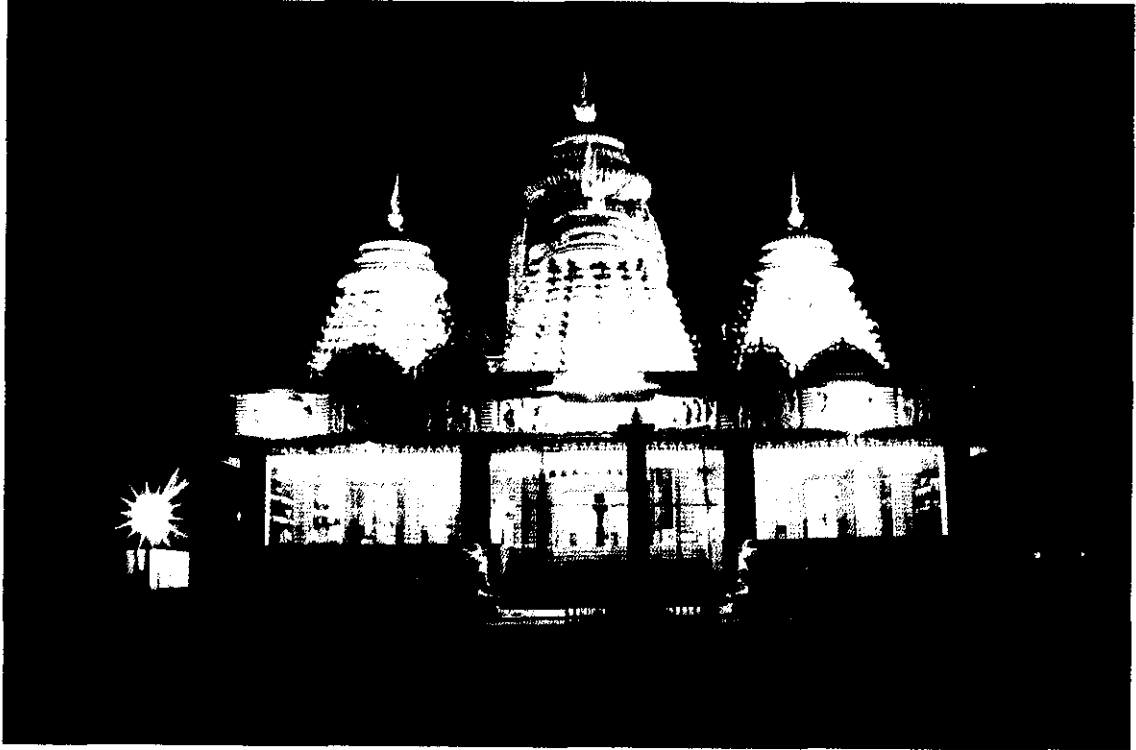


**38<sup>th</sup> Annual Report**  
**1999 - 2000**



Laxmi Narayan Temple At Therubali

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Inaugural Function At Sukinda Mines

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# INDIAN METALS & FERRO ALLOYS LIMITED

## BOARD OF DIRECTORS

DR. B PANDA  
MR. BAIJAYANT PANDA (Managing Director)  
MRS. ILA PANDA (Whole time Director)  
Field Marshal SAM MANEKSHAW, MC  
MR. SUBHRAKANT PANDA  
MR. S ACHARYA  
MR. A N MISRA  
Major R N MISRA (Retd.)  
MRS. PARAMITA MAHAPATRA  
MR. S K PATTANAIK

## ASSISTANT SECRETARY

MR. 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 - 765 018  
ORISSA

## MINES

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

**DIRECTORS' REPORT TO THE MEMBERS**

Your Directors present their 38th Annual Report together with Audited Accounts of the Company for the financial year ended 31st March, 2000.

