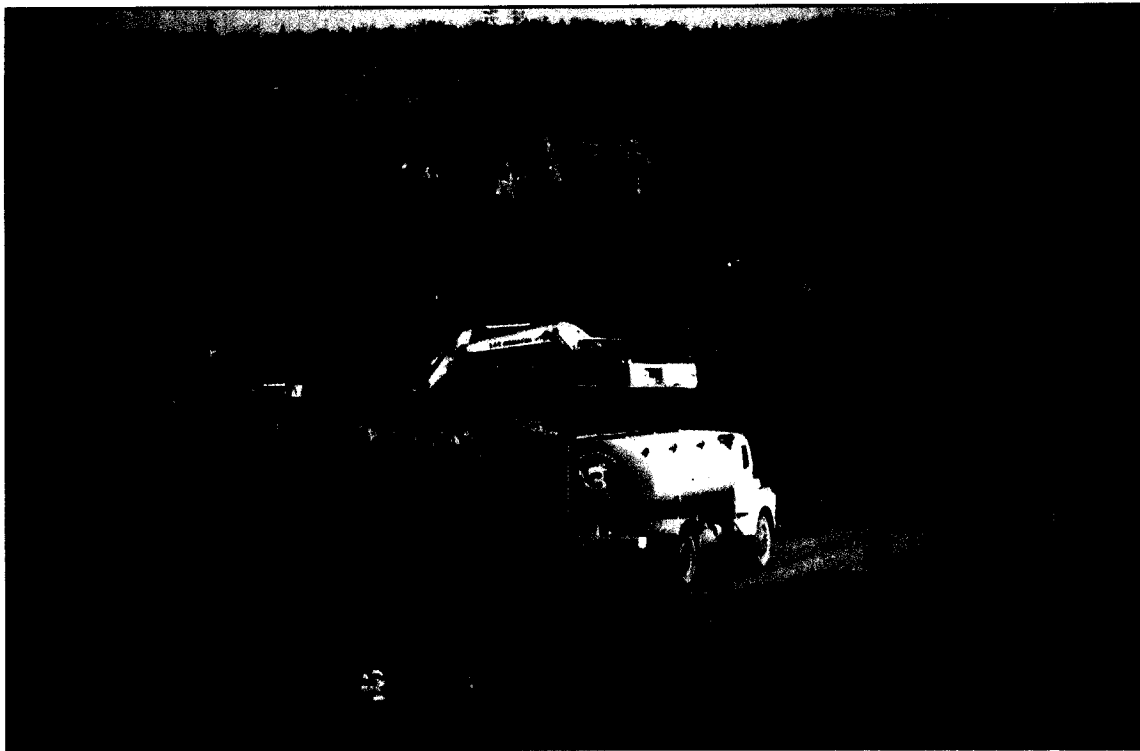


INDIAN METALS & FERRO ALLOYS LIMITED
41st Annual Report, 2002-2003



CHROMITE MINES AT SUKINDA VALLEY

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INDIAN METALS & FERRO ALLOYS LIMITED

BOARD OF DIRECTORS

DR. B PANDA
MR. BAIJAYANT PANDA (Managing Director)
MRS. ILA PANDA (Wholetime 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

DEPUTY 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

INDIAN METALS & FERRO ALLOYS LIMITED**DIRECTORS' REPORT TO THE MEMBERS**

Your Directors present their 41st Annual Report together with Audited Statement of Accounts of the Company for the financial year ended 31st March, 2003.

FINANCIAL RESULTS

	(Rs. in Lakhs)	
	2002-03	2001-02
Profit before interest & financial charges and depreciation	3319.10	1493.99
Interest & Financial charges	1460.55	1241.20
Depreciation	254.21	238.22
Profit before tax	1604.34	14.57
Provision for taxation	(635.00)	(5.25)
Deferred Tax	(5.00)	1.53
Profit after tax	964.34	10.85
Balance brought forward from previous year	143.73	128.52
Previous year adjustments	-	4.36
Profit available for appropriation	1108.07	143.73
Proposed Dividend (includes Tax on dividend)	135.45	-
Transfer to General Reserve	25.00	-
Balance carried forward to Balance Sheet	947.62	143.73

DIVIDEND

Keeping in view the overall performance of the Company during the year under review as also the need to conserve funds for augmenting working capital requirements, your Directors are pleased to recommend a dividend of 10% (Re. 1 per share) for the year ended 31st March, 2003 subject to obtaining consent from the Company's banker and the approval of the shareholders at the Annual General Meeting to be held on 26th September, 2003. The dividend for Financial Year 2002-03 shall be subject to tax on dividend to be paid by the Company but will be tax-free in the hands of the members.

