



IMPEX

IMPEX FERRO TECH LIMITED

Annual Report 2006-2007

Board of Directors

Mr. Vimal Kumar Patni, *Chairman*
 Mr. Suresh Kumar Patni, *Managing Director*
 Mr. Virendra Kumar Jain, *Whole time Director*
 Mr. Ajit Kumar Patni
 Mr. Krishna Kumar Chanani
 Mr. Chhatar Singh Dugar
 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. : Kultli, 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 Twelfth Annual General Meeting of the Members of the Company will be held at Purbashree, Bharatiyam Cultural Multiplex, EZCC, IB-201, Sector-III, Salt Lake, Kolkata - 700106 on Tuesday, September 25, 2007 at 11.30 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, 2007 and the report of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Vimal Kumar Patni, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Chhatar Singh Dugar, 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(s), the following resolution, as an Ordinary Resolution :

"RESOLVED that Mr. Ajit Kumar Patni, 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 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 the candidature of Mr. Ajit Kumar Patni to the office of Director of the Company, be and is hereby appointed as a Director of the Company and shall be liable to retire by rotation."

Registered Office :
35, Chittaranjan Avenue
4th Floor, Kolkata - 700 012
Date : 21st August, 2007

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.
4. The Register of Members and Share Transfer Books will remain closed from 19th September, 2007 to 25th September, 2007 (both days inclusive).
5. Additional information pursuant to Clause 49 of the Listing Agreement 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 compiled in advance.
7. Members/Proxies are requested to bring their attendance slip sent herewith, duly filled in, for attending the meeting.



EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956

Item No. 5

Mr. Ajit Kumar Patni was appointed as Additional Director of the Company by the Board of Directors on 25th September, 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 under Section 257 of the Act, proposing his appointment as a Director of the Company with requisite deposit. In view of the knowledge and valuable experience of Mr. Ajit Kumar Patni, his appointment as a Director of the Company is recommended. He shall be a Non-Executive Director of the Company.

Mr. Ajit Kumar Patni and in addition Mr. Vimal Kumar Patni, Mr. Suresh Kumar Patni & Mr. Virendra Kumar Jain, being relative of Mr. Ajit Kumar Patni is deemed to be concerned or interested in the said resolution.

Registered Office :
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4th Floor, Kolkata - 700 012
Date : 21st August, 2007

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

INFORMATION ON DIRECTORS SEEKING APPOINTMENT/RE-APPOINTMENT AT THE FORTHCOMING ANNUAL GENERAL MEETING (PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT)

ITEM NO. 2

Mr. Vimal Kumar Patni

Date of Birth	13.02.1950
Date of Appointment	07.06.1995
Qualification	B.Com.
Expertise in functional area	He has a vast experience of more than 15 years in Ferro Alloys and Iron and Steel Sector.
List of outside Public Company in which directorship held	Vikash Metal & Power Limited Impex Industries Limited Vikash Smelters Limited Patni Infotech Limited
Chairman/Member of the Committee of the Board of Directors of the Company	None
Chairman/Member of the Committee of the Board of Directors of other Public Company	Member - Shareholders' Grievance Committee of Vikash Metal & Power Limited
Shareholding	2,35,100 Equity Shares

ITEM NO. 3**Mr. Chhatar Singh Dugar**

Date of Birth	05.11.1950
Date of Appointment	15.01.2002
Qualification	B.Com
Expertise in functional area	Accounts and Taxation
List of Outside Public Company in which directorship held	Vikash Metal & Power Limited
Chairman/Member of the Committee of the Board of Directors of the Company	Chairman - Investors' Grievance Committee Member - Audit committee
Chairman/Member of the Committee of the Board of Directors of other Public Company	Member - Audit committee of Vikash Metal & Power Limited
Shareholding	Nil

ITEM NO. 5**Mr. Ajit Kumar Patni**

Date of Birth	03.02.1962
Date of Appointment	25.09.2006 (As a Additional Director)
Qualification	B.Com
Expertise in functional area	Finance and Management
List of Outside Public Company in which directorship held	Impex Industries Limited
Chairman/Member of the Committee of the Board of Directors of the Company	Member - Investors' Grievance Committee Member - Audit committee
Chairman/Member of the Committee of the Board of Directors of other Public Company	None
Shareholding	1,75,000 Equity Shares



DIRECTORS' REPORT

Dear Shareholders,

Your Directors are pleased to present the 12th Annual Report and the Audited Accounts of the Company for the year ended March 31, 2007.

		(Rs. in Lacs)	
Financial Highlight		31.03.2007	31.03.2006
Profit before Interest, Depreciation & Tax		1303.55	1371.93
Less : Depreciation		211.00	207.40
Less : Interest		576.63	432.32
Profit before tax		515.92	732.21
Less : Provision for Tax			
Current Tax	165.89		
Deferred Tax	16.04		
Fringe Benefit Tax	<u>3.69</u>	185.62	246.38
Profit after Tax		330.30	485.83
Less : Extra-ordinary Item		41.38	—
Balance brought forward from Previous year		<u>1725.48</u>	<u>1239.65</u>
Balance available for appropriation		<u>2014.40</u>	<u>1725.48</u>

Financial and Operational Performance

The operations of the Company during the year under review has resulted in a profit before depreciation, interest and taxation (PBDIT) of Rs.1303.55 lacs as compared to Rs.1371.93 lacs in previous year. The Company has achieved a turnover of Rs.17057.31 lacs against Rs.17007.31 lacs in previous year. During the year the Company has produced 34,438.940 MT of Ferro Alloys as compares to 38,149.630 MT in previous year.