**FINANCIAL RESULTS**

	(Rs. in Lakhs)	
	1999-2000	1998-99
Profit before interest & financial expenses and depreciation	1560.76	836.83
Less: Interest & Financial expenses	1185.11	1063.59
Depreciation	194.06	210.31
Profit / (Loss) before tax	181.59	(437.07)
Provision for taxation	10.70	Nil
Profit / (Loss) after tax	170.89	(437.07)
Previous year adjustments	(68.27)	(79.34)
Amount transferred to Capital Reserve	(62.37)	Nil
Amount transferred from General Reserve II	Nil	8.30
Balance brought forward from previous year	(161.84)	346.27
Net Profit / (Loss) available for appropriation	(121.59)	(161.84)
Proposed Dividend	Nil	Nil
Dividend tax	Nil	Nil
Transferred to General Reserve	Nil	Nil
Balance carried forward to Balance Sheet	(121.59)	(161.84)

**DIVIDEND**

In view of inadequate profits for the year and carried forward losses brought forward from the previous year, your Directors regret their inability to recommend any dividend for the year under report.

**OPERATIONS**

The recessionary conditions in the ferro alloys market continued for most part of the year under consideration and it was only during the last quarter of the year that the market witnessed some improvement. Moreover, the Company's plant operations were adversely affected during the year due to the super cyclone which hit the State during the end of October, 1999 as the captive power plant of Indian Charge Chrome Limited got damaged due to the super cyclone because of which power availability to the Company's plants remained restricted for over a month and the furnaces had to be operated on low load. However, due to improved grid discipline during the year, Indian Charge Chrome Limited was able to increase the supply of power to the Company's plants

as a result of which the production during the year, specially in respect of charge chrome, registered an increase and the Company could end the year with a marginal profit of Rs. 170.89 lakhs as against a loss of Rs. 437.07 lakhs during the previous year.

The conditions have since normalised and your Directors are pleased to report that operations during the current year are encouraging. All the three plants of the Company are operating at optimum load. Power availability is satisfactory and most importantly, with availability of chrome ore from the Company's captive mines, the production cost of charge chrome has reduced thereby increasing the profitability. Your Directors are confident that on account of all the aforesaid factors the current year's operating results would be substantially better.

**MINING OPERATIONS**

Your Directors are pleased to report that consequent upon allotment of mining area to the Company in the Sukinda valley and after completing all necessary related formalities as reported by them in their report for the previous year, operations in the new mines commenced from September, 1999. However, soon after commencement of mining operations and raising of chrome ore, the operations were adversely affected due to the super cyclone which resulted in flooding of the mines. The operations recommenced soon thereafter and chrome ore is now being made available from the Company's captive mines. With every passing month the quantum of chrome ore being raised from the captive mines is increasing. As a result the aggregate quantum of chrome ore raised during the year under report was 119865 Mts as against 53585 Mts in the previous year. During the current year the quantum of chrome ore raised from the captive mines has shown further improvement. The Company is meeting its own and Indian Charge Chrome Limited's entire requirements of chrome ore fines from the captive mines and only small quantities of lumpy ore is being purchased for the purpose of blending.

In so far as allotment of the balance fifty percent mines is concerned, necessary follow up in regard thereto is being made and it is expected that the new committee set up for the purpose would start its proceedings in a few months.

**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.

**SUBSIDIARY COMPANY**

Indian Metals & Carbide Ltd., subsidiary of your Company earned a profit of Rs.0.25 lakhs (after tax) during the year 1999-2000. They have not proposed any dividend in view of low internal generations.

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

**DIRECTORS' REPORT TO THE MEMBERS****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. However, with regard to those employees employed part of the year and were in receipt of remuneration not less than Rs. 50,000/- per month, relevant disclosures of such particulars as required in accordance with the provisions of Section 217(2A) of the Companies Act, 1956 are set out in an annexure hereto forming part of this report.

**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. 54.63 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, 2000 amounted to Rs. 75.88 lakhs. Unclaimed deposits pending for repayment as on 31st March, 2000 was Rs. 1.71 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 audited 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**

Mr Subhrakant Panda was inducted as an additional Director in the Company's Board Meeting held on 30th October, 1999. He holds office till the forthcoming Annual General Meeting of the Company. The Company has, in the meantime, 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 ensuing annual general meeting.

Mr M.M.Nawaz was inducted as an additional Director and appointed as a wholetime Director to hold office as Executive Director (Operations) of the Company with effect from 1st July, 1999. Later he resigned from the Board and consequently from the office of Executive Director (Operations) with a view to hold office in similar capacity in the group company, Indian Charge Chrome Limited with effect from 15th March, 2000.

