

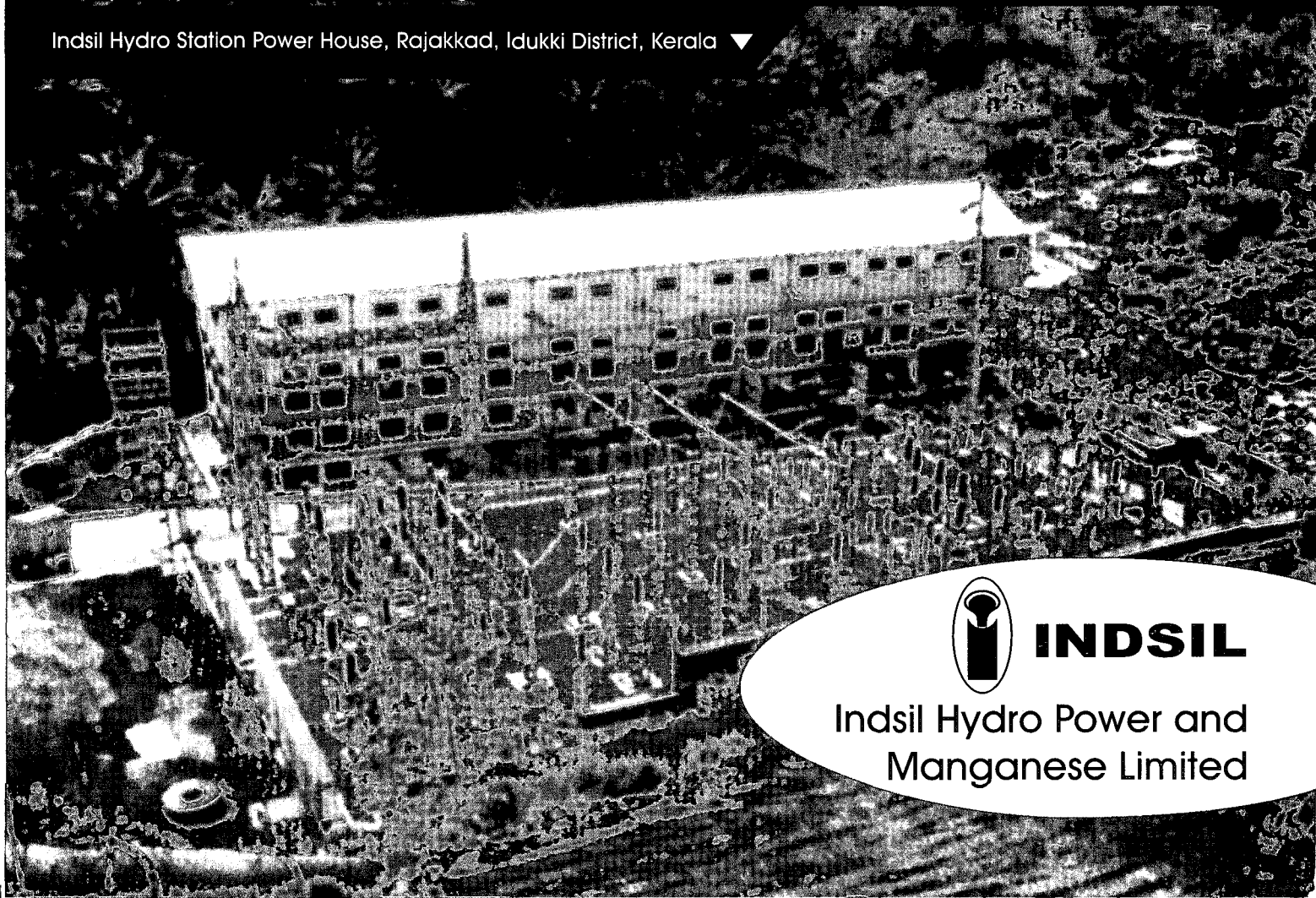
# 19th annual report

2008 - 09



▲ Indsil Hydro Station Reservoir, Rajakkad, Idukki District, Kerala

Indsil Hydro Station Power House, Rajakkad, Idukki District, Kerala ▼



**INDSIL**

Indsil Hydro Power and  
Manganese Limited

**NOTICE OF THE 19<sup>th</sup> ANNUAL GENERAL MEETING**

NOTICE is hereby given that the 19<sup>th</sup> Annual General Meeting of the Company will be held at Chamber Towers, 8/732 Avanashi Road, Coimbatore 641 018 on Monday, the 21st day of December 2009 at 10.15 A.M. to transact the following business :

Members are requested to make it convenient to attend the meeting.

