

# 37th Annual Report and Accounts 1998-99

Report  Junction



**INDIAN METALS  
&  
FERRO ALLOYS LTD.**



Chingudipal Mines



School Children

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# INDIAN METALS & FERRO ALLOYS LIMITED

## BOARD OF DIRECTORS

SHRI B PANDA  
SMT. ILA PANDA(Whole time Director)  
Field Marshal SAM MANEKSHAW, MC  
SHRI BAIJAYANT PANDA  
SHRI S ACHARYA  
SMT. PARAMITA MAHAPATRA  
SHRI S K PATTANAIK  
Major R N MISRA (Retd.)  
SHRI A N MISRA  
SHRI M M NAWAZ(Executive Director-Operations)

## ASSISTANT SECRETARY

SHRI SMRUTI RANJAN RAY

## AUDITORS

M/s RAGHU NATH RAI & CO.  
Chartered Accountants  
New Delhi

## BANKER

INDIAN OVERSEAS BANK

## REGISTERED OFFICE

BOMIKHAL  
P.O. RASULGARH  
BHUBANESWAR - 751 010  
ORISSA

## PLANT

THERUBALI  
DIST. : RAYAGADA  
ORISSA

## MINES

NUASAH  
DIST. : KEONJHAR  
ORISSA  
&  
CHINGUDIPAL  
DIST. : JAJPUR  
ORISSA

**DIRECTORS' REPORT TO THE MEMBERS**

Your directors present their 37th Annual Report together with Audited Accounts of the Company for the financial year ended 31st March, 1999.

**FINANCIAL RESULTS**

	(Rs. in Lakhs)	
	1998-99	1997-98
Profit before interest & financial expenses and depreciation	836.83	1252.69
Less: Interest & Financial expenses	1063.59	876.80
Depreciation	210.31	211.68
Profit / (Loss) before tax	(437.07)	164.21
Provision for taxation	Nil	57.47
Profit / (Loss) after tax	(437.07)	106.74
Balance brought forward from previous year	346.27	308.24
Previous year adjustments	(79.34)	Nil
Amount transferred from General Reserve II	8.30	Nil
Net Profit / (Loss) available for appropriation	(161.84)	414.98
Proposed Dividend	Nil	60.03
Dividend tax	Nil	6.01
Transferred to General Reserve	Nil	2.67
Balance carried forward to Balance Sheet	(161.84)	346.27

**DIVIDEND**

In view of unsatisfactory operational results your directors do not recommend any dividend for the year under report.

**OPERATIONS**

The recessionary conditions reported to be prevailing last year continued throughout the year under report and resultantly the market for the Company's products remained depressed. As a consequence, price realisations of both ferro silicon as well as ferro chrome, which had declined last year as compared to the preceding year, declined still further during the year under report and the margins remained continuously under severe pressure. Further, the production activities at the Company's plants remained disrupted due to restricted power supply by ICCL caused due to heavy grid fluctuation because of which ICCL could not export power to the grid. Consequently the production levels in terms of volume declined substantially during the year as compared to the previous year. However, the Company could maintain the sales turnover more or less at par with the previous year by liquidating earlier year's stocks. This also helped the Company

in maintaining its market share. Because of depressed market conditions and resultant low price realisations together with low volume of production the Company's profitability remained under severe pressure during the year as a result of which the year ended with a loss of Rs. 437.07 lakhs.

Your Directors are pleased to report that after three continuous years of recessionary conditions the current year has shown some signs of an overall improvement in the market conditions. Demand for the Company's products is picking up and prices are also recovering from their previous low levels. The grid conditions have also shown marginal improvement as a result of which power supply to the Company's plants and consequent production levels have also shown some stability. Your directors are hopeful that because of these favourable factors as also due to the positive developments in the matter of grant of mining lease, as reported hereunder, the Company's performance during the current year would be much better.

**MINING OPERATIONS**

The operations at the Company's mines have shown noticeable improvement during the year under report. Total chrome ore raised during the year was 53585 MTs as against 22787 MTs raised in the previous year.

