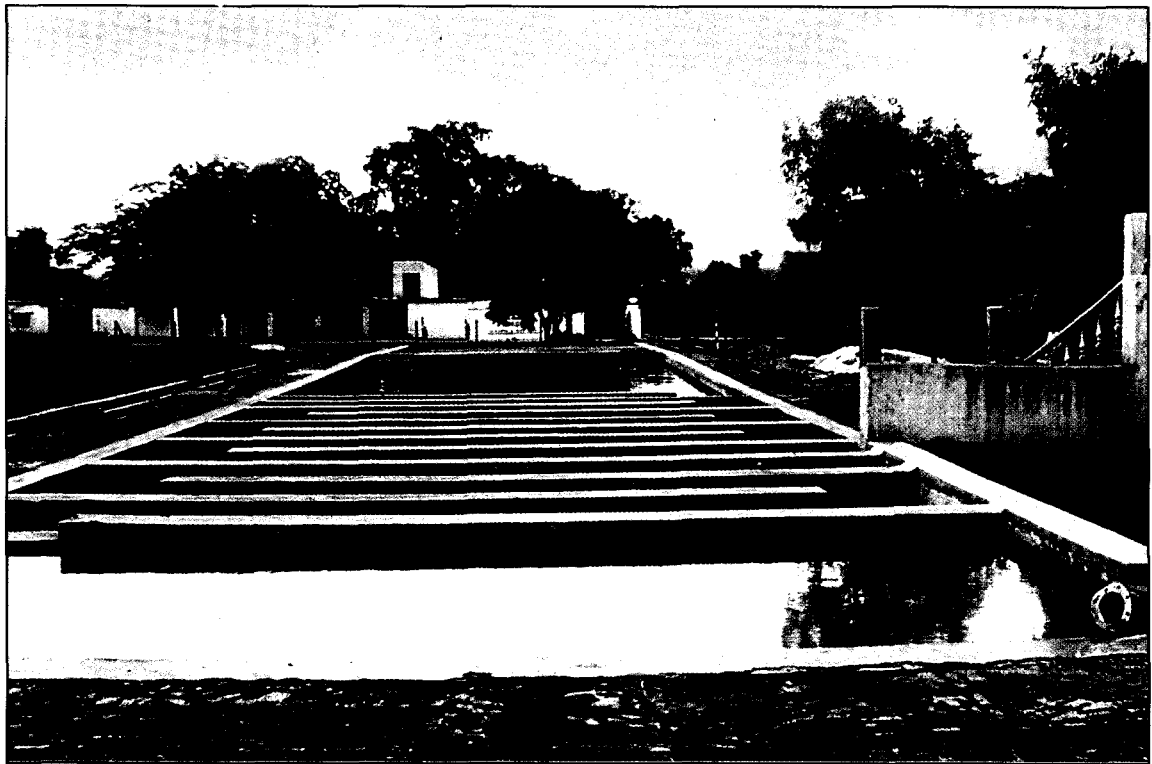


INDIAN METALS & FERRO ALLOYS LIMITED

42nd Annual Report



ETP FOR HEXAVALENT CHROMIUM IN WATER AT SUKINDA MINES

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INDIAN METALS & FERRO ALLOYS LIMITED

BOARD OF DIRECTORS

(As on 30th July, 2004)

DR. B PANDA

MR. BAIJAYANT PANDA (Managing Director)

MRS. ILA PANDA (Wholetime Director)

MRS. PARAMITA MAHAPATRA

MR. SUBHRAKANT PANDA

Field Marshal SAM MANEKSHAW, MC

MR. S ACHARYA

MR. S K PATTANAIK

Major R N MISRA (Retd.)

MR. SIDHESHWAR SAHOO (Nominee Director of IDBI)

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

NUASAHI

DIST. : KEONJHAR, ORISSA

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

Your Directors present their 42nd Annual Report together with Audited Statement of Accounts of the Company for the financial year ended 31st March, 2004.