Mr Baijayant Panda, who was holding office as Joint Managing Director of the group company, Indian Charge Chrome Limited resigned from that Company and took up appointment as a wholetime director in the Company to hold office as its Managing Director with effect from 15th March, 2000. His appointment as Managing Director of the Company has since been confirmed by the Department of Company Affairs, Govt. Of India, New Delhi which will be subject to the approval of the shareholders at the forthcoming Annual General Meeting.

Dr B.Panda, Mr A.N. Misra and Field Marshal Sam Manekshaw, Directors retire by rotation at the forthcoming Annual General Meeting of the Company and, being eligible, offer themselves for re-election.

**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 re-appointment. 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.

**Y2K COMPLIANCE**

The company having complied Y2k requirements well before the deadline does not foresee any risks to the company due to year 2000 bug. Further, the Company has geared up well with contingency plans to meet any extreme adverse eventualities that may arise in future.

**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 co-operation extended by Company's bankers, viz. Indian Overseas Bank.

For and on behalf of the Board

New Delhi  
27th July, 2000

B. PANDA  
CHAIRMAN

BAIJAYANT PANDA  
MANAGING DIRECTOR



## ANNEXURE TO THE DIRECTORS' REPORT



## CONSERVATION OF ENERGY

The Ferro alloys industry being power intensive, continuous endeavours are being made within the Company towards energy conservation. Power is a basic and major cost bearing input and every unit of power saved per ton of production is of utmost importance to the industry which adds to the Company's profitability.

By adopting the state-of-the-art technology of computerised furnace operation and automatic batching and weighing systems, the Company has achieved significant improvement in specific power consumption in the current year.

Usage of sodium vapour lamps, fluorescent lamps for illumination and automatic light control switches in the plant yard and colony areas is resulting in substantial savings in auxiliary power consumption. Routine monitoring of auxiliary fuels needed for process as well as for domestic purpose and creation of awareness among the users for effective utilisation of energy specially at peak load hours are some of the measures taken to reduce the energy consumption.

In the larger interest of the society and with a view to keep the environment clean, the Company has installed a Gas Cleaning Plant which reduces stack emission to negligible levels. This not only enables the Company to keep the environment clean but also creates an additional resource of waste heat for utilisation in the process.

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

## TECHNOLOGY ABSORPTION

The R&D wing of the Company has been continuously endeavouring to update themselves with a view to introducing the latest technology available both in domestic and at international levels and they continue to advise the management to explore new avenues and alternatives so as to absorb new technologies in order to compete in the ever changing markets. The Company has already introduced hi-tech computerised equipment in process control areas to ensure that the end products are of international standards.

The Company's R&D cell is also constantly examining all available domestic substitutes to minimise imports both in capital equipments and raw materials/spares. This has resulted in substantial reduction in cost without impairing the efficient operation of the plant.

## FOREIGN EXCHANGE EARNING 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)	250.17
2. On account of spare parts, components and stores (CIF Value)	12.82
3. On account of capital goods	Nil
4. Interest	56.62
5. Travelling	15.74
6. Others	5.00

## STATEMENT PURSUANT TO SECTION 217(2A) OF THE COMPANIES ACT, 1956

## Employed part of the year

Sl. No.	Name	Designation/ Nature of duties	Annual remuneration (Rs.)	Qualification & Experience (Years)	Date of Commence- ment of employment	Age (Years)	Particulars of last employment
1.	Mr. Baijayant Panda	Managing Director	45,076	B.S. (MTU) USA (13)	15.03.2000	36	Indian Charge Chrome Limited
2.	Mr. M.M. Nawaz	Executive Director (Operations)	4,28,412	B.Sc. BE. (Metallurgy) (31)	01.07.1999	56	Indian Charge Chrome Limited.

- Notes:
1. Remuneration includes salary, allowances, ex-gratia, Company's contribution to provident fund, superannuation fund, pension fund and perquisites calculated as per Income Tax Rules.
  2. The appointments are contractual in nature.
  3. Mr. Baijayant Panda is relative of Directors of the Company.