OPERATIONS

Your Directors take pleasure in reporting that the year under review has been one of the best ever in the history of the Company. Gross turnover touched an all time record of Rs.227 crores registering an increase of 20% over the previous year. Production of both charge chrome and ferro silicon at 34910 MTs and 36584 MTs respectively were also the highest ever and represented an increase of 41% and 10% respectively as compared to the previous year. The high production levels and enhanced operational efficiency combined with an improvement in the market resulted in the Company earning a net profit before tax of

Rs 1604.34 lakhs as against Rs 14.57 lakhs the previous year. After providing Rs 640.00 lakhs towards tax, profit after taxes increased to Rs 964.34 lakhs which is yet again a new record.

MINING OPERATIONS

The chrome ore raised in the mines operated by the Company improved significantly by 17% to 232399 MTs as against 199326 MTs in the previous year. The ore thus raised met not only the captive requirements of the Company but also that of its associate company, Indian Charge Chrome Ltd, pending the commencement of their mining operations.

As regards the allotment of the balance mining area, there has been no progress in the matter and the Government is yet to allot the balance 50% area to the Company as per the verdict of the Hon'ble Supreme Court of India. As reported in the Annual Report for the previous year, your Directors are closely following up for expediting the allotment of the balance mining area and would take such measures as are necessary to protect your Company's interests.

FUTURE OUTLOOK

Your Directors are pleased to report that the market for both the products of the Company, which started showing signs of improvement in the year under review, continue to remain buoyant in the current year as well. Demand and consequently prices have increased following a revival of the steel sector. However, your Directors would like to add a word of caution that the market for the Company's products is inherently cyclical in nature. Thus, although the market is expected to remain positive for the foreseeable future, it cannot remain so indefinitely and a downward trend at a later stage cannot be ruled out.

Your Directors also wish to report that the Company 24 MVA furnace which produces charge chrome suffered a break-down due to transformer failure in May, 2003 and is expected to be switched on in the first week of August, 2003. However, this time was gainfully used to the extent possible to carry out other maintenance. Although the shut-down has been a setback, efforts are being made to make good the loss of production and your Directors are confident that barring unforeseen circumstances the current year's profitability would remain good.

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.

OPEN OFFER BY INDMET COMMODITIES PVT. LTD.

As reported in the Directors' Report for the previous year, Indmet Commodities Pvt. Ltd (Acquirer) made an offer



INDIAN METALS & FERRO ALLOYS LIMITED

DIRECTORS' REPORT TO THE MEMBERS

Pursuant to the provisions of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and subsequent amendments thereto for the purchase of 210558 equity shares (1.75% of the paid up capital) from the existing shareholders. The object of the offer was to consolidate the holdings by the promoters and to delist the shares from the stock exchanges of Bhubaneswar, Kolkata and Mumbai. As a result of the offer, the promoters hold 11874209 shares (98.9% of the paid up capital) as on 31st March, 2003.

SUBSIDIARY COMPANY

Indian Metals & Carbide Ltd., a subsidiary of your Company, has reported a higher profit after tax of Rs. 0.66 lakh during the year under review (2002-03 : Rs 0.04 lakh). In view of the low profits, the Board of Directors of the said Company have not proposed any dividend. Particulars in respect of this 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 either employed throughout the year under reference with receipt of remuneration not being less than Rs.24,00,000 per annum or employed for part of the year with receipt of remuneration not less than Rs. 2,00,000 per month. Accordingly, the relevant disclosures of such particulars as required in accordance with the provisions of section 217(2A) of the Companies Act, 1956 are not applicable for the year under review.