Your Directors are pleased to report that the long pending litigation in respect of allotment of mining lease has finally concluded in favour of the Company and the Hon'ble Supreme Court by its judgement and order dated 22nd March, 1999 has directed the State Govt. to grant fifty percent of the total area to the Company as recommended by the special committee set up by the Central Government. In so far as the balance fifty percent is concerned the State Government has been directed to ensure that a committee constituted for the purpose, determines the disposal of the remaining area based on the needs of others, including the need of the Company. Subsequent to the pronouncement of the aforementioned judgement of the Hon'ble Supreme Court necessary work towards grant of mining lease, approval of mining plan by the Indian Bureau of Mines, execution of lease deed and other related formalities are under the process of being completed. Your Directors are hopeful that the Company would start raising ore from its own mines by the end of the current calendar year. With availability of captive ore the raw material procurement cost would come down substantially which would reflect very favourably on the profitability of the Company.

**ENERGY CONSERVATION, ETC.**

The information 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 set out in an annexure hereto forming part of this report.



## DIRECTORS' REPORT TO THE MEMBERS

### SUBSIDIARY COMPANY

Indian Metals & Carbide Ltd., subsidiary of your Company earned a profit of Rs. 0.22 lakhs (after tax) during the year 1998-99. They have not proposed any dividend in view of low internal generations.

Particulars in respect of the Company, pursuant to Section 212 of the Companies Act, 1956 are appended to the Balance Sheet.

### PARTICULARS OF EMPLOYEES

There were no employees in the Company employed throughout the year and in receipt of remuneration not less than Rs.6,00,000/- per annum or employed part of the year and in receipt of remuneration not less than Rs.50,000/- per month. As such disclosure of particulars required in accordance with the provisions of Section 217(2A) of the Companies Act, 1956 are not applicable for the year ended 31st March, 1999.

### FIXED DEPOSITS

During the year under review, the Company mobilised public deposits without extending invitation to the public and after filing a statement in lieu of advertisement. The Company received a sum Rs. 44.68 lakhs under this head during the year under report. However, the deposits are being repaid regularly as per terms of the deposit scheme and there has not been any default. Fixed deposits outstanding as on 31st March, 1999 amounted to Rs. 53.64 lakhs. Unclaimed deposits pending for repayment as on 31st March, 1999 was Rs. 0.40 lakhs. In this regard the Company has complied with all provisions of Companies (Acceptance of Deposits) Rules 1975 and other appropriate laws applicable from time to time.

### OBSERVATIONS OF THE AUDITORS

Observations of the Auditors on the annual accounts of the Company are dealt with in the Notes to the Accounts annexed as Schedule 'N' which are self-explanatory and do not require any further clarifications.

### DIRECTORS

Shri A.N. Misra was inducted as an Additional Director in the Company's Board Meeting held on 26th September, 1998. He holds office till the forthcoming Annual General Meeting of the Company. Meantime, the Company has received a notice under section 257 of the Companies Act, 1956 nominating his candidature for the post of Director which will be taken up at the forthcoming annual general meeting. Shri S. Acharya, Shri Baijayant Panda and Shri S.K. Pattanaik, Directors of the Company retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Mr. M.M.Nawaz was inducted as an Additional Director in the Company's Board Meeting held on 31st July, 1999 and further appointed as a whole time director designated as Executive Director (Operations) subject to the approval of the shareholders at the forthcoming Annual General Meeting.

### AUDITORS

M/s.Raghu Nath Rai & Co., Chartered Accountants, the Auditors of the Company who are to retire at the ensuing Annual General Meeting being eligible offer themselves for reappointment. The Company has received a certificate to the effect that their re-appointment, if made, shall be within the limits prescribed u/s.224 (1B) of the Companies Act, 1956.

### INDUSTRIAL RELATIONS

During the year under report industrial relations have been cordial both at the Company's plants and mines.

### ACKNOWLEDGMENT

Your Directors wish to place on record their deep sense of appreciation of the devoted services rendered by all categories of employees. Further, your Directors would like to place on record with appreciation the continued assistance and cooperation extended by Company's bankers, viz. Indian Overseas Bank.

For and on behalf of the Board

New Delhi  
31st July, 1999

B.Panda  
Chairman

## ANNEXURE TO THE DIRECTORS' REPORT



## CONSERVATION OF ENERGY

In the larger interest of the nation and the group as a whole constant endeavours have been made towards energy conservation. As a major cost bearing input, power is of paramount importance to our industry and every unit of power being saved adds to our profitability. By adopting State-of-art technology of computerised furnace operation the Company has been able to achieve spectacular improvement in specific power consumption per ton of alloy in the current year.