**AGENDA****ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet as at 30th June 2009 and Profit & Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To declare dividend on the Equity Shares.
3. To appoint a Director in place of Smt. D. Pushpa Varadarajan, who retires from office by rotation, and being eligible, offers herself for reappointment.
4. To appoint a Director in place of Sri S. Inderchand, who retires from office by rotation, and being eligible, offers himself for reappointment.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting on such remuneration as may be decided by the Board of Directors of the Company. The retiring Auditors M/s. K.S.G. Subramanyam & Co., Chartered Accountants are eligible for reappointment.

**SPECIAL BUSINESS**

6. RE-APPOINTMENT OF SRI S.N.VARADARAJAN AS CHAIRMAN AND MANAGING DIRECTOR:

To consider and if thought fit, to pass, with or without modification(s) the following resolution as an Ordinary Resolution:

"RESOLVED THAT subject to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof, for the time being in force) Sri S.N.Varadarajan, be and is hereby re-appointed as Chairman and Managing Director of the Company for a period of 5 (five) years with effect from 17th November 2009. The remuneration as mentioned below is subject to review at any time during the period of appointment as the Board of Directors may revise from time to time duly recommended in that respect by the Remuneration Committee.

- I. 1. Salary : Salary in the range of Rs.50,000 to Rs.3,00,000 /- per month during the currency of the tenure as may be decided by the Board of Directors from time to time.
2. Commission : 3% of the net profits of the Company in each year computed in accordance with Section 349 of the Companies Act, 1956.
3. Perquisites : In addition to the above salary :-
  - a. Expenditure for medical treatment incurred for self, wife and dependent children not exceeding one month's salary per annum or 3 months salary over a period of 3 years.
  - b. Leave travel concession for self, wife and dependent children once in an year in accordance with the rules of the Company.
  - c. Fees of clubs of choice, however not exceeding 2 clubs, over and above admission fees payable.
  - d. Company's contribution to Provident Fund as per rules of the Company and as laid down under Income Tax Rules, 1962.
  - e. Contribution to Super-annuation Fund / Annuity as per rules of the Company and as laid down under Income Tax Rules, 1962.
  - f. Gratuity as per rules of the Company, but not exceeding half a month's salary for each completed year of service.
  - g. Encashment of leave at the end of the tenure as per the rules of the Company.



- h. Personal accident insurance premium not exceeding Rs.1,00,000/- per annum.
- i. Any other perquisites as may be allowed by the Board of Directors of the Company within the permissible limits.

The above is subject to the fact that the aggregate of the total salary, commission and perquisites payable shall not exceed the prescribed ceiling of the net profits of the Company calculated in accordance with Section 198 and Section 309 of the Companies Act, 1956.

II. In case the Company has no profits or its profits are inadequate in any financial year during the currency of the tenure of Sri S.N. Varadarajan as Chairman & Managing Director of the Company, Sri S.N. Varadarajan shall be entitled to receive remuneration as above subject to minimum remuneration specified in para 1(A) of Section II of Part II of Schedule XIII of the Companies Act, 1956 as amended from time to time provided that the following perquisites shall not be included in the computation of remuneration.

- a. Company's contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- b. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service and
- c. Encashment of leave at the end of the tenure.

### III. OTHERS:

- a. The Chairman & Managing Director shall be entitled to reimbursement of all actual expenses including on entertainment and traveling incurred in the course of the Company's business.
- b. The Company shall provide a car with driver and telephone facility at the residence of the Chairman & Managing Director. Provisions of car with driver for use of the Company's business and telephone facility at the residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purposes shall be billed by the Company to the Chairman & Managing Director.

"RESOLVED FURTHER THAT as the above appointee is already the Chairman & Whole Time Director of Indsil Energy and Electrochemicals Limited, (Company having Registered Office at "INDSIL" House, T.V.Samy Road (West), R.S.Puram, Coimbatore 641 002) and drawing remuneration from the said Company, the total remuneration drawn by him from both the companies shall not exceed the higher maximum limit admissible from this Company or the said Company."