PUBLIC DEPOSITS

During the year under review, the Company continued to receive public deposits without extending invitation to the public after filing a statement in lieu of advertisement. The Company received a sum of Rs. 201.35 lakhs and repaid a sum of Rs. 250.37 lakhs on this account during the year under report. Deposits are being repaid regularly as per terms of the deposit scheme. Deposits outstanding as on 31st March, 2003 amounted to Rs. 320.51 lakhs out of which unclaimed deposits pending repayment as on 31st March, 2003 was Rs. 2.77 lakhs of which deposits amounting to Rs. 2.66 lakhs have since been renewed/ repaid and for the balance of the unclaimed deposits, reminders have been sent to the concerned deposit holders for suitable instructions. The Company has complied with the provisions of Companies (Acceptance of Deposits) Rules 1975 as amended till date and other applicable laws for the time being in force.

OBSERVATIONS OF THE AUDITORS

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

DIRECTORS

Field Marshal Sam Manekshaw, MC & Mrs. Paramita Mahapatra, Directors retire by rotation at the forthcoming Annual General Meeting of the Company and are eligible for re-election.

Mr A N Misra, who is due to retire at the forthcoming Annual General Meeting, has informed the Company that he does not wish to seek re-appointment. A resolution pursuant to section 256 of the Companies Act, 1956 for not filling up the vacancy caused by Mr. A N Misra's retirement has been included in the Notice of the Annual General Meeting. In this connection your attention is invited to Item 6 of the accompanying Notice.

Mr A N Misra has been a Director in the Company since 1998. His contribution to the growth of the Company is enormous and invaluable. The Board would like to place on record its deep appreciation and gratitude for the invaluable services and contribution made by Mr. A N Misra as a Director of the Company.

Brief resume/details relating to Directors who are to be reappointed are furnished in the Explanatory Statement to the Notice of the ensuing Annual General Meeting as required under the Code of Corporate Governance.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to provisions under section 217(2AA) of the Companies Act 1956, your Directors hereby confirm:

- (i) that in the preparation of the annual accounts for the financial year ended 31st March, 2003, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) that they have selected such accounting policies and applied them consistently and made judgements and estimates that were 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 for the year under consideration;
- (iii) that they 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 frauds and other irregularities;
- (iv) that they have prepared the annual accounts of the Company for the financial year ended 31st March, 2003 on a going concern basis.

INDIAN METALS & FERRO ALLOYS LIMITED**DIRECTORS' REPORT TO THE MEMBERS****LISTING**

The Company has applied to the Bhubaneswar, Kolkata & Mumbai Stock Exchanges for delisting of the Company's equity shares. The Stock Exchange, Mumbai & Bhubaneswar Stock Exchange have granted their 'in principle' approval for delisting the equity shares of the Company. The Company has applied for final delisting permission from the Regional Stock Exchange, Bhubaneswar, which is awaited. After receipt of the final delisting permission from the Regional Stock Exchange, Bhubaneswar, the Acquirer shall send an individual letter/circular to the remaining public shareholders giving an exit option at Rs. 10/- per share which will be kept open for a period of one year from the date of final delisting.

Since the Company has complied with all the formalities in connection with delisting, the Company has not paid the listing fee for the financial year 2003-04.

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.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreements with the Stock Exchanges, a Management Discussion and Analysis, a report on the Corporate Governance and Auditors' certificate regarding compliance of conditions of Corporate Governance have been made a part of the Annual Report.

INDUSTRIAL RELATIONS

Except for a brief disruption in production activities at Therubali caused by Contract Labour for about a fortnight, industrial relations both at the Company's plants at Therubali as well as at the mines remained cordial.

ACKNOWLEDGEMENT

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, Indian Overseas Bank.

For and on behalf of the Board

Dr.B.Panda
Chairman

Place : New Delhi
Date : 30th July, 2003

ANNEXURES FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2003**A. CONSERVATION OF ENERGY :****a. Energy conservation measures taken :**

Ferro Alloys production being power intensive in nature, the Company has always stressed emphasis on selection of optimum charge mix, improvement in work practices like recycling of fines & consistency in operations thereby reducing power consumption.

b. Additional investment & proposals for reduction of consumption of energy : NIL**c. Impact of the above measures :**

Gradual marginal reduction in specific power consumption per MT of output over the years.

B. TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION :**1. Efforts made :****2. Import substitution :****3. Technology imported for last 5 years.**

Process control equipment in Pl. 02 - in 1997-98 - fully absorbed.

Process control equipment in Pl. 01 - in 2001-02 - fully absorbed.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange earnings : NIL

Foreign exchange outgo : Rs. 1309.63 lakhs.

INDIAN METALS & FERRO ALLOYS LIMITED



MANAGEMENT DISCUSSION & ANALYSIS

(a) Industry structure and developments :

Your Company is engaged in the production of ferro alloys viz. ferro silicon and charge chrome. Ferro Silicon is an essential input in the manufacturing process of steel wherein it is used primarily as an additive for deoxidation and also as an alloying agent. Charge Chrome, on the other hand, is used in the manufacturing of stainless steel. In fact, it is the addition of chromium which imparts the "stainless" property. Therefore, the fortunes of both products are linked to that of the steel industry. Demand for charge chrome in particular is also influenced by availability / price of stainless steel scrap and nickel. During the year under review, the demand was robust with improvement in average realisation.

(b) Opportunities and Threats :

Demand for ferro silicon and its price are closely linked to the fortunes of the steel industry. With the steel industry showing signs of revival after being in the doldrums for quite some time, realisation has improved during the year under review. The Company also follows a strategy of entering into long term arrangements for most of its output with large buyers so as to reduce price volatility while still retaining the ability to benefit from a price increase by selling the remaining tonnage in the open market. Pursuant to this strategy the Company has been the single largest supplier of ferro silicon to Steel Authority of India Ltd for the past more than 10 years. Not only is it a matter of pride but the Company has also benefited by way of stable demand and realisation.

The biggest threat comes from unfairly priced imports which are dumped into the country. Although the Company has taken steps to protect its interest by appealing to the Designated Authority for Anti-dumping and has also been successful in getting such duties imposed on producers based in certain countries, unscrupulous traders / importers are managing to circumvent these to some extent. The Company also faces a threat from new units coming up in the North-East region based on cheap power and various other subsidies. However, history bears testimony to the fact that promises of cheap power and various subsidies generally do not last and many units set up in the past on this premise are today closed. Your Company is also constantly trying to improve operational efficiencies to counter such threats.

Charge Chrome demand / price is quite volatile since the stainless steel segment tends to go through a periodic cycle of expansion and contraction. While a boom can result in a windfall, there are periods when prices are under severe threat due to an over-supply situation. Here too the Company follows a strategy to maintain a sizeable presence with certain key consumers so as to attain some stability in both demand and realisations.

(c) Segmentwise or productwise performance :

The Company is operating in just one segment, viz. Ferro Alloys. However, the Company is having two product lines, viz. Ferro Silicon and Charge Chrome.

Ferro Silicon : The Company produced 36584 MTs of

Ferro Silicon during the year under report, 10% higher over the previous year's production of 33247 MTs. Sales were higher by 9% at 36785 MTs during the year under review against 33767 MTs in the previous year.

Charge Chrome : The Company after successful relining of the charge chrome furnace in the previous year produced 34910 MTs during the year under review as against 24688 MTs registering an increase of 41% over the previous year. Sales were higher by 28% at 33488 MTs as against 26197 MTs in the previous year.

(d) Outlook :

The future outlook of your Company like that of other companies in the industry is dependent on the fortunes of the steel industry. With the sector having turned around the demand for both the products of the Company has picked up and there is a positive impact on prices as well. The same trend continues in the current financial year. The Company is the only integrated ferro alloys producer in the country today by virtue of its own mines and availability of power from the captive power plant of an associate company. As such, with demand and prices being robust, the outlook for the current year is promising.

(e) Risks and concerns :

Cheap imports of ferro silicon - often by misrepresenting the country of origin - has become the bane of the industry. The industry is taking steps to counter circumvention of anti-dumping duty since the market is flooded with imports from hitherto unknown countries exporting at very low prices. New units coming up in the North-East region are also a cause of concern since they are being offered unprecedented subsidies such as complete waiver of excise duty even as their customers continue to get MODVAT benefit. As far as charge chrome is concerned, increased prices have resulted in the restart of units which were till now closed down. This is a cause of concern as it is bound to put pressure on prices not too far in the future.

