Director of the Company since its inception. She is also the member of shareholders'/ investors' Grievances Committee and Share Transfer Committee.	Sri K S Mahadevan is a reputed businessman of Erode region with considerable contacts among business communities. The Company will be benefited by his vast experience.
List of Directorships held in other Indian Companies	Sunmet Holdings India Pvt. Ltd Indsil Energy and Electrochemicals Ltd. Indsil Power Company Ltd. SNV Holdings Pvt. Ltd. SNV Real Estate Pvt Ltd Indsil Agrocarb Ltd Sun Metals & Alloys Pvt Ltd SKAVA Systems Pvt Ltd	Mothi Garments (India) Pvt.Ltd Erode Pharma Pvt. Ltd
Number of Membership in other Committees	Member Share Transfer Committee Investors Grievances Committee	NIL
Number of Shares held in the Company	5,30,208	93,000

Place : Coimbatore
Date : 07.11.2013

By Order of the Board

Sd/-
S.MAHADEVAN
Company Secretary.

**DIRECTORS' REPORT**

Your Directors have great pleasure in presenting the 23rd Annual Report of your Company together with the Audited statements of account for the year ended 30th June 2013.

FINANCIAL RESULTS:

Particulars	₹ in lakhs	
	2012-13	2011-12
Profit before depreciation and Financial charges	718.63	1557.60
Less : Financial Charges	295.52	248.44
Profit before Depreciation	423.11	1309.16
Less : Depreciation	379.55	367.08
Profit before taxes and extraordinary items	43.56	942.08
Less : Extraordinary items	--	-
Profit before tax	43.56	942.08
Less : Provision for Tax	8.30	183.09
Add/Less : Deferred Tax asset/liability (MAT Credit)	7.01	-244.48
Profit after tax	28.25	1003.47
Add : Balance brought forward	4706.41	3887.59
Surplus available for appropriation	4734.66	4891.05
Less : Transfer to General Reserve	--	-
MAT Credit Reserve		
Less : Proposed Dividend	79.43	158.87
Less : Tax on proposed Dividend	13.50	25.77
Balance carried over to Balance Sheet	4641.73	4706.41
Paid-up equity share capital	1588.68	1588.68
Earnings per share (₹)	0.18	6.32
Book value per share (₹)	47.80	48.20

REVIEW OF OPERATIONS:

Your Company's financial performance for the year was drastically affected due to an acute drought situation at your Company's hydro electric power station in Rajakkad, Idukki Dist., Kerala. In fact, the drought conditions enveloped the entire State of Kerala and affected all the electric power stations in that State. The drought has been considered to be one of the worst in the past 2 decades. This resulted in the Company having to procure high cost power from the Kerala State Electricity Board to sustain its smelter operations and with a steep increase in the KSEB power tariff which occurred during the year 2012-13, the Company's operating margins were severely affected. As a result, your Company could register a PBDIT of only ₹ 718.63 Lakhs as against ₹ 1557.60 Lakhs for the previous year.

The PBT is only ₹ 43.56 Lakhs as against ₹ 942.08 Lakhs in the previous year.

The hydro electric power generated only 14.96 million units as compared to 43.52 million units in the previous year.

FUTURE PROSPECTS:

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

RENEWABLE ENERGY CERTIFICATES (REC):

As the members are aware, your Company got successfully registered as an RE generator under the new REC mechanism promulgated by the Central Government. This status entitles the Hydro Power Project of your Company (HPP) to receive Renewable Energy Certificates for every 1000 units of renewable energy produced. These certificates are tradeable in the Indian Energy Exchange (IEX) and Power Exchange India Limited (PXIL). During the year under review, your Company could realize ₹ 54,27,000/- being the sale proceeds of 3618 REC units. As on date, your Company has RECs for a total value of ₹ 2,55,95,141/-.



As per current indications there is scope for demand for RECs as there is a momentum towards complying with Renewable Purchase Obligations (RPO) of RECs by the end of FY 2013-14. With RPO compliance drive initiated by states like Punjab, Uttarakhand, Maharashtra and Chhattisgarh State Regulators, it is expected that the buyer's participation for RPO's would increase in the forthcoming trading sessions.

JOINT VENTURE PROJECT IN OMAN:

As reported in the last year's Directors Report, the JV Project in Oman (Al-Tamman Indsil Ferro Chrome LLC) established in the Sohar Free Zone in Sultanate of Oman has built a world-class Ferro Chrome Smelter with an initial capacity to produce 75,000 tpy of Ferro Chrome.

The Company uses 2 x 24 MVA submerged arc furnaces to smelt the chromite. The two furnaces have been commissioned and production commenced during the second half of the year 2013. Both the furnaces are working currently.

Your Company receives enormous support from the Sohar Free Zone, and therefore there should be no bottle-necks in achieving the objectives of the Company in terms of its full scale commercial production.

The key markets for the JV project of your Company are the Far East and Europe.

SREE MAHALAKSHMI SMELTERS (P) LTD (SMS) - SUBSIDIARY OF THE COMPANY:

As the members are aware, the capacity of SMS plant was upgraded from 5 MVA to 7.5 MVA for the manufacture of Low Carbon Silico Manganese from that of High Carbon Silico Manganese. The State of Andhra Pradesh faced severe power cut during the period under review resulting in under-utilisation of operations resulting in the subsidiary not being able to operate at its full capacity. This, in turn, resulted in the subsidiary suffering financial losses.