### 7. APPOINTMENT OF SRI K.RAMAKRISHNAN AS DIRECTOR:

To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ordinary resolution:

"RESOLVED THAT Sri K. Ramakrishnan who was co-opted as an Additional Director of the Company on the Board as per Article 72 of the Articles of Association of the Company and who holds office till the conclusion of the ensuing Annual General Meeting be and is hereby appointed as a Director of the Company."

### 8. EMPLOYEE STOCK OPTION SCHEME:

To consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution.

"RESOLVED THAT pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 including any statutory modifications or re-enactment thereof for the time being in force, subject to the provisions of Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999 (hereinafter referred to as "the Guidelines") and other Rules, Regulations, Guidelines, provisions of Memorandum and Articles of Association of the Company and further subject to such approval, permissions and sanctions as may be necessary from SEBI, the Stock Exchange(s), Govt. of India and other appropriate authorities as may be required and subject to such terms and conditions that may be prescribed or imposed by such authorities while granting such approval which may be agreed or accepted by the Board of Directors (hereinafter referred to as "the Board", which expression shall include Compensation Committee or any other Committee of the Board duly authorised by the Board in this regard) at its sole discretion, the consent of the members of the Company be and is hereby accorded to create, issue, grant/allot upto 5% of the Issued and Subscribed Equity Share Capital of the Company as on 30.06.2008 i.e., 4,72,453 Equity Stock Options to the eligible present and future employees of the Company in one or more tranches through Employee Stock Option Scheme (ESOS) of the Company which entitles the option holders to subscribe to 1(one) Equity Share of the Company of Rs.10/- each per option granted i.e. in the aggregate 4,72,453 Equity Shares of face value of Rs.10/- each at par, in such manner, during such period and on such terms and conditions and in the manner as may be determined by the Board".



"RESOLVED FURTHER THAT the Board be and is hereby authorised to formulate, evolve, decide upon and bring into effect the ESOS on such terms and conditions and to make any modification(s), change(s), variation(s), alteration(s) or revision(s) in the terms and conditions of the Scheme from time to time including but not limited to amendments with respect to vesting period, exercise price, eligibility criteria, vesting schedule or to suspend, withdraw or revive the ESOS, subject to the provisions of the Guidelines."

"RESOLVED FURTHER THAT the new Equity Shares to be issued and allotted by the Company under the aforesaid ESOS shall rank pari passu in all respects with the existing fully paid Equity Shares of the Company."

"RESOLVED FURTHER THAT the Company be and is hereby authorised to take necessary steps for listing the shares allotted under ESOS on the Stock Exchange(s) where the securities of the Company are listed as per the provisions of the Listing Agreements and other applicable guidelines, rules and regulations with the concerned Stock Exchange(s)."

"RESOLVED FURTHER THAT in case the Company's Equity Share capital or its valuation is affected due to any corporate actions like issue of bonus/rights shares, any split or consolidation of face value of Equity Shares or in the event of any merger/consolidation, capitalization or other reorganization of the Company, tender offer of Equity Shares or sale of undertaking, the Board, at its discretion, may make such adjustment with respect to stock options and take any other action as it deems necessary or appropriate to reflect such corporate action including but without limitation the substitution of new stock options or adjustment of outstanding stock options, the acceleration of exercise period or the removal of restriction on outstanding stock options which shall however be subject to necessary approval(s)".

"RESOLVED FURTHER THAT for the purpose of giving effect to the above resolutions the Board and the Compensation Committee of the Board of Directors, be and is hereby authorised to act as follows:

- To invite experts;
- To identify the eligible employees;
- To determine the number of options that may be offered to eligible employees;
- To appoint merchant bankers;
- To apply for approval and listing of the shares arising from ESOS;
- To determine the conditions governing cancellation of vested options, either before or after exercising of the options but before issue of shares against options exercised; and generally"

"RESOLVED FURTHER THAT the Company do make an application to the National Securities Depository Limited and/or Central Depository Services (India) Limited for dematerializing the Equity Shares to be issued under ESOS."

"FURTHER RESOLVED THAT the options be granted to eligible select employees directly or through a Trust as the Board of Directors may decide."

"RESOLVED FURTHER THAT the Compensation Committee constituted by the Board of Directors be and is hereby authorized to identify the eligible select employees and determine the number of options and tranches that may be offered to them pursuant to the ESOS Scheme."

