



**44TH
ANNUAL REPORT
AND
ACCOUNTS
2005 - 2006**

**INDIAN METALS & FERRO ALLOYS LIMITED
BHUBANESWAR, ORISSA**

INDIAN METALS & FERRO ALLOYS LIMITED

**44th Annual General
Meeting**

On Friday, the 15th December, 2006
at the Registered Office of the
Company at Bomikhal,
P.O. : Rasulgarh
Bhubaneswar - 751 010
at 12.30 PM.

CONTENTS	PAGE NO. (S)
Notice of AGM	2
Directors' Report	27
Management Discussion & Analysis	34
Report on Corporate Governance	36
Auditors' Report	46
Annexure to the Auditors' Report	47
Balance Sheet	50
Profit and Loss Account	51
Cash Flow Statement	53
Schedules to Accounts	54
Subsidiaries Details	82

BOARD OF DIRECTORS (As on 28th Oct., 2006)**Executive Chairman**

DR. B PANDA

Vice Chairman

MR. BAIJAYANT PANDA

Managing Director

MR. SUBHRAKANT PANDA

Director (Finance)

MR. S P MATHUR

Director (Corporate)

MR. J K MISRA

DIRECTORS

MRS. PARAMITA MAHAPATRA

MR. G L TANDON

MR. D BANDYOPADHYAY

MAJOR R N MISRA (RETD.)

MR. A KHANDUAL (Nominee Director of IDBI)

MR. S ACHARYA

MR. N R MOHANTY

MR. S K PATTANAIK

MR. ALEXIUS MARKUS AMREIN

Vice President (Finance) &**Company Secretary**

MR. G KALYANASUNDARAM

AUDITORS

M/s. RAGHUNATH RAI & CO.

Chartered Accountants

New Delhi

BANKER

Indian Overseas Bank

State Bank of India

TERM LENDING INSTITUTIONS/BANKS

Industrial Development Bank of India Limited

IFCI Limited

ICICI Bank Limited

Indian Overseas Bank

Canara Bank

Punjab National Bank

Vijaya Bank

Union Bank of India

Andhra Bank

Central Bank of India

REGISTERED OFFICE

Bomikhal, P.O. : Rasulgarh

Bhubaneswar - 751 010

Orissa.

PLANTS

Choudwar, Dist. : Cuttack, Orissa.

Therubali, Dist. Raygada, Orissa

MINES

Bangur, Dist. : Keonjhar, Orissa

Sukinda, Dist. : Jajpur, Orissa.

Nuasahi, Dist. : Keonjhar, Orissa

REGISTRATION & SHARE TRANSFER WORK

Members are requested to correspond directly with Company

Secretary at the Registered Office of the Company

e-mail : kalyanasundaram@imfa.in



INDIAN METALS & FERRO ALLOYS LIMITED

NOTICE

Notice is hereby given that the 44th Annual General Meeting of the members of INDIAN METALS & FERRO ALLOYS LIMITED will be held at the Registered Office of the Company at Bomikhal, PO: Rasulgarh, Bhubaneswar – 751 010, Orissa on Friday, the 15th December, 2006 at 12.30 PM to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited accounts of the Company for the year ended 31st March 2006 along with the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Maj. R. N. Misra (Retd.) who retires by rotation and, being eligible, offers himself for re-election.
3. To appoint a Director in place of Mrs Paramita Mahapatra, who retires by rotation and being eligible, offers herself for re-election.
4. To appoint Auditors for the financial year 2006-2007 on a remuneration to be fixed by the Board of Directors of the Company.

SPECIAL BUSINESS:

5. To consider and if thought fit to pass, with or without modifications, the following resolution as a special resolution:

“RESOLVED that pursuant to the provisions of Sections 198, 269, 309 and all other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII as amended from time to time, the approval of the Company be and is hereby accorded to the payment of following remuneration to Dr. B Panda, who was appointed by the Board of Directors as Executive Chairman of the Company for a period of 3 years with effect from 28th October, 2006 on the following terms & conditions.”

(I) SALARY

Rs.3,60,000/-(Rupees Three Lacs Sixty Thousand only) per month.