In other areas of auxiliary power consumption, remarkable saving have been made by usage of sodium vapour lamps, fluorescent lamps for illumination in plant and colony areas. Routine monitoring of auxiliary fuels needed for processes as well as for domestic purposes and creation of awareness among users for effective utilisation of energy especially at peak load hours have resulted in substantial saving in this front.

To keep our environment spic and span it has installed a Gas Cleaning Plant which shall reduce the stack emissions to a negligible level and is creating an additional resource of waste heat for utilisation in our process.

Quantification of the exact impact of the energy conservation measures taken by the Company is not possible, since the energy conservation in ferro alloys industry depend upon several factors like quality of raw materials, quantity and continuity of power supply, etc. and these parameters differ from time to time. It is not possible to provide energy consumption per unit of production in view of multi types and grades of finished product produced by the Company to meet the customers requirement on a continual basis.

## TECHNOLOGY ABSORPTION

The R & D wing of the plants has been continuously engaged in updating themselves with the latest technology available both domestic and abroad and they continue to advise the management to explore new avenues / alternatives available so as to absorb the new technologies at the earliest in order to keep up with other players in the field. The company has already implemented hi-tech computerised equipments in process control areas to ensure that the end products are of international standards.

The company's R & D dept. is also constantly examining all domestic substitutes available so as to minimise the need of imports both in capital equipments and also the raw material/spares areas. This has lead to considerable reduction in cost also without impairing the technical efficiency of the plant.

## FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year under report, there was no export earnings in foreign exchange.

The expenditure in foreign currency during the year under review were as follows:

	(Rs. in Lakhs)
1. On account of raw materials (CIF Value)	518.39
2. On account of spare parts, components and stores (CIF Value)	34.45
3. On account of capital goods	Nil
4. Travelling	37.71
5. Others	16.50



## AUDITORS' REPORT TO THE MEMBERS

We have audited the attached Balance Sheet of INDIAN METALS & FERRO ALLOYS LIMITED as at 31st March, 1999 and the annexed Profit and Loss Account for the year ended 31st March, 1999 and report that :-

1. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said Order.

2. Further to our comments in the Annexure referred to in paragraph 1 above, we state that :-

(a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit ;

(b) In our opinion, proper books of account as required by law, have been kept by the Company so far as appears from our examination of such books;

(c) The Balance Sheet and the annexed Profit and Loss Account referred to in this report are in agreement with the books of account;

(d) In our opinion, the Profit and Loss Account and Balance Sheet comply with the mandatory Accounting Standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956 except the following policies in Schedule "M" :-

(i) No.7 relating to Foreign Currency Translation.

(ii) No.9 relating to Retirement Benefits.

(e) In our opinion and to the best of our information and according to the explanations given to us, subject to the following notes in schedule "N" :-

(i) No. 2 relating to Provision for Taxation.

(ii) No.3 relating to Gratuity and Leave Encashment.

(iii) No.5 relating to Deferred Revenue Expenditure.

(iv) No. 6 relating to Doubtful debts.

(v) No. 7 relating to Invocation of Guarantees.

the said Balance Sheet and annexed Profit and Loss Account read together with the notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view:

☐ in so far as it relates to the Balance Sheet, of the state of affairs of the Company as at 31st March, 1999 and

☐ in so far as it relates to the Profit and Loss Account, of the Loss of the Company for the year ended on that date.

