

Impex Ferro Tech Limited

Annual Report 2008-2009



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. Chhatar Singh Dugar

Mr. Krishna Kumar Chanani

Mr. Prem Narayan Khandelwal

Mr. Ashok Kumar Jain

Company Secretary

Mr. Pradip Kumar Agarwal



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Banker

State Bank of India
Bank of Baroda
Punjab National Bank

Auditors

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

notice

Notice is hereby given that the Fourteenth Annual General Meeting of the Members of the Company will be held at "Purbashree", Bharatiyam Cultural Multiplex, EZCC, IB - 201, Sector - III Saltlake, Kolkata - 700106 on Thursday, September 24, 2009 at 10.30 A.M. to transact the following businesses :

Ordinary Business

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2009 and the Profit & Loss Account for the year ended on that date together with the Directors' Report and Auditors' Report thereon.
2. To appoint a Director in place of Mr. Ajit 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.

Registered Office :
35, C. R. Avenue
4th Floor, Kolkata - 700 012
Date : August 28, 2009

By Order of the Board of Directors

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 Register of Members and Share Transfer Books will remain closed from 19th September, 2009 to 24th September, 2009 (both days inclusive).
4. 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.
5. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to send their queries to the Company at least ten days before the meeting so that the same could be complied in advance.
6. Members/Proxies should bring their attendance slip sent herewith, duly filled in, for attending the meeting.

notice (contd.)

DETAILS OF THE DIRECTORS SEEKING APPOINTMENT/RE-APPOINTMENT

Name of the Director	Mr. Ajit Kumar Patni	Mr. Chattar Singh Dugar
Date of Birth	03.02.1962	05.11.1950
Date of Appointment	25.09.2006	15.01.2002
Expertise in Specific Functional area	Finance & Management	Accounts & Taxation
Qualification	B.Com	B.Com
Board membership of other Companies as on March 31, 2009 (Public Limited Companies)	Impex Industries Limited Impex Cements Limited Impex Steel Limited Patni Metal & Ferro Alloys Ltd. Dhodwala Enterprises Limited Gold Mohar Steel Limited VSN Agro Products Limited D. C. Ispat Limited	Vikash Metal & Power Limited
Chairman/Member of the Committee of the Board of Directors of the Company as on March 31, 2009	Member-Investors' Grievance Committee Member-Audit Committee	Chairman - Investors' Grievance Committee Member - Audit Committee Member - Remuneration Committee
Chairman/Member of the Committee of Directors of other public Companies in which he is a Director as on March 31, 2009	Nil	
a) Audit Committee		Member-Vikash Metal & Power Limited
b) Investors' Grievance Committee		
c) Remuneration Committee		
Shareholding	175000 Equity Shares	Nil

directors' report

Dear Shareholders,

Your Directors are pleased to present the 14th Annual Report of the Company together with the Audited Accounts of the Company for the financial year ended 31st March, 2009.

(Rs in Lacs)

Financial Highlight	31.03.2009	31.03.2008
Profit before Interest, Depreciation & Tax	2305.72	2532.27
Less : Interest	1239.58	671.02
Less : Depreciation	252.76	216.22
Profit before Tax	813.38	1645.03
Less : Provision for Tax		
Current Tax	138.50	
Deferred Tax	144.81	
Fringe benefit Tax	5.53	288.84
Profit after Tax	524.54	1053.70
Adjustment for Extra-Ordinary Item	(170.06)	(46.07)
Transitional adjustment for Gratuity	-	1.65
Balance brought forward from Previous year	3023.68	2014.40
Balance transferred to Balance sheet	3378.16	3023.68

Financial and Performance Review

During the year under review the Company has achieved a turnover of Rs.383.63 crores as against Rs.270.22 crores in the previous year. The profit before tax for the year stood at Rs.813.38 lacs compared to Rs. 1645.03 lacs in the previous year registering a substantial fall over previous year. During the year the Company has produced 31,637.810 MT of Ferro Alloys as compared to 35,364.900 MT in the previous year.

The financial year 2008-2009 started on a buoyant note but the second half of the year experienced a sharp slowdown due to global meltdown which resulted in lower industrial production, negative exports and dented corporate margin.