"FURTHER RESOLVED THAT the Board of Directors be and is hereby authorized to do all such deeds, matters and things as may be necessary or expedient including getting the shares issued upon exercise of options, listing of such shares in the Stock Exchange(s) where the existing securities are listed, sign up agreements with Depositories and to settle any questions, difficulties, or doubts that may arise in this regard at any stage including at the time of listing of securities without requiring the Board of Directors to secure any further consent or approval of the members of the Company in this regard, subject to the provisions of the Guidelines."

"RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred to Sri S N Varadarajan, Chairman and Managing Director or Sri Vinod Narsiman, Director and Chief Executive Officer or any of the Directors of the Company."

"RESOLVED FURTHER THAT this resolution is in addition to and not in derogation of the resolution passed by the Company at the 18th Annual General Meeting of the Company held on 5th December, 2008 and is further in conformity with the undertaking given by the Company to the Bombay Stock Exchange Limited while seeking its in-principle approval for the Employee Stock Option Scheme."

Place : Coimbatore  
Date : 14.09.2009

By Order of the Board

Sd/-  
S.MAHADEVAN  
Company Secretary.





## NOTES FOR MEMBERS' ATTENTION:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of himself / herself and the proxy need not be a member of the Company. The proxy form should be lodged at the Registered Office of the Company atleast 48 hours before the commencement of the meeting. Corporate members are requested to send a duly certified copy of their board resolution authorizing their representatives to attend and vote at the Annual General Meeting.
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of special business is annexed hereto.
3.
  - a). The Register of Members and the Share Transfer Books of the Company will be closed from Friday, 18th December, 2009 to Monday, 21st December, 2009 (both days inclusive).
  - b). The dividend, if approved by the shareholders in the 19th Annual General Meeting, shall be paid to those members whose names appear on the Register of Members as on 21st December, 2009 in respect of physical segment and in respect of shares held in electronic form, the dividend will be payable, on the basis of beneficial ownership as per the details furnished by NSDL & CDSL for this purpose as at the closure of business hours on Friday, 18th December, 2009.
4. Details in respect of Directors retiring by rotation pursuant to Clause 49 of the Listing Agreement are annexed hereto.
5. Consequent upon amendment in Section 205A of the Companies Act, 1956 and introduction of Section 205C by the Companies (Amendment) Act, 1999, the amount of dividends remaining unclaimed for a period of seven years shall be transferred to the Investor Education and Protection Fund of the Central Government and no payments shall be made in respect of any such claims by the Fund.  
  
After completion of seven years, unclaimed dividend amounts for the financial years upto 2000-2001 were transferred to the abovesaid fund accordingly. The Company did not declare dividend for the financial years from 2001-2002 to 2003-2004. Members who have not encashed their dividend warrants from the financial year 2004-05 and subsequent years are requested to make their claim to the Company immediately.
6. Members holding shares in physical form are requested to notify change in their addresses, if any, to the Registrar & Share Transfer Agent of the Company and members holding shares in dematerialised form are requested to notify change in their address to their respective Depository Participants.
7. Members are requested to bring their copy of the Annual Report to the Annual General Meeting. No fresh copies will be issued at the Meeting.
8. Members who have not yet given their bank's name, address and account number are requested to furnish the same to the Registrar & Share Transfer Agent of the Company.
9. The Equity Shares of the Company are listed on The Bombay Stock Exchange Ltd. The Annual Listing fee has been paid upto date to the above said Exchange.
10. Members who have multiple accounts in identical names or joint accounts in same order are requested to send all their share certificates to the Registrar & Share Transfer Agent of the Company for consolidation of all such shareholding into one account to facilitate better service.
11. For the convenience of the members, an attendance slip is annexed to the proxy form. Members are requested to affix their signatures at the space provided and hand over the attendance slip at the place of the meeting.
12. All the documents referred to in the Notice of the AGM are open for inspection at the Registered Office of the Company during office hours (9.30 A.M to 5.30 P.M) on all working days except holidays before the date of the AGM.
13. Shareholders seeking any information with regard to accounts are requested to write to the Company seven days prior to the date of the AGM so as to enable the management to keep the information ready.
14. Equity Shares of the Company have been placed under Compulsory Demat Trading. Members who have not dematerialised their physical holding in the Company are advised to avail the facility of dematerialisation of Equity Shares of the Company.
15. The ISIN of the Equity Shares of your Company is **INE867D01018**.