For RAGHU NATH RAI & CO.  
Chartered Accountants

New Delhi  
31st July, 1999

(Prem Prakash)  
Partner

## ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph 1 of our report of even date.

1. The Company has maintained proper records showing full particulars including quantitative details and situation of all Fixed Assets. Even though major portion of the Assets have not been physically verified by the management during the year, there is a regular programme of verification which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
2. None of the Fixed Assets have been revalued during the year.
3. The stocks of finished goods, spare parts and raw materials have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
4. The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. The discrepancies noticed on verification between the physical stocks and the book records were not material in relation to the operation of the Company and the same have been properly dealt with in the books of account.
6. On the basis of our examination of stock records, we are of the opinion that the valuation of stock is fair and proper and in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
7. This Company has not taken any loan from parties listed in the register maintained under Section 301 and 372A (5) of the Companies Act, 1956.
8. The Company has not granted any loans to parties listed in the register maintained under section 301 and 372A(5) of the Companies Act, 1956.
9. Loans and advances given to employees are being generally repaid as stipulated both as to principal and interest. No interest is charged on salary and other advances to staff. In addition to these, the Company has also given advances from time to time to its subsidiary, associated company and employees' consumers co-operative society. No interest on these advances has been charged during the year.
10. In our opinion and according to the information and explanations given to us there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of stores, raw materials including components, plant and machinery, equipments and other assets and with regard to the sale of goods.
11. In our opinion and according to the information and explanations given to us, there are transactions of purchase of goods and materials and sale of goods, materials & services made in pursuance of contracts or arrangements entered in the register maintained under section 301 and aggregating during the year to Rs.50,000/- or more, which have been made at prices, which are reasonable, having regard to prevailing market prices for such goods, material & services.
12. As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods.
13. The Company has accepted fixed deposits from the public during the current year and it has complied with the provisions of Section 58A of the Companies Act, 1956, and the rules framed thereunder, wherever applicable.
14. In our opinion, reasonable records have been maintained by the Company for sale and disposal of realisable by-products and scraps.
15. The Company has got an internal audit system commensurate with its size and nature of its business.
16. The Company has not been required to maintain cost records under Section 209 (1) (d) of the Companies Act, 1956, on any of its products.
17. According to the records of the Company, it has generally deposited in time, provident fund and employees state insurance dues with the appropriate authorities.
18. According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty were outstanding as at 31st March, 1999 for a period of more than six months from the date they became payable.
19. According to the information and explanations given to us and the records of the Company examined by us, no personal expenses of the employees or directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
20. The Company is not a sick industrial company within the meaning of clause (O) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

For RGHU NATH RAI & CO.  
Chartered Accountants

New Delhi  
31st July, 1999

(Prem Prakash)  
Partner



## BALANCE SHEET AS AT 31ST MARCH, 1999

		(Rs. in Lakhs)	
		As at 31.03.99	As at 31.03.98
<b>SCHEDULE</b>			
<b>I. SOURCES OF FUNDS</b>			
1. Shareholders' Funds			
(a) Capital	'A'	1200.65	1200.65
(b) Reserves & Surplus	'B'	102.59	1118.19
		<u>1303.24</u>	<u>2318.84</u>
2. Loan Funds	'C'		
(a) Secured Loans		5502.99	4862.91
(b) Unsecured Loans		1404.67	24.69
		<u>6907.66</u>	<u>4887.60</u>
		<u>8210.90</u>	<u>7206.44</u>
<b>II. APPLICATION OF FUNDS</b>			
1. Fixed Assets	'D'		
(a) Gross Block		4609.61	4457.91
Less : Depreciation		3013.15	2820.96
Net Block		<u>1596.46</u>	<u>1636.95</u>
(b) Capital Work-in-Progress		145.40	187.57
		<u>1741.86</u>	<u>1824.52</u>
2. Investments	'E'	2350.50	2350.65
3. Current Assets, Loans & Advances	'F'		
(a) Current Assets		6088.97	8070.76
(b) Loans & Advances		1504.76	1453.71
		<u>7593.73</u>	<u>9524.47</u>
Less : Current Liabilities & Provisions	'G'	3690.76	6708.77
Net Current Assets		<u>3902.97</u>	<u>2815.70</u>
4. Miscellaneous Expenditure (to the extent not written off or adjusted)			
Deferred Revenue Expenditure		215.57	215.57
		<u>8210.90</u>	<u>7206.44</u>
Significant Accounting Policies	'M'		
Notes forming part of the Accounts	'N'		
Information pursuant to Schedule VI	'O'		

Auditors' Report to the Members  
As per our separate report of even date.

For RAGHU NATH RAI & CO.  
Chartered Accountants

(Prem Prakash)  
Partner

New Delhi,  
31st July, 1999

S.R. RAY  
Assistant Secretary

For and on behalf of the Board

B. PANDA  
ILA PANDA  
SAM MANEKSHAW  
BAJAYANT PANDA  
S. ACHARYA  
P. MAHAPATRA  
S.K. PATTANAIK  
R.N. MISRA  
A.N. MISRA  
Directors