The sales realization in the second half of the year declined due to weak market sentiments while the raw material prices under the long-term contract remained unchanged. The company also faced fall in demand due to production cut by the user industry and its ability to meet supply was effected due to temporary shut down of two of its furnaces for a period of two month in the fourth quarter. Further, the liquidity issues in the financial market led to hardening of interest rates adding pressure on the bottom line.

The Company experienced growth opportunity in the trading segment, coupled with improved contribution which helped maintain operational profit during the year.

Expansion of production Capacity and Power Plant

The Directors of your Company are pleased to inform you that during the year the Company has successfully commenced

operation from its 5th Submerged Arc Furnace having 7.50 MVA capacity.

The 30 MW Captive Power Plant project is progressing satisfactorily and the company has received financial closure of the term loan component with the sanction of Rs. 37.55 crores by State Bank of India. Once the power plant is installed, the company would be deriving power from its own resources which will result in substantial saving in its power cost specially in view of the increase in cost of power from local power utilities.

Dividend

Considering the financial requirements towards the funding of the ongoing expansion plan, which we believe will enhance the shareholders' value in long term, the Directors of your Company do not recommended any dividend for the financial year 2008-2009.

Proposed Right Issue

The Company has received statutory approval from SEBI for its proposed right issue to raise a sum aggregating Rs.40.00 crores to part finance the 30MW power plant and the 5th Submerged Arc furnace of 7.5 MVA. The lead manager to the issue is preparing the final letter of offer based on the updated audited financials to be filed with the SEBI incorporating the changes as suggested by them.

Issue of Warrants

During the year the Company has allotted 60,00,000 (Sixty Lacs) warrants at a price of Rs.22.25 per warrant to be converted into

directors' report (contd.)

equity share of Rs.10/- each at a premium of Rs.12.25 per equity share to the persons belonging to promoters group and strategic investors belonging to non promoter group. The allotment of the warrants was made on 02.07.2008 and Rs. 133.80 Lacs being 10% of the value of warrant issued has been collected.

Corporate Governance

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, the report on Corporate Governance along with the certificate from the Auditors of the Company 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:

- in preparation of the Annual Accounts, the applicable accounting standards have been followed along with the proper explanation relating to the material departures, if any;
- 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;
- 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;
- the Directors have prepared the annual accounts on a going concern basis.

Public Deposits

During the year under review, the Company has not accepted any deposits from the public.

Directors

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

As approved by the members of the Company in the last Annual General Meeting, Mr. Suresh Kumar Patni, Managing Director and Mr.Virendra Kumar Jain, Whole time director of the Company has been re-appointment for a further period of 5 (Five) years w.e.f. 01.07.2008.

None of the Directors of the Company are disqualified for being appointed as Directors, as specified in section 274(1)(g) of the Companies Act, 1956

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

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

Particulars of Employees

The Company had no employee during the year ended 31st March, 2009 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 sincere thanks to the Company's shareholders, business partners, suppliers and bankers for their continued support and co-operation. The Board wishes to record their deep sense of appreciation for the committed services of all employees of the Company.

For and on behalf of the Board

Kolkata, August 28, 2009

V. K. Patni
Chairman

annexure to directors' report

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

A) Conservation of Energy

a) energy conservation measures taken

- 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.

b) additional investment and proposals, if any, being implemented for reduction of consumption of energy

The Company has refurbished capacitor banks for all its submerged furnaces for improving the furnace power factor with a view to improve its energy consumption efficiency.

c) impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of the goods

The Company has altered its product mix by increasing the production of Silico Manganese as compared to Ferro Manganese based on the market trend and demand of the respective products, hence the per ton consumption of electricity is not comparable with earlier year.

d) total energy consumption and energy consumption per unit of production as per FORM- A attached

B) Technology Absorption

e) effort made in technology absorption as per FORM- B attached

C) Foreign exchange earning and outgo

f) activities relating to export, initiative taken to increase exports, development of new export markets for the products & services and export plans :

Continuing efforts are being made to increase export by exploring and developing new markets for the products of the company.

g) total foreign exchange used and earned

Total Foreign Exchange earned : Rs. 12595 Lacs

Total Foreign Exchange used : Rs 6418 Lacs

FORM – A

Disclosure of particulars with respect to conservation of energy

	2008-2009	2007-2008
A. Power & Fuel Consumption		
1. Electricity :		
Total Unit in Lacs	1447.27	1458.89
Amount- Rs in Lacs	4329.52	4294.88
Rate Per Unit	2.99	2.94
2. Coal & Coke		
Quantity-M. T.	29042	30548
Total Cost - Rs in Lacs	2043.65	1580.40
Average rate- Rs per Ton	7037	5173
B. Consumption per unit of production		
1. Electricity (Unit/MT)	4575	4125
2. Coal & Coke (Kg/MT)	918	864

annexure to directors' report

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, adaptation 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.

