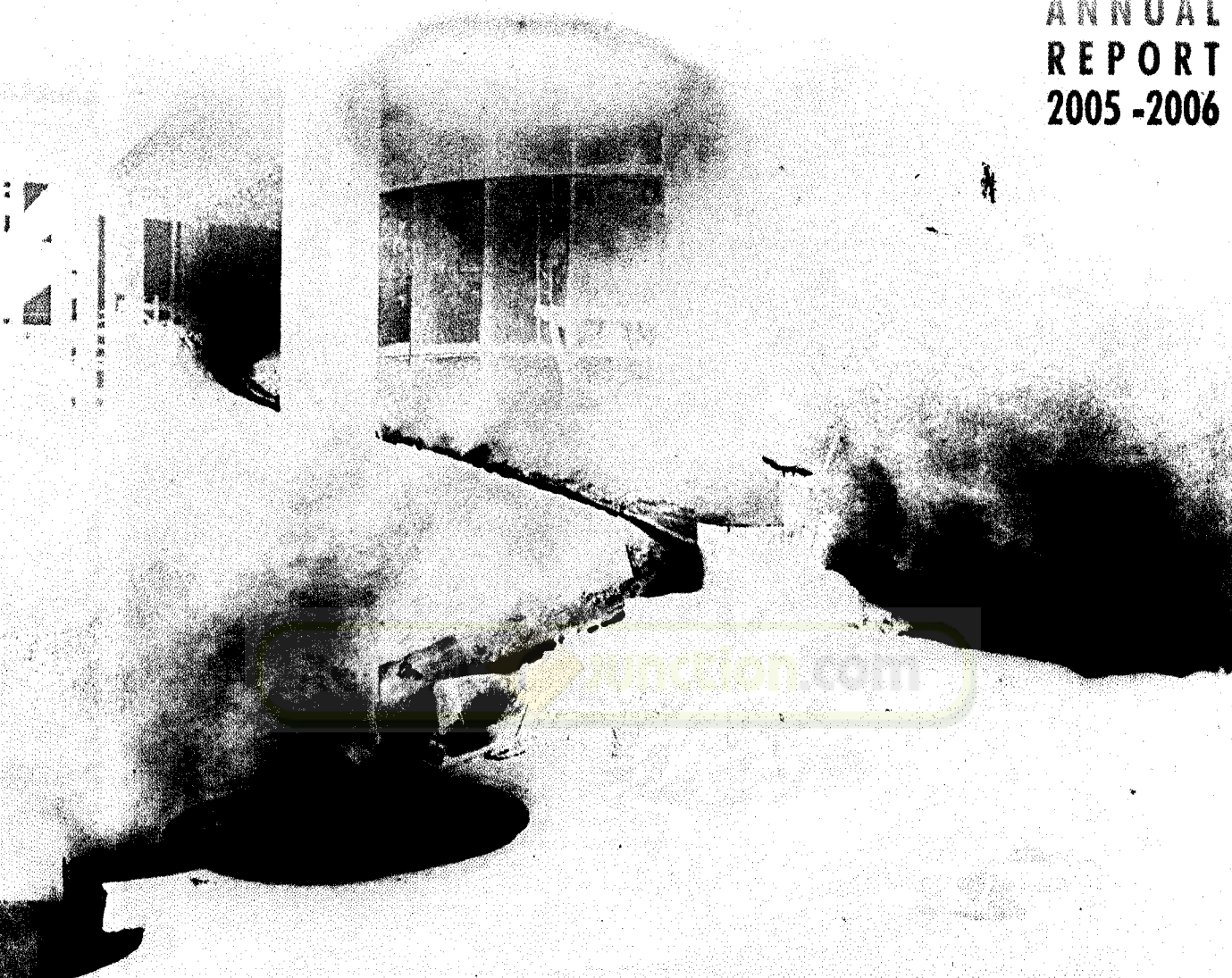


**ANNUAL
REPORT
2005-2006**



Impex Ferro Tech Limited

Corporate

Informations

Board of Directors

Mr. Vimal Kumar Patni
Chairman

Mr. Suresh Kumar Patni
Managing Director

Mr. Virendra Kumar Jain
Whole time Director

Mr. Naresh Kumar Jain

Mr. Chhatar Singh Dugar

Mr. Krishna Kumar Chanani

Mr. Prem Narayan Khandelwal

Company Secretary

Mr. Pradip Kumar Agarwal

Bankers

State Bank of India
Bank of Baroda
Punjab National Bank

Auditors

M/s. S. Jaykishan
12, Ho-Chi Minh Sarani
Kolkata - 700 071

Registered Office

35, Chittaranjan Avenue
4th Floor, Kolkata - 700 012
Tel : 033-22119805/9806
Fax : 033-22117871
Email : info@impexferrotech.com