**AUDITORS' REPORT TO THE MEMBERS**

We have audited the attached Balance Sheet of **INDIAN METALS & FERRO ALLOYS LIMITED** as at 31st March, 2000 and the annexed Profit and Loss Account for the year ended 31st March, 2000 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 :-

(i) The company has not translated external trade advances shown at Rs. 1386.17 lakhs at the rate of exchange prevailing as on 31st March 2000. This is not in line with the Accounting Standard

(AS)11, *Accounting for foreign currency transactions*, the effect of which has not been quantified by the management.

(ii) Gratuity and leave encashment are charged to profit and loss account in the year of payment. This is not in line with the Accounting Standard (AS)15, *Accounting for retirement benefits*, the effect of which has been arithmetically quantified by the management at Rs.381.45 lakhs.

(e) In our opinion and to the best of our information and according to the explanations given to us, except that :-

Invocation of corporate guarantees given by the company to the extent of Rs.169543 lakhs as per note no.5 of schedule 'N', the said Balance Sheet and annexed Profit and Loss Account subject to (d) and (e) above and 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:

(1) in so far as it relates to the Balance Sheet, of the state of affairs of the Company as at 31st March, 2000 and

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

For RAGHU NATH RAI & CO.  
Chartered Accountants

New Delhi  
27th July, 2000

(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. The valuations of finished goods have been brought in line with AS2 Valuation of inventories, from this year.
7. The Company has not taken any loan from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Loans taken by the company from body corporates are well within the limit of Section 372A of the Companies Act. The provisions of Section 370(1B) has been deleted.
8. The Company has not granted any loan, secured or unsecured to companies, firms or other parties listed in the register maintained under Section 301 or has made any loan to or any investment in, any body corporate. Guarantees given by the company are in conformity with Section 372A of the Companies Act. The provisions of Section 370(1B) has been deleted.
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, 2000 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 RAGHU NATH RAJ & CO.  
Chartered Accountants

New Delhi  
27th July, 2000

(Prem Prakash)  
Partner

**BALANCE SHEET AS AT 31ST MARCH, 2000**

		(Rs. in Lakhs)	
		As at 31.03.2000	As at 31.03.1999
<b>SCHEDULE</b>			
<b>I. SOURCES OF FUNDS</b>			
1. Shareholders' Funds			
(a) Capital	'A'	1200.65	1200.65
(b) Reserves & Surplus	'B'	205.21	102.59
		<b>1405.86</b>	<b>1303.24</b>
2. Loan Funds	'C'		
(a) Secured Loans		5909.39	5502.99
(b) Unsecured Loans		2864.04	2790.84
		<b>8773.43</b>	<b>8293.83</b>
		<b>10179.29</b>	<b>9597.07</b>
<b>II. APPLICATION OF FUNDS</b>			
1. Fixed Assets	'D'		
(a) Gross Block		4604.67	4609.61
Less: Depreciation		3125.28	3013.15
Net Block		1479.39	1596.46
(b) Capital Work-in-Progress		224.47	145.40
		<b>1703.86</b>	<b>1741.86</b>
2. Investments	'E'	2350.50	2350.50
3. Current Assets, Loans & Advances	'F'		
(a) Current Assets		5109.59	6088.97
(b) Loans & Advances		3193.06	1504.76
		<b>8302.65</b>	<b>7593.73</b>
Less: Current Liabilities & Provisions	'G'	2177.72	2304.59
Net Current Assets		<b>6124.93</b>	<b>5289.14</b>
4. Miscellaneous Expenditure (to the extent not written off or adjusted)			
Deferred Revenue Expenditure		-	215.57
		<b>10179.29</b>	<b>9597.07</b>
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 and on behalf of the Board**

For RAGHU NATH RAI & CO.  
Chartered Accountants

BAIJAYANT PANDA  
SAM MANEKSHAW  
SUBHRAKANT PANDA  
S. ACHARYA  
A.N. MISRA  
R.N. MISRA  
P. MAHAPATRA  
S.K. PATTANAIK  
Directors

(Prem Prakash)  
Partner

New Delhi  
27th July, 2000

S.R. RAY  
Assistant Secretary