FINANCIAL RESULTS

	(Rs. in Lakhs)	
	2003-04	2002-03
Profit before interest & financial charges and depreciation	3818.33	3319.10
Interest & financial charges	537.41	1460.55
Depreciation	285.89	254.21
Profit before tax	2995.03	1604.34
Provision for taxation	(1075.00)	(635.00)
Deferred tax	14.55	(5.00)
Profit after tax	1934.58	964.34
Balance brought forward from previous year	947.62	143.73
Previous year adjustments	(62.86)	—
Profit available for appropriation	2819.34	1108.07
Proposed dividend (includes tax on dividend)	270.90	135.45
Transfer to General Reserve	1000.00	25.00
Balance carried forward to Balance Sheet	1548.44	947.62

DIVIDEND

Keeping in view the excellent performance of the Company during the year under review but in consonance with the need to conserve funds for augmenting working capital and other requirements, your Directors are pleased to recommend a dividend of 20% (Rs.2/- per share) for the year ended 31st March, 2004 (previous year – Re.1/- per share) subject to obtaining consent from the Company's banker and the approval of the shareholders at the Annual General Meeting to be held on 29th September, 2004. The dividend for Financial Year 2003-04 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 immense pleasure in reporting that in terms of profitability the year under review has been the best ever in the history of the Company. As such, despite a lower sales volume, due to better operational efficiency combined with higher realization, the Company earned a net profit before tax of Rs 2995.03 lakhs during the year under review as against Rs 1604.34 lakhs during the previous year. While production of ferro silicon declined marginally from 36,584 mt to 35,965 mt that of ferro chrome fell sharply from 34,910

mt to 28,300 mt on account of a shutdown for more than two months due to an unexpected transformer failure. However, the gross turnover has registered a marginal increase from Rs 226.97 crores in the previous year to Rs 230.52 crores during the year under review.

MINING OPERATIONS

The raising of chrome ore from the mines operated by the Company declined by about 21% from 2,32,399 mt during the previous year to 1,82,538 mt during the year under review. This was mainly on account of lower requirement of chrome ore as a result of a shutdown of a furnace for more than two months due to an unexpected transformer failure.

There has been no progress with regard to allotment of further mining area and the Government is yet to allot the balance 50% as per the Sharma Committee Report which was adopted by the Hon'ble Supreme Court of India. As mentioned in earlier Annual Reports, your Directors are vigorously pursuing this matter and would take all such measures necessary to protect your Company's interests.

FUTURE OUTLOOK

Your Directors are pleased to report that the buoyancy in the ferro alloys market which was seen during the year under review has carried forward to the current year as well. In line with the global revival of the steel industry the demand and, hence, price for your Company's products are expected to remain firm for the foreseeable future. However, based on past experience, your Directors would like to add a word of caution about the cyclical nature of the ferro alloys industry. In any event, barring unforeseen circumstances, the current year's profitability is likely to remain good riding on the back of strong demand.

As reported last year, your Company's 24 MVA furnace dedicated for production of ferro chrome suffered a breakdown due to transformer failure and remained shut-down for about two months affecting production and consequently sales volume. However, it has subsequently been repaired and operations restarted with minimum possible loss. Further, in order to avoid such situations in the future, a spare transformer has been procured.

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' Reports for the previous years, Indmet Commodities Pvt. Ltd (Acquirer) made an offer 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

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

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 11874275 shares (98.9% of the paid up capital) as on 31st March, 2004.

SUBSIDIARY COMPANY

Indian Metals & Carbide Ltd., a subsidiary of your Company, has reported a higher profit after tax of Rs. 0.96 lakh during the year under review (2002-03 : Rs.0.66 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 accepted/renewed deposits of an aggregate sum of Rs. 294.12 lakhs and repaid a sum of Rs. 121.14 lakhs during the year under report. Deposits are being repaid regularly as per terms of the deposit scheme. Deposits outstanding as on 31st March, 2004 amounted to Rs. 493.49 lakhs out of which unclaimed deposits pending repayment as on 31st March, 2004 was Rs. 0.85 lakh, which deposits have since been renewed/repaid. 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

Mr. Subhrakant Panda and Maj. R N Misra (Retd), Directors retire by rotation at the forthcoming Annual General Meeting of the Company and are eligible for re-election.

In terms of the consent decree obtained from the Debts Recovery Tribunal, Mumbai, IDBI has appointed

Mr. Sidheshwar Sahoo, General Manager, IDBI, Bhubaneswar as its nominee director on the Company's Board not liable to retire by rotation. Your Directors accord a hearty welcome to Mr. Sidheshwar Sahoo on the Company's Board and look forward to reaping the benefit of his rich and varied experience by way of receiving valuable advice and guidance from him from time to time.

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.

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, 2004, 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, 2004 on a going concern basis.