Plant Location

Kadavita Dendua Road
Post : Kalyaneshwari
P. S. : Kulti, Dist : Burdwan
West Bengal-713 369
Tel : 0341-2522249/50
Fax : 0341-2522248

Registrar & Transfer Agent

Maheshwari Datamatics Pvt. Ltd.
6, Mangoe Lane, 2nd Floor
Kolkata - 700 001
Tel : 033-22435029/5809
Fax : 033-22484787
Email : mdpl@cal.vsnl.net.in

Website

www.impexferrotech.com

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NOTICE

Notice is hereby given that the Eleventh Annual General Meeting of the Members of the Company will be held at Purbashree, Bharatiyam Cultural Multiplex, EZCC, IB-201, Sector-III, Saltlake, Kolkata- 700 106 on Wednesday, September 13, 2006 at 11.00 A.M. to transact the following business :

Ordinary Business

1. To receive, consider and adopt the Audited Accounts for the year ended at 31st March, 2006 and the report of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Prem Narayan Khandelwal, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Naresh Kumar Jain, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to authorise the Board to fix their remuneration. The retiring Auditors, M/s. S. Jaykishan, Chartered Accountants, being eligible offers themselves for re-appointment.

Special Business

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

"RESOLVED that Mr. Krishna Kumar Chanani, who was appointed as an Additional Director of the Company by the Board of Directors under Section 260 of the Companies Act, 1956, and who holds the office up to the date of this Annual General Meeting of the Company and in respect of whom the Company has received a notice in writing from a member under Section 257 of the Companies Act, 1956 proposing his candidature for the post of Director of the Company, be and is hereby appointed as a Director of the Company and shall be liable to be retire by rotation".

Registered Office :

35, Chittaranjan Avenue
4th Floor, Kolkata - 700 012
Date : 11th August, 2006

By Order of the Board
P. K. AGARWAL
Company Secretary

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. Proxies in order to be effective should be completed, stamped, signed and must be deposited at the Registered Office of the Company not less than forty-eight hours before the commencement of the meeting.
3. The relevant Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of the Special Business at Item No- 5 of the notice is annexed hereto and forms part of the notice.
4. The Register of Members and Share Transfer Books will remain closed from 6th September, 2006 to 13th September, 2006 (both days inclusive).
5. Additional information, pursuant to Clause 49 of the Listing Agreement executed with the Stock Exchanges in respect of the Directors seeking appointment/re-appointment at the Annual General Meeting is annexed to the notice.
6. Members desirous of obtaining any information concerning the accounts and operation of the Company are requested to send their queries to the Company at least one week before the meeting, so that the same could be complied in advance.
7. Members/Proxies should bring their attendance slip sent herewith, duly filled in, for attending the meeting.

EXPLANATORY STATEMENT

As required under Section 173 of the Companies Act, 1956 in respect of the items of Special Business mentioned in the Notice.

Item No. 5

Mr. Krishna Kumar Chanani was appointed as Additional Director of the Company by the Board of Directors on 27th April, 2006. In terms of provision of Section 260 of the Companies Act, 1956, he holds the office up to the date of ensuing Annual General Meeting of the Company. The Company has received a notice from a member with requisite deposit under Section 257 of the Companies Act, 1956, proposing his appointment as a Director of the Company. In view of the knowledge and valuable experience of Mr. Krishna Kumar Chanani, his appointment as a Director of the Company is recommended. He shall be a Non Executive Independent Director of the Company.

None of the Director of the Company other than Mr. Krishna Kumar Chanani is interested in this resolution.

Registered Office :
35, Chittaranjan Avenue
4th Floor, Kolkata – 700 012
Date : 11th August, 2006

By Order of the Board
P. K. AGARWAL
Company Secretary





PROFILE OF THE DIRECTORS SEEKING APPOINTMENT/RE-APPOINTMENT

Mr. Prem Narayan Khandelwal

Mr. Prem Narayan Khandelwal is a Director of the Company since 12.04.2004. He is due to retire by rotation at this meeting, and being eligible, offers himself for re-appointment

Mr. Prem Narayan Khandelwal is about 65 years of age. He is a M.A. (Economics) and has a good knowledge and experience of Accounts and Corporate matters. Presently he does not hold any other Directorship or Committee Membership.

Mr. Naresh Kumar Jain

Mr. Naresh Kumar Jain is a Director of the Company since 07.06.1995. He is due to retire by rotation at this meeting, and being eligible, offers himself for re-appointment.