Notwithstanding the above adverse circumstances, your Company has been able to withstand the pressures because of its cost competitiveness and quality.

(f) Internal control systems and their adequacy :

Commensurate with the size and operations, the Company has instituted adequate internal control systems which are in proper place. The Audit Committee periodically reviews with the management, external and internal auditors the adequacy of these internal control systems.

(g) Discussion on financial performance with respect to operational performance :

The Company has done exceedingly well on both operational and financial parameters. The operational performance has been discussed in para (c) above. The gross turnover, the profit before tax and the profit after tax are the highest ever achieved by the Company.

(h) Human Resources/Industrial Relations :

Industrial relations during the year under review were cordial and peaceful except for disruption in production activities at Therubali for a fortnight caused by contract labour. Your Directors wish to place on record the excellent cooperation and contribution made by the employees at all levels to the growth and development of the Company. The Company currently employs 1048 persons in its operations at the various locations.

INDIAN METALS & FERRO ALLOYS LIMITED**REPORT ON CORPORATE GOVERNANCE**

Your Directors are pleased to present the compliance report on Corporate Governance.

1. The Company's philosophy on code of governance :

Your Company prides itself on being a responsible corporate citizen committed to not only running its business in the best possible & transparent manner but also complying with all relevant rules & regulations while contributing to society at large. The Company adheres to the highest ethical standards which is combined with an unwavering commitment to certain core values - transparency, fairness in all dealings, honesty of purpose, quality consciousness and customer satisfaction.

2. Board of Directors :

Your Company is managed by a Board of Directors. The constitution of the Board comprises of a combination of executive and non-executive Directors. The Company has a non-executive Chairman. The non-executive Directors constitute 80% of the total strength of the Board. The number of independent Directors is 50% of the total number of Directors. None of the Directors on the Board is a member of more than 10 committees and Chairman of more than 5 committees across all companies in which he is a Director. The necessary disclosures regarding committee positions have been made by the Directors.

Composition and category of the Directors, their attendance at Board meetings and at the last Annual General Meeting as also number of Directorship and Committee membership held by them in other companies are given below:

Name	Category	No. of Board meetings attended during 2002-03	Whether attended AGM held on 30th Sept. 2002	No. of Directorships in other companies		No. of committee positions held in other companies	
				Chairman	Member	Chairman	Member
Dr. B Panda Chairman	Promoter Non Independent Non-Executive	5	Present	1	7	-	-
Mr. Baijayant Panda, Managing Director	Promoter Non Independent Executive	5	absent	1	10	1	-
Mrs. Ila Panda Wholetime Director	Promoter Non Independent Executive	3	Present	-	8	-	1
Field Marshal Sam Manekshaw, MC	Independent Non-Executive	5	Present	6	7	5	5
Mr. Subhrakant Panda	Promoter Non Independent Non-Executive	5	Present	-	5	-	-
Mr. S. Acharya	Independent Non-Executive	5	Present	-	-	-	-
Mr. A.N. Misra	Independent Non-Executive	5	absent	-	1	1	-
Maj. R.N. Misra (Retd.)	Independent Non-Executive	5	Present	-	1	-	-
Mrs. Paramita Mahapatra	Promoter Non Independent Non-Executive	5	Present	-	8	-	-
Mr. S.K. Pattanaik	Independent Non-Executive	5	Present	-	1	-	-

Dates on which Board meetings were held are :

22.04.02	25.07.02	30.09.02	30.10.02	29.01.03
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INDIAN METALS & FERRO ALLOYS LIMITED**REPORT ON CORPORATE GOVERNANCE****3. Audit Committee :**

The Company has constituted an Audit Committee under the provisions of Section 292A of the Companies Act, 1956 effective 1st April, 2001.

The scope of the Audit Committee covers the areas prescribed under clause 49(II) of the Listing Agreement and Section 292A of the Companies Act, 1956.

