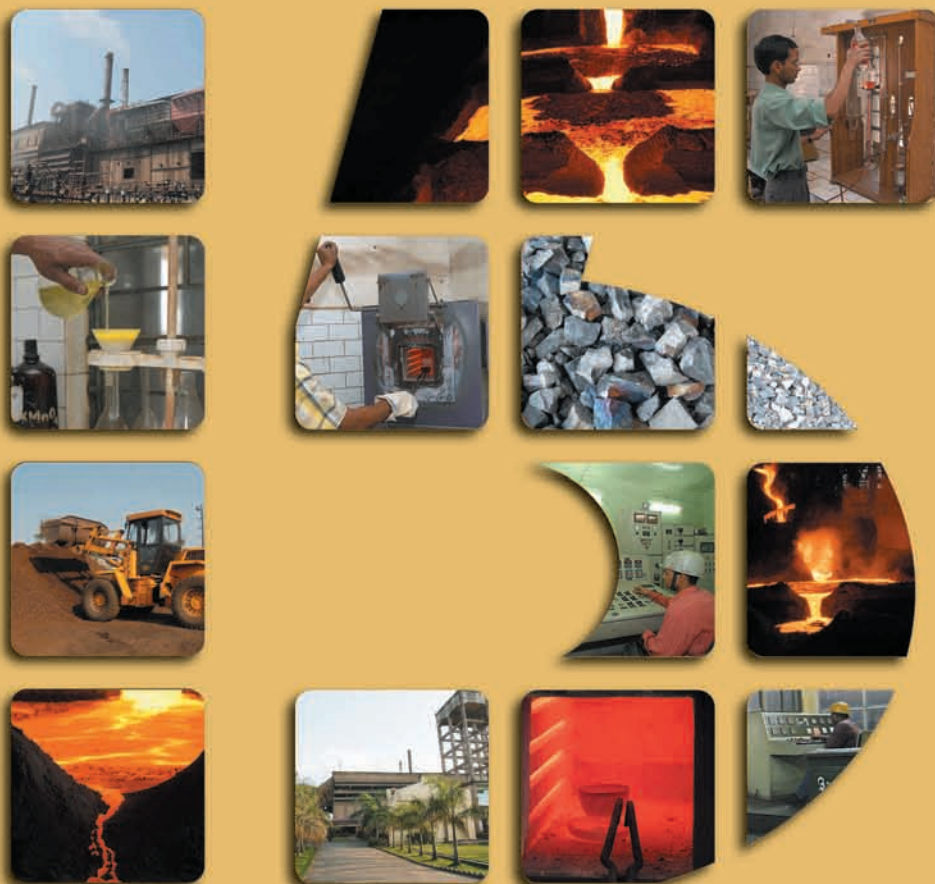




15 YEARS AND BEYOND



ANNUAL REPORT 2009 -10

**IMPEX FERRO TECH LIMITED**



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## 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	Non-Executive Director
Mr. Chhatar Singh Dugar	Independent/Non-Executive Director
Mr. Prem Narayan Khandelwal	Independent/Non-Executive Director
Mr. Krishna Kumar Chanani	Independent/Non-Executive Director
Mr. Ashok Kumar Jain	Independent/Non-Executive Director
Mr. Pradip Kumar Agarwal	Company Secretary

## Consortium Bankers

State Bank of India  
Bank of Baroda  
Punjab National Bank  
United Bank of India

## Auditors

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

# notice

Notice is hereby given that the Fifteenth 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 30, 2010 at 10.30 A.M. to transact the following businesses :

## Ordinary Business

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2010 and the Balance Sheet as at that date together with the Directors' and Auditors' Reports 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. Ashok 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 offer themselves for re-appointment.

Registered Office :  
35, C. R. Avenue  
4th Floor, Kolkata - 700 012  
Date : September 2, 2010

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 25th September, 2010 to 30th September, 2010 (both days inclusive).
4. Any change in the address of the members may be intimated to the Registered Office of the Company or to the Registrars: Maheshwari Datamatics Pvt. Ltd., 6, Mangoe Lane, 2nd Floor, Kolkata - 700 001.
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 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.
7. 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

(In Pursuance of Clause 49 of the Listing Agreement)