Mr. Naresh Kumar Jain is about 41 years of age. He is a Qualified Chartered Accountant, Cost Accountant and LLB. He has a wide experience in different businesses. Mr. Naresh Kumar Jain is a member of Audit Committee and Investors Grievance Committee of the Company. As on date he holds 1,98,100 equity shares of the Company. He does not hold any other Membership or Chairmanship in the committee of any other Company of which he is a Director. Presently he is on the Board of the following other Companies :

Company	Position
VSN Agro Products Private Limited	Director
Nikita Metal Private Limited	Director
Impex Industries Limited	Director
Patni Metal & Ferro Alloys Private Limited	Director
Nikita Art Movies Private Limited	Director
Nikita Ispat Private Limited	Director
Spandan Dealers Private Limited	Director

Mr. Krishna Kumar Chanani

Mr. Krishna Kumar Chanani was appointed as Additional Director on 27.04.2006 and holds the office up to the date of ensuing Annual General Meeting of the Company. The Company has received a notice from a member with requisite deposit under Section 257 of the Companies Act, 1956 proposing his appointment as a Director of the Company.

Mr. Krishna Kumar Chanani is about 36 years of age. He is a Qualified Chartered Accountant and a Company Secretary. He has a wide knowledge and experience of Accounts, Finance, Taxation, Legal and Corporate matters. He has actively participated in professional Education program of ICAI and contributed to various professional magazines. Mr. Krishna Kumar Chanani is also appointed as a Chairman of Audit Committee of the Company with effect from 27.04.2006. He does not hold any other Membership or Chairmanship in the committee of any other Company of which he is a Director. Presently he is on the Board of the following other Companies :

Company	Position
BEN Exim Private Limited	Director
D.S.J Consultants Private Limited	Director

DIRECTORS' REPORT**TO THE MEMBERS**

Your Directors have pleasure in presenting the 11th Annual Report of the Company and the Audited Accounts for the year ended 31st March, 2006.

(Rs. in Lacs)

WORKING RESULTS	31.03.2006	31.03.2005
Profit before Depreciation & Tax	939.61	823.26
Less : Depreciation	207.40	167.24
Profit before Tax	732.21	656.02
Less : Provision for Tax		
Current Tax	218.87	
Deferred Tax	24.44	
Fringe Benefit Tax	3.07	
Profit after Tax	485.83	456.71
Income Tax of Earlier Year	—	5.38
Balance brought forward from Previous Year	1239.65	788.32
Balance Carried to Balance Sheet	1725.48	1239.65

1. Financial Performance

During the year under review, the Company has achieved a turnover of Rs 16544 lacs against Rs 14075 lacs in previous year. The net profit before tax for the financial year ended March 31, 2006 increased to Rs 732 lacs from Rs 656 lacs in the previous year. During the year the production of Ferro Manganese & Silico Manganese was 38149.630 MT (Previous year 33564.780 MT).

During the year under review the Company registered growth of 17.54% in turnover and 11.61% in the net profit before tax over the corresponding period of previous year. The Company registered good export demand for its products from its overseas buyers in Europe, the Far East Asian countries, the Middle East and China showing the Company's global competitiveness both as low cost producers and acceptability of its quality in the stringent international market.

2. Capacity Addition and New Projects

With a view to achieving saving in cost and to improve process efficiency the Company has re-modeled its business plan to install a power plant of 30 MW capacity and an additional Submerged Arc Furnace of 7.5 MVA capacity. The capacity enhancement will result in total furnace capacity increasing to 31.85 MVA. The existing bankers of the Company have in principal agreed to fund the project and the lead consortium banker has sanctioned their share of funding.

The Company is mobilizing resources to commence the implementation of its project for installation of 30 MW Captive Power Plant and 7.5 MVA Submerged Arc Furnace expansion project. A part of the equity required for meeting the source of funding the capital cost of the project is proposed to be met through cash accruals from operations.

3. Dividend

In view of Company's financial commitment towards the funding of future capacity expansion plan, the Directors of your Company do not recommended any dividend.

4. Corporate Governance

A report on Corporate Governance as prescribed by the Listing Agreement forms a part of the Annual Report, 2005-2006. The Auditor's Certificate on compliance of the Corporate Governance requirements is attached to the report on Corporate Governance.

5. Directors' Responsibility Statement

Pursuant to the requirements of Section 217(2AA) of the Companies Act, 1956, the Board of Directors of the Company hereby confirm that :

- in preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departure;



- b) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2006 and of the profit of the Company for the year ended on 31st March, 2006;
- c) the Director have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) the Directors have prepared the annual accounts on a going concern basis.