(II) PERQUISITES:

(a) Accommodation

Rent free unfurnished residential accommodation.

(b) Company's contribution towards pension/superannuation Fund.

As per rules of the Company. Such contribution together with contribution to the Provident Fund shall not exceed 27% of the salary as laid down in the Income Tax Rules, 1962.

(c) Gratuity

As per provisions of the Payment of Gratuity Act.

(d) Medical Reimbursement

Reimbursement of expenses incurred for self and family subject to a limit of Rs. 15,000/- per annum as per rule of the Company.

(e) Leave Travel Concession

For self and family as per rules of the Company.

(f) Club fee

Reimbursement of club fees subject to a maximum of two clubs.

(g) Other Benefits

(i) Free use of Company car with driver for official as well as personal purposes.

(ii) Free telephone facilities at residence. Personal long distance calls shall be billed by the Company.

(iii) Earned/Privilege Leave

INDIAN METALS & FERRO ALLOYS LIMITED

On full pay as per rules of the Company.

(iv) Leave encashment

In accordance with the rules of the Company in this regard at the end of the tenure.

“RESOLVED FURTHER that during the period Dr B Panda holds the office of Executive Chairman, he shall not retire by rotation”.

“RESOLVED FURTHER that in the event of absence or inadequacy of profits in any financial year, Dr. B. Panda, Executive Chairman be paid the aforesaid remuneration as minimum remuneration for that year”.

“RESOLVED FURTHER that the consent of the Company be and is hereby accorded to the Board of Directors of the Company to alter or revise the terms and conditions of the appointment or remuneration of Dr. B. Panda, Executive Chairman during the operative period of his appointment subject, however, to such sanctions and approvals as may be required as per the provisions of law prevailing at the relevant time”.

6. To consider and if thought fit to pass, with or without modifications, the following resolution as a special resolution:

“RESOLVED that in partial modification of the Resolution passed at the Annual General Meeting held on 28th September, 2005 and in accordance with the provisions of Sections 198, 269, 309 and all other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII as amended from time to time the designation and the remuneration payable to Mr. Baijayant Panda, be revised with effect from 28th October, 2006 for a period of three years as follows:

Mr. Baijayant Panda shall be designated as Vice Chairman.

(I) **SALARY**

Rs.3,50,000/- (Rupees Three Lacs Fifty Thousand only) per month.

(II) **PERQUISITES :**

(a) Accommodation

House Rent Allowance of Rs.30,000/- per month or rent free unfurnished residential accommodation.

(b) Company's contribution towards provident fund and superannuation fund.

As per rules of the Company, subject to ceiling of 12% of salary for Provident Fund & 15% of salary for Superannuation Fund.

(c) Gratuity

As per provisions of the Payment of Gratuity Act.

(d) Medical Reimbursement

Reimbursement of expenses incurred for self and family subject to a limit of Rs.15,000/- per annum as per rules of the Company.

(e) Leave Travel Concession

For self and family as per rules of the Company.

(f) Club fee

Reimbursement of club fees subject to a maximum of two clubs.

(g) Other Benefits

(i) Free use of Company car with driver for official as well as personal purposes.

(ii) Free telephone facilities at residence. Personal long distance calls shall be billed by the Company.



INDIAN METALS & FERRO ALLOYS LIMITED

(iii) Earned/Privilege Leave

On full pay as per rules of the Company.

(iv) Leave encashment

In accordance with the rules of the Company in this regard at the end of the tenure”.

“RESOLVED FURTHER that during the period Mr. Baijayant Panda holds the office of Vice Chairman, he shall not retire by rotation”.

“RESOLVED FURTHER that in the event of absence or inadequacy of profits in any financial year, Mr. Baijayant Panda, Vice Chairman be paid the aforesaid remuneration as minimum remuneration for that year”.

“RESOLVED FURTHER that the consent of the Company be and is hereby accorded to the Board of Directors of the Company to alter or revise the terms and conditions of the appointment or remuneration of Mr. Baijayant Panda, Vice Chairman during the operative period of his appointment subject, however, to such sanctions and approvals as may be required as per the provisions of law prevailing at the relevant time”.