Place : Coimbatore  
Date : 14.09.2009

By Order of the Board

Sd/-  
S.MAHADEVAN  
Company Secretary.



## **EXPLANATORY STATEMENT:**

As required by Section 173 of the Companies Act, 1956, the following Explanatory Statement sets out all material facts relating to the business mentioned under Item Nos. 6 to 8 of the accompanying Notice dated 14.09.2009.

### **ITEM NO.6**

Sri. S.N. Varadarajan, was re-appointed as Chairman and Managing Director of the Company for a period of 5 years with effect from 17.11.2004 on a salary of Rs.50,000/- and a commission of 3% on net profits of the Company with perquisites and his term of office expires on 16.11.2009. The Remuneration Committee at its meeting held on 14th September, 2009 had recommended the re-appointment and remuneration of Sri S. N. Varadarajan as Chairman and Managing Director to the Board of Directors. The Board of Directors of the Company at their meeting held on 14th September, 2009 re-appointed Sri S.N. Varadarajan as Chariman & Managing Director of the Company subject to the approval of the members. The remuneration and perquisites payable to Sri S.N.Varadarajan are in conformity with the requirements of Schedule XIII to the Companies Act, 1956.

Save and except Sri S.N. Varadarajan, Chairman & Managing Director, being the appointee and Smt. D. Pushpa Varadarajan, Director, Sri . Vinod Narsiman, Director & Chief Executive Officer being related to Sri S.N. Varadarajan, none of the other Directors are concerned or interested in this resolution.

The Board of Directors recommends the resolution as set out in Item No.6 of the Notice for the approval of the members.

The foregoing material facts may also be treated as an abstract of the terms of Sri S.N. Varadarajan's re-appointment as Chairman & Managing Director for the purpose of Section 302 of the Companies Act, 1956.

### **ITEM NO.7**

Sri K. Ramakrishnan was co-opted as an Additional Director of the Company with effect from 1.6.2009 by the Board of Directors of the Company at its meeting held on 20th July, 2009. According to the provisions of Section 260 of the Companies Act, 1956, he holds office as an Additional Director till this Annual General Meeting. As required under the provisions of Section 257 of the Act, a Notice has been received from a member signifying his intention to propose the appointment of Sri K. Ramakrishnan as a Director alongwith a deposit of Rupees Five hundred. The Company is expected to benefit from his rich and varied experience.

The Board of Directors recommends the resolution as set out in Item No.7 of the Notice for the approval of the members.

Save and except Sri K. Ramakrishnan, none of the other Directors of the Company, are concerned or interested in this resolution.

### **ITEM NO. 8**

The human resource plays a vital role in the growth and success of a Company. As a step towards substituting pure financial benefits with ownership and to enable employees to participate in the enhancement of shareholders value, the Company decided to issue stock options to the employees. Stock options would serve as a tool of aligning interests of employees with those of shareholders and the Company and enable the Company to attain growth in an environment that increasingly demands global competitiveness. This will also help Company in attracting, motivating and retaining the best talents.

**The salient features of the ESOS are as under:**

#### **(A) Total number of options to be granted**

The Scheme envisages the total grant of options to the eligible employees as may be determined by the Board / Compensation Committee of the Board of Directors (hereinafter referred to as CCB) of 4,72,453 Stock Options over a period of time subject to the various terms and conditions as decided by the Board and CCB, from time to time. Out of the above 64,500 options have been granted.

One option entitles the holder of the option to apply for one Equity Share of Rs. 10/- each of the Company. Vested options that lapse due to non-exercise or unvested options that get cancelled due to resignation of the employees or otherwise would be available for being re-granted at a future date.

#### **(B) Identification of classes of employees entitled to participate in the ESOS.**

Full details of persons those who are eligible and the conditions subject to which they are so eligible and other related parameters in this regard are contained in the Scheme. The appraisal process and the criteria to be followed in respect of grant of options shall be approved by CCB.



In addition, the employees may be granted stock options based on performance and such other criteria as the Board may, in its absolute discretion decide. The options granted to an employee will not be transferable to any person(s) and shall not be pledged, hypothecated, mortgaged or otherwise alienated in any manner.