Name of the Director	Mr. Vimal Kumar Patni	Mr. Ashok Kumar Jain
Date of Birth	13.02.1950	09.01.1960
Date of Appointment	07.06.1995	11.06.2008
Expertise in Specific Functional area	Finance & Management	Finance & Wide Management Experience
Qualification	B.Com	B.Com
Board membership of other Public Companies as on March 31, 2010	Vikash Metal & Power Limited VSN Agro Products Limited Impex Industries Limited Vikash Smelters & Alloys Ltd. Patni Infotech Limited Dhodwala Enterprises Limited Vikash Urja Ltd. Vikash Ores Ltd.	Nil
Chairman/Member of the Committee of the Board of Directors of the Company as on March 31, 2010	Nil	Member - Remuneration Committee
Chairman/Member of the Committee of Directors of other public Companies in which he is a Director as on March 31, 2010	–	Nil
a) Audit Committee	–	–
b) Share Transfer cum Investors' Grievance Committee	Member-Vikash Metal & Power Limited	–
c) Remuneration Committee	–	–
Shareholding	2,35,100 Equity Shares	Nil



# directors' report

## Dear Shareholders,

Your Directors are pleased to present the 15th Annual Report of the Company together with the Audited Accounts of the Company for the financial year ended 31st March, 2010.

(Rs in Lacs)

Financial Highlight	31.03.2010	31.03.2009
Profit before Interest, Depreciation & Tax	2508.85	2305.72
Less : Interest	1211.80	1239.58
Less : Depreciation	287.47	252.76
Profit before tax	1009.58	813.38
Less : Provision for Tax		
Current Tax 353.00		
Deferred Tax 6.95	359.95	288.84
Profit after Tax	649.63	524.54
Adjustment for Extra-Ordinary Item	(78.80)	(170.06)
Balance brought forward from Previous year	3378.16	3023.68
Balance transferred to Balance sheet	3949.00	3378.16

## Financial and Operational Review

The Company has achieved a total turnover of Rs. 556.01 crores as against Rs.383.63 crores in the previous year registering a growth of 45% in its top line. The profit before tax for the year stood at Rs.1009.58 lacs as against Rs. 813.38 lacs in the previous year registering a growth of 24.12%. During the year the Company has produced 36831.070 MT of Ferro Alloys as compared to 31637.810 MT in the previous year registering a growth in production of over 16%.

The sluggish demand in the first half of the year and power holidays specially during the last quarter of the year led to lower capacity utilization. During this period the company undertook refurbishment of old furnaces.

## Dividend

Considering the financial requirements towards the funding of future planned capacity rationalization to enhance shareholders' value in the long term, the Directors of your Company do not recommend any dividend for the financial year 2009-2010.

## Changes in Share Capital

During the year under review the Company has allotted 2,49,71,604 Equity shares of Rs.10/- each at a premium of Rs. 6/- as per the basis of allotment approved by the Bombay Stock Exchange Limited. Consequent to the said allotment the total paid-up share capital of the company stands increased to Rs. 49,97,16,040.00.

The total proceeds received from the Rights Issue is deployed towards the installation of 5th submerged arc furnace of 7.5 MVA capacity and installation of 30 MW Captive Power Plant.

## Forfeiture of money received against convertible warrants

During the year under review an amount of Rs.133.80 Lacs, received against the issue of convertible warrants, was forfeited as the investors of the warrants did not exercise their option of conversion till the validity of the warrants and the forfeited amount was transferred to the General Reserve Account.

## Awards & Achievement

In May, 2010 the Company was awarded by EEPC-ER (Engineering Export Promotion Council, Eastern Region) top export performance certificate in the medium enterprises segment for its outstanding contribution to engineering exports during the year 2007-08.

## 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 confirms that :

## directors' report (contd.)

- a) in preparation of the Annual Accounts, the applicable accounting standards have been followed with proper explanation relating to the material departures, if any;
- 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

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

### Directors

Mr. Vimal Kumar Patni and Mr. Ashok Kumar Jain retire by rotation and being eligible, offer themselves for re-appointment.

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, offer themselves for re-appointment.

### Particulars of Employees

The Company had no employee during the year ended 31st March, 2010 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

**V. K. Patni**  
Chairman

Kolkata, September 2, 2010

# 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. 11700 Lacs  
Total Foreign Exchange used : Rs. 5992 Lacs

### FORM - A

#### Disclosure of particulars with respect to Conservation of Energy

	2009-2010	2008-2009
<b>A. Power &amp; Fuel Consumption</b>		
<b>1. Electricity :</b>		
Total Unit in Lacs	1703.62	1447.27
Amount- Rs in Lacs	5128.18	4329.52
Rate Per Unit	3.01	2.99
<b>2. Coal &amp; Coke</b>		
Quantity-M. T.	35320	29042
Total Cost - Rs in Lacs	2307.53	2043.65
Average rate- Rs per Ton	6533	7037
<b>B. Consumption per unit of production</b>		
<b>1. Electricity (Unit/MT)</b>	4625	4575
<b>2. Coal &amp; Coke (Kg/MT)</b>	959	918