6. Fixed Deposits

The Company has not accepted any public deposits and, as such, no amounts on account of principal or interest on public deposit was outstanding on the date of the Balance Sheet.

7. Directors

Mr. Prem Narayan Khandelwal and Mr. Naresh Kumar Jain retire by rotation and being eligible, offer themselves for re-appointment.

Mr. Krishna Kumar Chanani was appointed as Additional Director of the Company on April 27, 2006. As per provision of Section 260 of the Companies Act, 1956 he holds the office up to the date of ensuing Annual General Meeting of the Company. The requisite notice together with necessary deposits have been received from a member proposing the candidature of Mr. Krishna Kumar Chanani as a Director of the Company. The resolution for the members approval has been incorporated in the Notice calling Annual General Meeting.

Mr. Vijay Mal Lodha has resigned from the directorship with effect from April 27, 2006. As a Director, he was associated with the Company for almost 8 years. The Directors wish to place on record their appreciation for the valuable contributions of Mr. Vijay Mal Lodha to the Company during his association with the Company.

As required under Clause 49 of the Listing Agreement the additional information of the Directors seeking appointment/re-appointment are annexed to the notice.

8. Auditors

The Auditors, M/s. S. Jaykishan, Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting and being eligible, offers themselves for re-appointment.

9. Audit Observation

Regarding non-provision of Gratuity and Leave encashment as commented by Auditors in their Report, the Company is accounting for the Gratuity and Retirement benefits on cash basis. However, the management has taken a decision that the necessary provisions will be made in the following year to bring the Accounting Policies in conformity with the Accounting Standard - 15 issued by the Institute of Chartered Accountants of India.

10. Particulars of Employees

The Company had no employee during the year ended 31st March, 2006 who was in receipt of remuneration in excess of the limit specified under Section 217(2A) of The Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

11. Energy Conservation, Technology Absorption and Foreign Exchange Earning and Outgo

Particulars of conservation of energy, technology absorption and foreign exchange earning and outgo as required under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 are given in the annexure forming part of this report.

12. Acknowledgement

The Board of Directors wish to place on record their appreciation for the consistent support and co-operation received from its customers, suppliers, bankers, investors and Government agencies.

For and on behalf of the Board of Directors

V. K. PATNI

Chairman

Kolkata, August 11, 2006

ANNEXURE TO DIRECTORS' REPORT

Information pursuant to Section 217(1)(e) of the Companies Act, 1956

Conservation of Energy

- Close monitoring of operating parameters of high energy consuming equipments in plant.
- Using power factor controller/capacitors to maintain power factor at optimum level.
- Keeping maximum demand under control by scheduling auxiliary load during non peak power consumption levels.

Total energy consumption and energy consumption per unit of production

As per Form - A annexed

Technology Absorption

As per Form - B annexed

Foreign Exchange earning and outgo

Total Foreign Exchange earning : Rs. 3547.89 Lacs
 Total Foreign Exchange outgo : Rs. 934.69 Lacs

FORM - A**Disclosure of particulars with respect to Conservation of Energy**

	2005-2006	2004-2005
A. Power & Fuel Consumption		
1. Electricity		
Total Unit in Lacs	1515.20	1381.65
Amount Rs. in Lacs	4274.97	4131.08
Rate Per Unit	2.82	2.99
2. Coal & Coke		
Quantity - M. T.	26542.171	23250.860
Total Cost - Rs. in Lacs	994.17	1603.09
Average Rate - Rs. per M.T.	3746	6895
B. Consumption per unit of production		
1. Electricity (Unit/M.T.)	3972	4116
2. Coal & Coke (Kg/M.T.)	696	693

FORM - B**Disclosure of particulars with respect to Technology Absorption****Research & Development (R&D)**

Specific areas in which R&D proposed to be carried out by the Company

None

Benefits derived

Not Applicable

Expenditure on R&D

- a) Capital
 b) Recurring
 c) Total
 d) Total R&D expenditure as a percentage of total turnover

Nil
 Nil
 Nil
 Nil

Technology absorption and innovation**Efforts made**

Continuous efforts are being made towards improvements in existing production process.

Benefits

The Company is successful in improving the quality of its products and reducing specific consumption of inputs through efficient furnace operating practices.

Particulars of Imported Technology during last 5 years

Nil

For and on behalf of the Board of Directors
 V. K. PATNI
 Chairman

Kolkata, August 11, 2006



MANAGEMENT DISCUSSION AND ANALYSIS

Economic Overview

Indian economy has witnessed dynamic growth in recent years. Some significant dimensions of the dynamic growth are : a new industrial resurgence, a pickup in investment, modest inflation in spite of spiraling global crude prices, rapid growth in exports and imports, faster development of infrastructure, progress in fiscal consolidation & improvement in employment.