The reduction in the output was due to interruption in the power supply to the submerged arc furnaces on account of failure of furnace transformers and the Company has since taken action to restore the power supply to the furnaces by replacing/ refurbishing the deficiency in electrical components. All the four furnaces have since resumed normal operation.

Expansion of production Capacity and Power Plant

The Directors of your Company are pleased to inform you that implementation of the power plant of 30 MW capacity and the 7.5 MVA Submerged Arc Furnace is in progress.

The consortium bankers of the Company have sanctioned a term loan of Rs. 8575 lacs for the project and the balance amount of Rs. 5695 lacs is planned to be met through further equity infusion into the Company, unsecured loan and internal cash accruals.

The Company has applied for necessary approvals required for the implementation of the project. The basic engineering, civil work and structural fabrication has progressed significantly. The Company has released orders for equipments having long lead time for their supply. The delivery of equipment has commenced and their installation at project site has been taken up by the respective contractors.

Dividend

Considering the financial requirements towards the funding of the on going capacity expansion plan, the Directors of your Company do not recommended any dividend.

Proposed Right Issue

The Company has resolved to issue equity shares to the existing shareholders of the Company on right basis to raise a sum up to Rs 40.00 crores to part finance the 30MW Power Plant and the 5th Submerged Arc Furnace of 7.5 MVA.

Corporate Governance

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, the report on Corporate Governance along with the certificate from a practicing Company Secretary and the Management Discussion & Analysis forms part of this Annual Report.

Directors' Responsibility Statement

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

- a) in preparation of the Annual Accounts, the applicable accounting standards have been followed with no 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 at the end of the financial year and of the profit or loss of the Company for that period;
- c) the Directors 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.

Public Deposits

The Company has not accepted any public deposits during the year and, as such, no amounts on account of principal or interest on public deposit was outstanding as on March 31, 2007

Directors

Mr. Vimal Kumar Patni and Mr. Chhatar Singh Dugar retire by rotation and being eligible, offer themselves for re-appointment.

Mr. Ajit Kumar Patni was appointed as Additional Director of the Company on September 25, 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. Ajit Kumar Patni to the office of Director of the Company. The resolution for the members approval has been incorporated in the Notice calling the Annual General Meeting.

Mr. Naresh Kumar Jain has resigned from the directorship with effect from September 25, 2006. The Directors wish to place on record their sincere appreciation for the valuable services rendered by him during his tenure as Director of the Company.

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

Auditors

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

Particulars of Employees

The Company had no employee during the year ended 31st March, 2007 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.

Energy Conservation, Technology Absorption and Foreign Exchange Earning and Outgo

The information relating to 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 is given in the annexure to this report.

Acknowledgement

The Directors of your Company express their gratitude to the Company's shareholders, business partners, suppliers and bankers for their support and co-operation. The Directors acknowledge the hard work, dedication and commitment of all employees of the Company.

For and on behalf of the Board

V. K. PATNI

Chairman

Kolkata, August 21, 2007

**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 equipment 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. 5601.68 lacs

Total Foreign Exchange outgo : Rs. 1899.65 lacs

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

	2006-2007	2005-2006
A. Power & Fuel Consumption		
1. Electricity		
Total Unit in Lacs	1324.33	1515.20
Amount - Rs in Lacs	3834.68	4274.97
Rate Per Unit	2.90	2.82
2. Coal & Coke		
Quantity - M. T.	27994.075	26542.171
Total Cost - Rs in Lacs	1349.80	994.17
Average rate - Rs per Ton	4822	3746
B. Consumption per unit of production		
1. Electricity (Unit/MT)	3845	3972
2. Coal & Coke (Kg/MT)	813	696

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

Nil

b) Recurring

Nil

c) Total

Nil

d) Total R&D expenditure as a percentage of total turnover

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

Kolkata, August 21, 2007

For and on behalf of the Board

V. K. PATNI

Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Structure and Development

The Company manufactures Ferro Manganese and Silico Manganese which are primarily used as alloying elements in the production of steel and modifying its strength, ductility, hardness and corrosion resistance. Ferro Alloys are also used to remove unwanted impurities from steel such as phosphorous or sulphur.

The growth of Ferro Alloys industry is directly linked with the growth of Iron and Steel Industry which in turn depend upon its user industry i.e. infrastructures and construction, automobiles, consumer durables etc. About 90% of world Ferro Alloy production is consumed by the Iron and Steel Industry with balance 10% being consumed by engineering sector. The Indian Steel Industry is progressing well over past three years. During the period 2004-2005 to 2006-2007 the average compounded growth rate of steel production in the country is 11.1% per annum and the consumption growth during the same period is 11.3%. The Ferro Alloys industry has registered strong growth in tune with trend of growth in Iron & Steel Sector driven by its consuming industry.