# 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

For and on behalf of the Board

**V. K. Patni**

Chairman

Kolkata, September 2, 2010



# management discussion and analysis

## Economic outlook

The world economy is currently emerging from the clutches of slowdown and crisis that began in industrialized nation in 2008 and spread to the rest of the world. While the developed economies are recovering aided by the timely stimulus packages and easing monetary policies, they are grappling with many challenges like high unemployment, weak and volatile financial market and impending trade barriers. The lower expected growth of these economies may impact the growth rate of developing countries over the next few years. In Indian context, negative signs are visible in the sluggish export growth and subdued direct capital inflow. The rising fiscal deficit, rising inflation pressures, delayed and erratic monsoon and continued recession in developed economies has added to the uncertainty.

However over the span of year the Indian economy posted a remarkable recovery. The real turnaround came in the second quarter of 2009-2010 when the economy grew by 7.9%. The Indian Economy grew by 7.4% during the year 2009-2010 which is an upward revision from earlier estimates of 7.2% due to higher than anticipated growth in agriculture, mining and manufacturing sector. With the steadily improving fundamentals and inherent strength, in the medium term it is reasonable to expect that the economy will go back to its robust growth path of around 9% experienced before global crisis.

## Industry Structure and Development

The Company manufactures manganese based alloys i.e. Ferro Manganese and Silico Manganese. The use of Ferro Alloys in the making of various types of carbon and alloy steels are essentially to impart certain physical and chemical properties in a particular grade of steel.

Ferro Alloys are considered a part of the core sector as they are crucial intermediates to iron and steel sector. Despite the global meltdown the Ferro Alloys Industry has registered a production growth of 7.20% during the fiscal 2009-2010. India is a key player in global Ferro Alloys Industry with 5-7% share.

## Opportunity, Threats & Outlook

The growth of Ferro Alloys Industry is directly linked with the growth of Iron and Steel Industry which in turn depends upon its user industry i.e. infrastructure 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.

Indian Steel Industry stood out in the global steel industry due to its resilience during the down turn. While the world's steel production dipped by 8% in 2009 the Indian Steel Industry registered a growth of around 4%. This clearly demonstrates the country's strong domestic consumption potential. During the period when the real estate sector showed marked decline, the same was compensated by sustained growth in infrastructure, manufacturing and automobiles. India is currently the 5th largest producer of crude steel in the world and is expected to become the 2nd largest steel producer by 2015 on the back of the capacity addition and demand growth.

India's per capita steel consumption is 48 kgs in F.Y. 2009-2010 compared to the world's average of 190 kgs. Within the country the semi-urban and rural sector has significant opportunities due to its low per capita consumption as compared to urban areas. As the steel industry is highly dependent on the Ferro Alloys Industry for the production of quality steel there are numerous opportunities for the growth of this industry in India.

If we look at our growth pattern over the past few years, we will realize how important it is for a country to have a strong infrastructure to enable growth and developments. For India to emerge stronger from the global economic down turn, infrastructure will have a major role in beefing up its GDP growth. The twelfth plan (2012-2017) has embarked an infrastructure investment estimated in excess of US \$ 1 trillion aimed at improving existing highways, ports, airports, power plants to attain its annual growth target rate of 10%. The global reliance on India as a sourcing hub is also expected to increase. Global automotive majors have established a sizable presence in Indian automotive sector. All these factors will greatly boost the steel and its dependent industry.

The Ferro Alloys Industry is exposed to multiple challenges including availability of ore from domestic and international market, power availability and affordability. Production of Ferro Alloys is highly power intensive and the cost of power and ore availability is extremely critical in determining the competitiveness of the product. However with the positive prospects of its user industry, company's linkage with the overseas and domestic mine operators for supply of ores and captive power plant of 30 MW, the company is confident of maintaining cost competitiveness and staying ahead in the competition.

## Risks and Concerns

In the normal course of business the Company is exposed to external risks such as regional demand and supply imbalances,

## management discussion and analysis (contd.)

volatile swings in market demand, competition from other market players, risk arising from supply chain glitches, internal risk like variation in raw material prices, financial risk of adverse variation in interest rate and fluctuation in foreign exchange rates, technology risk of being equipped with updated technologies. All the key functional and divisional heads are independently responsible to monitor the risk associated in their respective areas.

### 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 20 of Schedule 19 to the Annual Accounts for the year 2009-10.

### 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 suggestions 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. As on 31st March, 2010 the Company had 196 employees.

### 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 within which the Company conducts business.

For and on behalf of the Board

Kolkata, September 2, 2010

**V. K. Patni**  
Chairman