LISTING

Since the promoters together with the Acquirers are holding 98.9% of the paid-up capital of the Company resulting in the public holding being reduced to 1.10%, i.e. less than 10% of the paid-up capital of the Company, provisions of compulsory delisting of the shares of the Company in terms of Regulation 21(3) of the Securities & Exchange Board of India (Substantial Acquisition of Shares & Takeovers) Regulations, 1997 were attracted. Therefore, the Company and the Acquirer have complied with all the provisions of the said Regulations and have applied for delisting of the Company's shares from the Stock Exchanges of Bhubaneswar, Kolkata & Mumbai. The Company's shares are, therefore, no longer listed in the said stock exchanges and hence listing fee for the Financial Year 2004-05 has not been paid.

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

Since your Company's shares are delisted from the Stock Exchanges, provisions of Listing Agreement are not applicable to your Company.

INDUSTRIAL RELATIONS

During the year under report, 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 the Company's bankers, Indian Overseas Bank.

For and on behalf of the Board

Place : New Delhi
Date : 30th July, 2004

Dr. B Panda
Chairman

ANNEXURES FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2004**A. CONSERVATION OF ENERGY :**

1. Energy conservation measures taken :
Since power consists of a major input in terms of cost in Ferro Alloys production, your Company has made conscious efforts to bring down specific power consumption by optimum charge mix and improved work practices like recycling of fines etc.
2. Additional investments & proposals for reduction of consumption of energy : NIL
3. Impact of the above measures :
Reduction in specific power consumption per MT of output over the years.

B. TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION :

1. Import substitution :
The original transformer for furnace No. 2 was imported and its spares like diverter switch also had to be imported at a considerable cost. A spare transformer was developed through a local manufacturer by extending full technical support which will result in reduction of downtime due to transformer failure and the spares can also be procured indigenously at a lower cost.
2. Technology imported for last 5 years :
Process control equipment in Plant - 01 - in 2001-02 : fully absorbed.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO :

Foreign Exchange earnings : NIL
Foreign exchange outgo : Rs. 2970.84 lakhs

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

To
The Members of
Indian Metals & Ferro Alloys Limited.

1. We have audited the attached Balance Sheet of INDIAN METALS & FERRO ALLOYS LIMITED as at 31st March, 2004, the Profit and Loss Account and also Cash Flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with Auditing Standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report 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, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - (e) on the basis of the written representations received from the Directors of the Company as at 31st March, 2004 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2004 from being appointed as a Director of the Company under clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - (f) in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes of schedule 'N' give the information required by the Companies Act, 1956, in manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2004;
 - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For RAGHU NATH RAI & CO
Chartered Accountants

New Delhi
30th July, 2004

(Prem Prakash)
Partner
Membership No. : 7648

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

Referred to in paragraph 3 of our report of even date.

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of all fixed assets.
- (b) Major portion of the assets has been physically verified by the management during the year. No material discrepancies were noticed on such verification. The Company has a regular programme of physical verification of its fixed assets which, in our opinion, is reasonable having regard to size of the company and nature of its assets.
- (c) No substantial parts of fixed assets have been disposed off during the year.
- (ii) (a) As explained to us, the inventories have been physically verified during the year by the management at reasonable intervals.
- (b) The procedure of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company has maintained proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material in relation to the size of the operation of the Company and the same have been properly dealt with in the books of account.
- (iii) We are informed that the Company has not taken/granted any loans, secured or unsecured, from/to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us there are adequate internal control procedure commensurate with the size of the company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods. We have not observed any major weaknesses in internal control.
- (v) (a) In our opinion, the transactions that need to be entered in the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion, the aforesaid transactions have been made at prices which are reasonable having regard to the prevailing market prices.
- (vi) The Company has accepted fixed deposits from the public. In our opinion and according to information and explanations given to us, all the directives issued by the Reserve Bank of India and provisions of Section 58A and 58AA of the Companies Act, 1956 and rules framed thereunder where applicable are complied with.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- (viii) We are of the opinion that prima facie, the cost records and accounts prescribed by the Government of India under Section 209(1)(d) of the Companies Act, 1956 have been made and maintained. However, we are not required to and have not carried out any detailed examination of such accounts and records.
- (ix) (a) According to the information and explanations given to us the Company has been regular in depositing undisputed statutory dues including Provident Fund, Investors Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Customs Duty, Excise Duty, Cess and any other statutory dues with appropriate authorities and no dues are pending for a period more than six months from the date they became payable.