Particulars of imported Technology during last 5 years

Nil

Kolkata, August 28, 2009

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

management discussion and analysis

Economic outlook

Economies around the world have been seriously affected by the financial crises and slump in activity. Like all other emerging economies, India was also adversely impacted by the global meltdown and crisis. The slowdown was reflected in the lower Industrial production and negative export. The financial system across the world were disrupted and there was a drastic fall in growth in IT enable services, steel, automobiles, textiles, cement, infrastructures and housing sector. The timely fiscal stimulus packages announced by the Government in several tranches helped in countering the crises to a considerable extent. In spite of negative impact on the global economy the current global crisis have been combated through swift coordinated measures taken by the Governments announcing stimulus packages and easing monetary policies and the impact of the steps initiated by the leading economies have started showing positive results.

Industry Structure and Development

The Company manufactures manganese based alloys i.e. Ferro Manganese and Silico Manganese. These Alloys primarily used as alloying elements in production of steel and are essential additives in steel making used for imparting desired properties to steel.

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 housing, 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.

Opportunity and Threats

India is a key player in global Ferro Alloys industry with 5-7% shares. Infrastructure has been identified as a core thrust area by the Government and large investment are planned by both public and private sector in these segments. Several global player in auto sector are also setting up manufacturing bases in India and expanding their existing facilities. The Government of India is targeting Rs. 1,000 bn infrastructure investments over the next two years. Huge investment are also planned in power sector, and more than Rs. 2000 bn investments are proposed in railway infrastructure in eleventh plan, development and up gradation of roads and high way including 100 Km of rural roads every day under the Pradhan Mantri's Gram Sadak Yojna are expected to fuel the demand of steel over coming years. These proposed

investments and developments are expected to provides ample opportunity to the Ferro alloys industry in coming future.

Captive supply of raw materials and power are the key success factors specially for a power intensive industry in a fluctuating raw material price scenario. The volatility in the major input cost i.e. manganese ore and cost of power holds threat of increase in cost of production.

However, with the positive prospects of the industry, availability of all inputs within the country and the Company's current linkage with overseas mine operators for Manganese Ore supply and the installation of captive power plant, the Company is confident of maintaining cost competitiveness and prevail over the competition in the market place.

Outlook

The outlook of the Ferro Alloys industry is expected to remains positive owing to revival in the demand in certain user industry due to Government initiatives to mitigate the impact of global melt down. The Government's monetary and fiscal stimulus package to counter the economic slowdown are expected to be favorable to steel and other consuming sectors. Reintroduction of DEPB Scheme to encourage exports, various measures to encourage auto sector, an important steel consumer, series of benefits to housing and real estate sector, modernization of airports and huge investment plan in railway and infrastructure projects are expected to encourage the demand of steel which in turn promises the revival in demand of Ferro alloys industry.

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

The economic slowdown has affected all sector of the economy, reducing the GDP growth rate. The global recessionary effect may also put pressure and led to decline in export orders. The demand and prices of Ferro Alloys is linked with the fortune of steel industry and if the steel sector does not gain momentum as projected, the demand and supply imbalance may put pressure on the prices of ferro alloys.

management discussion and analysis (contd.)

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.18 of Schedule 19 to the Annual Accounts for the year 2008-2009.

Internal Control

The Company has adequate internal control system. The internal control system of the Company are monitored and evaluated by the Internal Auditors. The Audit committee regularly reviews the observations and suggestion of the internal auditors and takes necessary corrective actions.

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 industrial climate of your company continues to remain harmonious. The Company continues to retain and attract best talent in the industry.

Cautionary Statement

Certain statement in the Management Discussion and Analysis describing Company's estimates, predictions, expectations may be forward-looking. The actual result may vary materially from those expressed or implied in the statement. The important factors that could influence the Company's operation includes global and domestic demand and supply condition, Tax regimes, Government policies, industrial relation, Economic development within the Country and the countries with which the Company conducts business.

For and on behalf of the Board

V. K. Patni
Chairman

Kolkata, August 28, 2009