The robust performance of manufacturing and construction sector during 2005–2006 pushed up the GDP growth over 8%. The overall performance of the major driving forces for the economy was good. The growth in GDP at constant price in excess of 8% has been achieved by the economy in only five years of recorded history and two out of these five have been in the last three years.

Industry Structure and Development

Ferro Alloys are primarily used as alloying elements in the production of steel. This may include modifying strength, ductility, and hardness or corrosion resistance. Ferro Alloys are also used to remove unwanted impurities from steel such as phosphorous or sulphur. Specialised applications for Ferro Alloys also exist in fields such as semiconductors, photovoltaic cells, chemical manufacturing and speciality ceramics. The product mix of Ferro Alloy industry mainly consists of Ferro Manganese (FeMn), Silico Manganese (SiMn), Ferro Silicon (FeSi) and Ferro Chrome (FeCr) i.e. the Bulk Ferro Alloys. There is another category of Ferro Alloys called Noble Ferro Alloys which consists of Ferro Vanadium, Ferro Titanium, Ferro Molybdenum, Ferro Niobium, Ferro Tungsten etc.

The Company manufactures Ferro Manganese and Silico Manganese and is one of the major supplier of Ferro Alloys to Iron and Steel Industry. About 90% of world Ferro Alloys production is consumed by the Steel Industry. The sharp surge in the domestic and international demand of Ferro Alloys driven by the rapid growth in Iron and Steel sectors in recent year's pushed up the capacity and production of Ferro Alloys.

Opportunity & Threats

The production and growth of Ferro Alloys industry is linked with production and growth of Steel Industry which in turn depend upon its user industry i.e. infrastructures and construction, automobiles, consumer durables etc. The consumption of steel in infrastructure sector, automotive and white goods is expected to grow rapidly and create ample opportunity for Ferro Alloys industry. The world economy is also expected to grow on an average of over 3% which will drive the Steel demand upward globally over next year and will provide good opportunity to the industry.

The possible threats continues to be the competition from new entrants and lower cost imports. The volatility in the major input prices i.e. manganese ore and cost of power holds threat of increased cost push on the products of the Company. Further, the current volatility in selling rate also holds threat to the profit margins.

However, the availability of all inputs within the country, high freight cost component for imported bulk Ferro Alloys mitigate the threats from the lower cost imports. The Company's long term relationship with the domestic and overseas buyers and target to start implementation of captive power plant of 30 MW and an additional 7.5 MVA capacity furnace during the current year shall assist the Company to remain competitive in long term.

Outlook

The positive industrial growth trends are likely to continue in current fiscal. With the fundamental of the economy remaining strong and no adverse sentiments prevalent amongst the investor and consumer community reflecting high levels of confidence, the economic growth rate is expected to be sustained at 7.5% to 8% in the near term. The GDP growth rate shall sustain the growth in demand for Steel impacting positive growth in demand for Ferro Alloys in line with the trend witnessed in past years.

Risk and Concern

In the normal course of business the Company is exposed to external risk such as fluctuation in demand, competition from other market players, risk arising from supply chain glitches, internal risk like variation in cost, financial risk of adverse variation in interest rate and fluctuation in foreign exchange rates. All the key function and division heads are independently responsible to monitor the risk associated in their respective area.

Segment Performance

The Company operates in Iron and Steel industry comprising of industry intermediates like Ferro Manganese, Silico Manganese and Iron & Steel products. The key financial of the segments are given in Note No. B.8 of Schedule 17 to the Notes on Accounts.

Internal Control

The Company has setup internal control system and procedures commensurate with the size and nature of its business to ensure optimum use of resources and compliance with applicable legislations.

Industrial Relation and Human Resources

Human resources are the strength of the Company. Your Company has a team of qualified and dedicated personnel who have contributed to the growth of the Company. The Company continues to retain and attract the quality and talented manpower. The Industrial and employee relation remained cordial during the year.

Cautionary Statement

Certain statement in the Management Discussion and Analysis describing the Company's view about the industry, projection/expectations, and predictions may be forward looking statement within the meaning of the applicable laws and regulations. Actual results may differ from those expressed or implied. Important factors that can make a difference includes raw material availability and prices, demand-supply conditions, changes in the Government regulations, tax regimes, industrial relation and economic development within India and countries with which the Company conducts business and other incidental factors.

Kolkata, August 11, 2006

For and on behalf of the Board of Directors
V. K. PATNI
Chairman