7. To consider and if thought fit to pass, with or without modifications, the following resolution as a special resolution:

“RESOLVED that pursuant to the provisions of Sections 198, 269, 309 and all other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII as amended from time to time, the approval of the Company be and is hereby accorded to the payment of following remuneration to Mr. Subhrakant Panda, who was appointed by the Board of Directors as Managing Director of the Company for a period of 3 years with effect from 28th October, 2006 on the following terms & conditions.”

(I) SALARY

Rs.3,50,000/- (Rupees Three Lacs Fifty Thousand only) per month.

(II) PERQUISITES:

(a) Accommodation

Rent free unfurnished residential accommodation

(b) Company's contribution towards Provident Fund and Superannuation Fund.

As per rules of the Company subject to a ceiling of 12% of salary for Provident Fund and 15% of salary for Superannuation Fund.

(c) Gratuity

As per provisions of the Payment of Gratuity Act.

(d) Medical Reimbursement

Reimbursement of expenses incurred for self and family subject to a limit of Rs. 15,000/- per annum as per rules of the Company.

(e) Leave Travel Concession

For self and family as per rules of the Company.

(f) Club fee

Reimbursement of club fees subject to a maximum of two clubs.

(g) Other Benefits

(i) Free use of Company car with driver for official as well as personal purposes.

(ii) Free telephone facilities at residence. Personal long distance calls shall be billed by the Company.



INDIAN METALS & FERRO ALLOYS LIMITED

(iii) Earned/Privilege Leave

On full pay as per rules of the Company.

(iv) Leave encashment

In accordance with the rules of the Company in this regard at the end of the tenure.

“RESOLVED FURTHER that during the period Mr Subhrakant Panda holds the office of Managing Director, he shall not retire by rotation.

“RESOLVED FURTHER that in the event of absence or inadequacy of profits in any financial year, Mr. Subhrakant Panda, Managing Director be paid the aforesaid remuneration as minimum remuneration for that year”.

“RESOLVED FURTHER that the consent of the Company be and is hereby accorded to the Board of Directors of the Company to alter or revise the terms and conditions of the appointment or remuneration of Mr. Subhrakant Panda, Managing Director during the operative period of his appointment subject, however, to such sanctions and approvals as may be required as per the provisions of law prevailing at the relevant time”.

“RESOLVED FURTHER that the remuneration paid up to 27th October, 2006 by Indian Charge Chrome Limited(Transferor Company) in terms of the approval obtained by the said Transferor Company from the Ministry of Company Affairs vide Ltr. No.1/186/2005-CL.VII dated 23.11.2005 and accounted in the books of the Company be and is hereby approved”.

8. To consider and if thought fit to pass with or without modifications, the following resolution as an ordinary resolution:

“RESOLVED that Mr. S. P. Mathur, who was appointed as an Additional Director of the

Company by the Board of Directors with effect from 28th October, 2006 and who holds office under Section 260 of the Companies Act, 1956 upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of a Director, be and is hereby appointed a Director of the Company, liable to retire by rotation”.

9. To consider and if thought fit to pass, with or without modifications, the following resolution as a special resolution.

“RESOLVED that pursuant to the provisions of Sections 198, 269,309 and all other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII as amended from time to time, the approval of the Company be and is hereby accorded to the payment of following remuneration to Mr. S. P. Mathur, who was appointed by the Board of Directors as Director (Finance) of the Company for a period of one year with effect from 28th October, 2006 on the following terms & conditions.”

(I) SALARY

Rs.81,000/- (Rupees Eighty One Thousand only) per month.

(II) PERQUISITES:

(a) Accomodation

Rent free unfurnished residential accommodation; Rental for such accommodation to be borne by the Company being limited to Rs.10,000/- per month

(b) Transport Allowance

Rs.800/- (Rupees eight hundred only) per month.

(c) Company's contribution towards Provident Fund and Superannuation Fund.



INDIAN METALS & FERRO ALLOYS LIMITED

As per rules of the Company subject to a ceiling of 12% of salary for Provident Fund and 15% of salary for Superannuation Fund.

(d) Gratuity

As per provisions of the Payment of Gratuity Act.