The composition of the Audit Committee and the details of meetings attended by the members are given below :

Name of Member	Category	No. of meetings attended during 2002 - 2003
Mr.S.Acharya, Chairman	Independent Non-Executive	4
Major R.N.Misra (Retd.)	Independent Non-Executive	4
Mr. S.K.Pattanaik	Independent Non-Executive	4
Mrs. Paramita Mahapatra	Non-Independent Non-Executive	4

Audit Committee meetings are attended by Representatives from Statutory Auditors – Raghu Nath Rai & Co., Executive Director (Finance), Sr.Vice President (Corporate), Chief of Finance and DGM(MIS). The Deputy Secretary acts as the Secretary of the Audit Committee.

Dates on which meetings were held during 2002-03 are :

21.04.02	24.07.02	29.10.02	28.01.03
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4. Remuneration Committee :

The Board has constituted a Remuneration Committee comprising of the following as members who are non-executive independent directors.

1. Mr. S K Pattanaik
2. Mr. S.Acharya
3. Major R.N.Misra (Retd.)

The broad terms of reference of the Remuneration Committee are as follows:

- to decide on the remuneration policy of the managerial personnel
- to approve of the appointment/reappointment of the managerial personnel for such tenure as they may decide
- to approve of the remuneration package to the managerial personnel within the limits provided in Schedule XIII of the Companies Act, 1956 read with other applicable provisions of the said Act
- such other powers/functions as may be delegated by the Board from time to time.

While the Executive Directors are paid remuneration as approved by the Board/Shareholders, the Non Executive Directors are paid sitting fees.

INDIAN METALS & FERRO ALLOYS LIMITED**REPORT ON CORPORATE GOVERNANCE**

Details of remuneration for 2002-03 are as follows :

Name of the Director	Remuneration (Rs)	House Rent (Rs)	Others (Rs)	Sitting Fees (Rs)	Total (Rs.)
Dr. B Panda	-	-	-	10,000	10,000
Mr Baijayant Panda	9,24,586	60,000	2,43,121	-	12,27,707
Mrs. Ila Panda	2,67,000	-	28,908	-	2,95,908
Field Marshal Sam Manekshaw, MC	-	-	-	10,000	10,000
Mr Subhrakant Panda	-	-	-	10,000	10,000
Mr. S.Acharya	-	-	-	20,000	20,000
Mr.A.N.Misra	-	-	-	10,000	10,000
Major R.N.Misra (Retd.)	-	-	-	18,000	18,000
Mrs.Paramita Mahapatra	-	-	-	34,000	34,000
Mr S.K.Pattanaik	-	-	-	18,000	18,000

5. **Shareholders/Investors Grievance Committee :**

The Shareholders/Investors Grievance Committee specifically looks into the redressing of shareholder and investors complaints like transfer of shares, non-receipt of balance sheet etc. This committee is headed by a Non-Executive Director, Mrs. Paramita Mahapatra.

Name & designation & address of compliance officer :

Mr. S.R. Ray
Deputy Secretary,
Indian Metals & Ferro Alloys Limited,
Bomikhal, P.O.Rasulgarh,
Bhubaneswar - 751 010
Phone: 0674-2580100
Fax: : 0674 - 2580020
e-mail: secretarial@imfagroup.com

No. of complaints received from the shareholders from 01.04.2002 to 31.03.2003 : NIL
No. not solved to the satisfaction of the shareholders as on 31.03.2003 : NIL
No. of pending share transfers : NIL

6. **General Body meetings :**

Location and time where last three AGMs were held :

The last three AGMs were held on 30.09.2000, 28.09.2001 & 30.09.2002 at the Regd. Office of the Company at Bomikhal, P.O. Rasulgarh, Bhubaneswar - 751 010

Whether Special Resolutions :

- | | |
|--|------------------|
| (a) were put through postal ballot last year | - No |
| Details of voting pattern | - Not applicable |
| Person who conducted the postal ballot exercise | - Not applicable |
| (b) are proposed to be conducted through postal ballot | - No |
| Procedure for postal ballot | - Not applicable |

7. **Disclosures :**

Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature with its promoters, the Directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large.