INDIAN METALS & FERRO ALLOYS LIMITED

- (b) At the end financial year there were no dues of sales tax, income tax, customs duty, wealth tax, excise duty and cess which have not been deposited on account of any dispute except as follows:

Name of the Statute	Nature of dues	Amount (Rs. in lakhs)	Period to which the amount relates	Forum where dispute is pending
Addl. Commissioner of Income Tax	Income Tax	79.28	1997 - 98	CIT (A) - II Bhubaneswar
Sales Tax Officer	C S T	1.68	1985 - 86	Sales Tax Tribunal
Sales Tax Officer	C S T	61.45	1992 - 93	Sales Tax Tribunal
Sales Tax Officer	C S T	190.91	1993 - 94	Sales Tax Tribunal
Sales Tax Officer	C S T	41.00	1994 - 95	Sales Tax Tribunal
Sales Tax Officer	C S T	0.82	2002 - 03	A.C., Sales Tax
Sales Tax Officer	O S T	2.23	1999 - 00	Sales Tax Tribunal
Sales Tax Officer	O S T	2.08	2000 - 01	Sales Tax Tribunal
Sales Tax Officer	O S T	2.66	2002 - 03	A.C., Sales Tax
Sales Tax Officer	O S T	7.04	2002 - 03	A.C., Sales Tax

- (x) The Company had no accumulated losses and it has generated cash profits in the financial year covered by our audit and in the immediately preceding financial year.
- (xi) The Company has not defaulted in repayment of its dues to any financial institutions and banks during the year.
- (xii) As explained to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities and hence paragraph 4 (xii) of the Order is not applicable.
- (xiii) The Company is not a nidhi/mutual benefit fund/society and hence paragraph 4 (xiii) of the Order is not applicable.
- (xiv) The Company is not dealing or trading in shares, securities, debentures and other investments and hence paragraph 4 (xiv) of the Order is not applicable.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions, the terms and conditions whereof are prejudicial to the interest of the company.
- (xvi) The Company has not taken any term loan during the year.
- (xvii) In our opinion and according to the information and explanations given to us and shown by the records examined by us, no fund raised on short term basis have been used for long term investment and vice-versa.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) The Company has not issued any debenture.
- (xx) The Company has not raised any money by public issue during the year.
- (xxi) To the best of our knowledge and according to the information and explanations given to us and records of the Company examined by us, no fraud of material nature on or by the Company was noticed or reported during the year.

For RAGHU NATH RAI & CO
Chartered Accountants

New Delhi
30th July, 2004

INDIAN METALS & FERRO ALLOYS LIMITED**BALANCE SHEET AS AT 31ST MARCH, 2004**

(Rs. in Lakhs)

			As at 31.03.2004	As at 31.03.2003
I. SOURCES OF FUNDS	SCHEDULE			
1. Shareholders' Funds				
(a) Capital	'A'	1200.65		1200.65
(b) Reserves & Surplus	'B'	2742.11		1141.29
			3942.76	2341.94
2. Loan Funds	'C'			
(a) Secured Loans		2089.98		2293.92
(b) Unsecured Loans		7629.37		8065.14
			9719.35	10359.06
			<u>13662.11</u>	<u>12701.00</u>
II. APPLICATION OF FUNDS				
1. Fixed Assets	'D'			
(a) Gross Block		5862.24		5550.86
Less : Depreciation		4018.61		3764.36
Net Block		1843.63		1786.50
(b) Capital Work-in-Progress		288.14		194.59
			2131.77	1981.09
2. Investments	'E'		2473.73	2473.73
3. Current Assets, Loans & Advances	'F'			
(a) Current Assets		7644.63		4748.33
(b) Loans & Advances		7770.15		7200.52
		15414.78		11948.85
Less : Current Liabilities & Provisions	'G'	6211.12		3541.07
Net Current Assets			9203.66	8407.78
4. Net Deferred Tax			(147.05)	(161.60)
			<u>13662.11</u>	<u>12701.00</u>
Significant Accounting Policies	'VI'			
Notes forming part of the Accounts	'N'			
Information pursuant to Schedule VI	'O'			

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

For RAGHU NATH RAI & CO.
Chartered Accountants

(Prem Prakash)
Partner

New Delhi
30th July, 2004

S.R. RAY
Deputy Secretary

ILA. PANDA
Wholetime Director

For and on behalf of the Board

B. PANDA
PARAMITA MAHAPATRA
SUBHRAKANT PANDA
SAM MANEKSHAW
S. ACHARYA
S.K. PATTANAIK
R.N. MISRA
Directors