(e) Medical Reimbursement

Reimbursement of expenses incurred for self and family subject to a limit of Rs. 15,000/- per annum as per rules of the Company.

(f) Leave Travel Concession

For self and family as per rules of the Company.

(g) Club fee

Reimbursement of club fees subject to a maximum of two clubs.

(h) Other Benefits

(i) Free use of Company car with driver on Company's business.

(ii) Free telephone facilities at residence. Personal long distance calls shall be billed by the Company.

(iii) Earned/Privilege Leave

On full pay as per rules of the Company.

(iv) Leave encashment

In accordance with the rules of the Company in this regard at the end of the tenure.

"RESOLVED FURTHER that in the event of absence or inadequacy of profits in any financial year, Mr. S. P. Mathur, Director (Finance) be paid the aforesaid remuneration as minimum remuneration for that year".

"RESOLVED FURTHER that the consent of the Company be and is hereby accorded to the Board of Directors of the Company to alter or revise the terms and conditions of the appointment or remuneration of Mr. S. P. Mathur, Director (Finance) during the operative period of his appointment subject, however, to such sanctions and approvals as may be required as per the provisions of law prevailing at the relevant time".

"RESOLVED further that the remuneration paid up to 27th October, 2006 by Indian Charge Chrome Limited (Transferor Company) in terms of the approval obtained by the said Transferor Company from the Ministry of Company Affairs vide Letter No.1/205/2005-CL.VII dated 23.11.2005 and accounted in the books of the Company be and is hereby approved".

10. To consider and if thought fit to pass with or without modifications, the following resolution as an ordinary resolution:

"RESOLVED that Mr. J. K. Misra, who was appointed as an Additional Director of the Company by the Board of Directors with effect from 28th October, 2006 and who holds office under Section 260 of the Companies Act, 1956 upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of a Director, be and is hereby appointed a Director of the Company, liable to retire by rotation".

11. To consider and if thought fit to pass with or without modifications, the following resolution as a special resolution.

"RESOLVED that pursuant to the provisions of Sections 198, 269, 309 and all other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII as amended from time to time, the approval of the Company be and is hereby accorded to the payment of following remuneration



INDIAN METALS & FERRO ALLOYS LIMITED

to Mr. J. K. Misra, who was appointed by the Board of Directors as Director (Corporate) of the Company for a period of 3 years with effect from 28th October, 2006 on the following terms & conditions.”

(I) SALARY

Rs.1,01,500/- (Rupees One Lac One Thousand Five Hundred only) per month.

(II) ANNUAL INCREMENT

Subject to a maximum of Rs.6,00,000/- (Rupees Six Lacs only, all inclusive), per annum to vest in April of every financial year as may be determined by the Managing Director and approved by the Remuneration Committee.

(III) RETENTION BONUS

Subject to a maximum of Rs.7,50,000/- (Rupees Seven Lacs & Fifty Thousand only) per annum to vest in September of each financial year as may be determined by the Managing Director and approved by the Remuneration Committee.

(IV) PERQUISITES:

(a) House Rent Allowance

25% of salary under (I) above.

(b) Transport Allowance

Rs.800/- (Rupees eight hundred only) per month.

(c) Company's contribution towards Provident Fund and Superannuation Fund.

As per rules of the Company subject to a ceiling of 12% of salary for Provident Fund and 15% of salary for Superannuation Fund.

(d) Gratuity

As per provisions of the Payment of Gratuity Act.

(e) Medical Reimbursement

Reimbursement of expenses incurred for self and family subject to a limit of Rs. 15,000/- per annum as per rules of the Company.

(f) Leave Travel Concession

For self and family as per rules of the Company.

(g) Club fee

Reimbursement of club fees subject to a maximum of two clubs.

(h) Other Benefits

(i) Free use of Company car with driver on Company's business.

(ii) Free telephone facilities at residence. Personal long distance calls shall be billed by the Company.

(iii) Earned/Privilege Leave

On full pay as per rules of the Company.

(iv) Leave encashment

In accordance with the rules of the Company in this regard at the end of the tenure.