Opportunity & Threats

The Company has established itself as a leading Ferro Alloys manufacturer in India and in the international markets. Having established its presence in Europe, the Far East Asian Countries the Company is making inroads for export of its products to USA, China, Latin America. This will widen the opportunity for the Company to expand its export base.

The new entrants and cheap imports continue to be a threat to the Company. The volatility in the major input prices i.e. manganese ore and cost of power holds threat of increase in cost of production.

However, with the availability of all inputs within the country and compressing cost at all the possible area including installation of its own captive power plant, the Company is confident in maintaining its position.

Outlook

With the significant growth in the automobiles, white goods, construction and infrastructure sector the pace of production and consumption of steel is expected to grow and the growth trend promises a bright outlook for Ferro Alloys industry. As per the forecast of The International Iron and Steel Institute, the Global consumption of steel will grow by 5.9% in 2007 and 6.1% in 2008, driven by the strong demand from Asia, Africa and South America. The Apparent demand of steel is also likely to increase by 65 MMT in 2007 and 72 MMT in 2008 so as to reach a level of 1250 MMT in 2008. In the line with the overall high growth trend in iron and steel sector the demand for Ferro Alloys is expected to remain buoyant.

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-wise 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 notes no. B.9 of Schedule 18 to the Notes on Accounts.

Internal Control

The Company's internal control system are adequate and are regularly reviewed by the Auditors of the Company. The internal audit is conducted at regular interval and covers all key areas. The audit observations and follow-up action are discussed with the management and Audit committee.

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. Employee relation remained satisfactory during the period under review.

Cautionary Statement

Certain statement in the Management Discussion and Analysis might be considered forward looking. These statements are based on certain assumption and expectation of future events. The actual result may vary materially from those considered here as important factors could influence the operation of the Company such as Tax regimes, Government policies, demand-supply position, industrial relation, Economic development within India and in countries with which the Company conduct business.

Kolkata, August 21, 2007

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



CORPORATE GOVERNANCE REPORT

I. Philosophy

The Company has always believed in good Corporate Governance which involves transparency, accountability, integrity and fairness in all facts of its operations and in its all transactions with the shareholders, employees, lenders and the government.

II. Board of Directors

The Board of the Company comprises of seven members. The Board has two Executive and five Non-Executive Directors. The Chairman of the Company is a Non-Executive Director. The composition of the Board during the year was in conformity with clause 49 of the Listing Agreement executed with the Stock Exchanges.

None of the Director on the Board is a member of more than ten Committees and Chairman of more than five Committees (Committees being Audit Committee and Shareholders/Investors' Grievance Committee) across all the public Companies of which he is the Director. The necessary disclosures regarding other directorships and committee memberships have been made by all the Directors.

During the year 13 Board Meetings were held on 27.04.2006, 22.06.2006, 31.07.2006, 11.08.2006, 14.09.2006, 16.09.2006, 25.09.2006, 14.10.2006, 27.10.2006, 17.11.2006, 20.12.2006, 31.01.2007 and 20.03.2007. The details of the composition of the Board, attendance at the Board meeting during the year and at the last Annual General Meeting, number of directorship, membership/chairmanship in other public companies are as follows :

Sl. No.	Name of the Director	Category	Number of Board Meeting Attended	Attendance at last AGM	Number of other Directorships in Public Limited Companies incorporated in India	Number of other Committees Memberships §	
						Member	Chairman
1	Mr. Vimal Kumar Patni	Promoter/ Non-Executive	12	Yes	4	1	-
2	Mr. Suresh Kumar Patni	Promoter/ Executive	8	Yes	3	2	-
3	Mr. Virendra Kumar Jain	Promoter/ Executive	8	Yes	-	-	-
4	Mr. Prem Narayan Khandelwal	Independent Non-Executive	4	No	-	-	-
5	Mr. Chattar Singh Dugar	Independent Non-Executive	11	Yes	1	1	-
6	Mr. Naresh Kumar Jain #	Promoter/ Non Executive	3	No	-	-	-
7	Mr. Ajit Kumar Patni ##	Promoter/ Non-Executive	7	N.A.	1	-	-
8	Mr. Vijay Mal Lodha ###	Independent Non-Executive	-	N.A.	-	-	-
9	Mr. Krishna Kumar Chanani ####	Independent Non-Executive	6	Yes	-	-	-

§ Includes the Membership/Chairmanship of only Audit Committee and Shareholders/Investors Grievance Committee

resigned from the Directorship with effect from September 25, 2006

appointed as Additional Director with effect from September 25, 2006

resigned from the Directorship with effect from April 27, 2006

appointed as Additional Director with effect from April 27, 2006 and as a Director effect from September 13, 2006

III. Code of Conduct

The Code of Conduct is available on the Company's website i.e. www.impexferrotech.com and is applicable to all Directors and Senior Management of the Company. The Board and Senior Management personnel have affirmed the compliances of the Code of Conduct.