CONSOLIDATED FINANCIAL STATEMENTS:

The consolidated financial statements by consolidating the accounts of the Company, Sree Mahalakshmi Smelters Private Limited (Subsidiary of the Company) & the JV Company M/s Al-Tamman Indsil Ferro Chrome LLC, Sultanate of Oman under the applicable Accounting Standards of the Institute of Chartered Accountants of India form part of this Annual Report.

DIVIDEND:

Your Directors recommend payment of dividend at 5% on the equity share capital of ₹15,88,67,920 for the year ended 30th June 2013. The dividend, if approved, will be paid to those members whose names appear on the Register of members of the Company as on 9th December 2013, the date fixed for the purpose, subject to the approval of the shareholders.

The aggregate dividend payout for the year 2012-13 amounts to ₹ 93 Lakhs including corporate dividend tax.

CORPORATE SOCIAL RESPONSIBILITY:

Your Company has commenced its Corporate Social Responsibilities. As part of its socio-economic activities and to emphasize integral development of societal needs in and around its areas of operations, your Company had made its humble contributions to institutions viz: Swami Vivekananda Medical Mission, Palakkad, Kerala, Divine Province Funding Home, Rajakkad, Idukki District, Kerala. St. Benedict Church, Kuthungal, Idukki District, Kerala, Government Higher Secondary School, Rajakkad, Idukki District, Kerala and Unnathi Training Centre, Coimbatore which are engaged in Community Mental Health Program, Eye camps, Mobile Medical Utilities, protection, welfare and development of abandoned children and uplifting the below poverty line children and such other social activities.

The amount so far contributed is ₹ 12.56 Lakhs and your Company would continue its pursuit to fulfill its Corporate Social Responsibilities in future as well, as and when the Company's budget allows.

EMPLOYEE STOCK OPTION SCHEME :

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

The applicable disclosures as stipulated under the SEBI Guidelines as at 30th June, 2013 are given below: The total number of options in force:



	On 28.1.2009	On 30.4.2010
Options granted	64,500	18,500
Exercise Price	₹ 10	₹ 10

For options granted on 28.1.2009 :

As per the Scheme, the following options were exercised by the first set of eligible employees as per details shown below :

A. First set of eligible employees

Tranche	No. of options exercised @ 25% for each tranche	No of shares transferred from ESOS Trust to eligible employees	Bonus Shares transferred from ESOS Trust to eligible employees	Total shares transferred from ESOS Trust to eligible employees	No. of options lapsed
I st Tranche	16125	16125	-	16125	NIL
II nd Tranche	16125	16125	10750	26875	NIL
III rd Tranche	16125	16125	10750	26875	NIL
IV th Tranche	11750	11750	7833	19583	4375*
TOTAL	60125	60125	29333	89458	NIL

* alongwith 2,917 bonus shares

Balance shares in Trust account 7,292

Money realized by exercise of options ₹ 6,01,250/-

Any employee who received grant of options in any one year amounting to 5% or more of options granted during the year : NIL

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) pursuant to issue of share on exercise of options calculated in accordance with Accounting Standard (AS) 20 "Earnings per Share" : ₹ 6.32

The issue of equity shares pursuant to exercise of options will affect the statement of Profit & Loss of the Company, as the exercise has been made at par value of ₹ 10/- per share.

For options granted on 30.4.2010

As per the Scheme, the following options were exercised by the second set of eligible employees as per details shown below:



B. Second Set of eligible employees

Tranche	No. of options exercised @ 25% for each tranche	No of shares re-issued from ESOS Trust to eligible employees	Bonus Shares re-issued from ESOS Trust to eligible employees	Total shares re-issued from ESOS Trust to eligible employees	No. of options lapsed
I st Tranche	4625	4625	3081	7706	NIL
II nd Tranche	4625	4625	3081	7706	NIL
III rd Tranche	4625	4625	3081	7706	NIL
TOTAL	13875	13875	9243	23118	NIL

Balance shares in Trust account : 7,715

Money realized by exercise of option : ₹ 1,38,750/-

Valuation of options :

As required, the employee compensation cost as a result of calculations made under Black Scholes model is ₹15.21 and ₹ 63.66 per share having regard to the fact that the strike price is ₹ 10 per share and the stock price (price on the date of grant i.e., 28.01.2009 & 30.04.2010) are ₹ 23.95 & ₹ 72.40 respectively.

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.

DIRECTORS:

Smt. D. Pushpa Varadarajan and Sri K.S. Mahadevan are retiring by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

AUDITORS:

M/s. K S G Subramanyam & Co Chartered Accountants are one of the Statutory Auditors of the Company till the financial year 2012-13 along with M/s Haribhakti & Co, as the Joint Statutory Auditors.

M/s. K S G Subramanyam & Co, due to their pre-occupation, had submitted their letter of resignation from the office of the Statutory Auditors of the Company with effect from 13th August 2013 and their resignation was informed to the Bombay Stock Exchange on 26th August, 2013.

The present Statutory Auditors M/s Haribhakti & Co, Chartered Accountants, Coimbatore had expressed their unwillingness to continue as the Statutory Auditors of the Company and they will cease to be the Statutory Auditors of the Company from the forth coming Annual General Meeting of the Company.

The proposed retirement of the Statutory Auditors M/s Haribhakti & Co was informed to the Bombay Stock Exchange on 7th November, 2013.

M/s Raja & Raman, Chartered Accountants, 1055/11, Gowtham Centre, 1st Floor, Avinashi Road, Coimbatore 641 018 are willing to get appointed as Statutory Auditors of the Company and in this connection, they have submitted a letter to the Company, stating that their appointment is valid as it will be within the limit prescribed under sub section (1-B) of Section 224 of the Companies Act, 1956.