“RESOLVED FURTHER that in the event of absence or inadequacy of profits in any financial year, Mr. J. K. Misra, Director (Corporate) be paid the aforesaid remuneration as minimum remuneration for that year”.

“RESOLVED FURTHER that the consent of the Company be and is hereby accorded to the Board of Directors of the Company to alter or revise the terms and conditions of the appointment or remuneration of Mr. J. K. Misra, Director (Corporate) during the operative period of his appointment subject, however, to such sanctions and approvals as may be required as per the provisions of law prevailing at the relevant time”.

“RESOLVED FURTHER that remuneration paid by Indian Charge Chrome Limited (Transferor Company) during the financial years 2005-06 and

INDIAN METALS & FERRO ALLOYS LIMITED

2006-07 (i.e. up to 27th October, 2006) in terms of approval obtained by the said Transferor Company from Ministry of Company Affairs vide Letter No.2/116/2005.CL.VII dated 31.08.2006 and accounted in the books of the Company be and is hereby approved”.

12. To consider and if thought fit to pass with or without modifications, the following resolution as an ordinary resolution:

“RESOLVED that Mr. Alex Amrein, who was appointed as an Additional Director of the Company by the Board of Directors with effect from 21st January, 2006 and who holds office under Section 260 of the Companies Act, 1956 upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of a Director, be and is hereby appointed a Director of the Company, liable to retire by rotation”.

13. To consider and if thought fit to pass with or without modifications, the following resolution as an ordinary resolution:

“RESOLVED that Mr. G. L. Tandon, who was appointed as an Additional Director of the Company by the Board of Directors with effect from 28th October, 2006 and who holds office under Section 260 of the Companies Act, 1956 upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of a Director, be and is hereby appointed a Director of the Company, liable to retire by rotation”.

14. To consider and if thought fit to pass with or without modifications, the following resolution as an ordinary resolution:

“RESOLVED that Mr. D. Bandyopadhyay, who was appointed as an Additional Director of the Company

by the Board of Directors with effect from 28th October, 2006 and who holds office under Section 260 of the Companies Act, 1956 upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of a Director, be and is hereby appointed a Director of the Company, liable to retire by rotation”.

15. To consider and if thought fit to pass with or without modifications, the following resolution as a special resolution:

“RESOLVED THAT the Articles of Association of the Company be and are hereby altered in the manner following:

Article No.	Article currently reading	To be altered to read as
1.	“Register” means the Register of Members of the Company required to be kept by Section 150 of the Act.	“Register of Members means the Register of Members to be kept pursuant to Section 150 of the Act and also the Register and Index of beneficial owners maintained by the Depository (ies) under Section 11 of the depositories Act, 1996. Insert new definitions as follows at the appropriate places in alphabetical order. “Beneficial owner” means a person whose name is recorded as such with the Depository(ies). “Depository” means
1.	—	

INDIAN METALS & FERRO ALLOYS LIMITED



a Company formed and registered under the Act and which has been granted a certificate of registration under Section 12 (1A) of the Securities and Exchange Board of India Act, 1992.

“Dematerialisation” is the process by which shareholder/debenture holder can get physical share/debenture certificates converted into electronic balances in his account maintained with the participant of a Depository(ies).

“Register of Debenture holders” means the Register of Debenture holders to be kept pursuant to Section 152 of the Act and also the Register and Index of beneficial owners maintained by the Depository(ies) under Section 11 of the Depositories Act, 1996.

“Rematerialisation” is the process of conversion of electronic holdings back into the

physical form and issue of fresh share/debenture certificate(s) in favour of the share/debenture holder(s)

Insert a new paragraph at end of Article 1 reading as follows:

“Words or expressions” used and not defined in the Act or in the Articles but defined in the Depositories Act, 1996 shall have the same meanings assigned in Depositories Act, 1996.

Subject to the provisions of the Companies (Issue of Share Certificates) Rules, 1960, or any statutory modification thereof, share scrip shall be issued as follows except where shares/debentures are held in a depository :

Insert two new paras numbered 5 & 6 in Article 14 reading as follows:

5. “When shares are held in a Depository (ies) the certificates may be dematerialized/rematerialized