**(C) Requirements of vesting, period of vesting and maximum period of vesting.**

The options granted shall continue to vest as long as the employee continues to be in employment with the Company. The options granted shall not vest before the end of one year from the date of grant of options and not later than 4 years from the date of grant of the options.

**(D) Exercise Price or Pricing formula.**

Exercise prices shall be decided by the CCB from time to time. However, the exercise price shall not be less than the face value of the shares.

**(E) Exercise Period and the Process of Exercise.**

Exercise period shall commence from the date of vesting and will expire on completion of three years from the date of vesting.

The options will be exercisable by employees by a written application to the designated officer of the Company to exercise the options, in such manner and on execution of such documents, as may be prescribed by the Board of Directors under the Scheme. The options will lapse if not exercised within the stipulated exercise period.

**(F) Appraisal Process for determining the eligibility of employees to the ESOS**

The appraisal process for determining the eligibility of the employees will be specified by the CCB and will be based on criteria such as grade of the employees, length of service, performance record, merit of the employees, future potential contribution by the employees, and / or any such other criteria that may be determined by the CCB in its sole discretion.

**(G) Maximum number of options to be issued per employee and in aggregate.**

The number of options that may be granted to the employees under the Scheme shall be determined by the CCB from time to time. However, grant of options to identified employees, during any one year shall not be equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant of options.

**(H) Accounting Method.**

The Company shall comply with the disclosure and the accounting policies prescribed by concerned authorities.

**(I) Method of valuation**

The Company has used the intrinsic value method for valuation of the options. Since the Company has calculated the employee compensation cost using intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that would have been recognized if the fair value of the options had been used, will be disclosed in the Directors' Report and the impact of this difference on profits and on EPS of the Company will also be disclosed in the Directors' Report.

As the Employee Stock Option Scheme provides for issue of shares to be offered to persons other than existing shareholders of the Company, consent of the members is sought pursuant to Section 81(1A) of the Companies Act, 1956.

None of the Directors of the Company are concerned or interested in the resolution, except to the extent of the shares that may be offered to them under the Scheme.

The abovesaid disclosure is in addition to explanation provided in the Annual General Meeting held on 5th December, 2008.

Place : Coimbatore  
Date : 14.09.2009

By Order of the Board

Sd/-  
S.MAHADEVAN  
Company Secretary.



## **Details of the Directors seeking appointment/re-appointment at the forthcoming Annual General Meeting**

Sri K. Ramakrishnan (Non-executive Director) was appointed as an Additional Director with effect from 1.6.2009 to the Board of Directors at its meeting held on 20th July, 2009.

He has the necessary qualification and experience for discharging the functions of an Occupier and to administer the Factories Act and other connected legislations. He is backed by 25 years of Industrial experience in the areas relating to administration of factory functions.

Smt. D. Pushpa Varadrajan, B.A B.Ed. (Non executive Director) is the wife of Sri S.N. Varadarajan, Chairman & Managing Director and she is the first Director of the Company since its inception. She is also the Member of the Shareholders' / Investors' Grievances Committee and Share Transfer Committee.

Sri S. Inderchand (Non executive Director) is a reputed businessman of Coimbatore region with considerable contacts among business communities. He joined the Board since the Company's inception. He is also the Member of the Shareholders' / Investors' Grievances Committee and Share Transfer Committee.

Place : Coimbatore  
Date : 14.09.2009

By Order of the Board

Sd/-  
S.MAHADEVAN  
Company Secretary.



## DIRECTORS' REPORT

Your Directors have great pleasure in presenting the 19th Annual Report of your Company together with the Audited statements of accounts for the year ended 30th June 2009.

## FINANCIAL RESULTS

Particulars	Rs. in lakhs	
	2008-09	2007-08
Profit before depreciation and Financial charges	1,053.54	2,576.69
Less : Financial charges	235.14	295.64
Profit before Depreciation	818.41	2,281.06
Less : Depreciation	350.07	350.20
Profit before taxes and extraordinary items	468.33	1,930.86
Less : Irrecoverable advances written off	91.97	--
Profit before tax	376.36	1,930.86
Less : Provision for Tax	115.00	170.84
Add : Deferred Tax asset	24.74	27.21
Less : Fringe benefit tax	3.00	4.00
Profit after tax	283.10	1,783.22
Add : Balance brought forward	2,652.92	1,130.53
Surplus available for appropriation	2,936.02	2,913.75
Less: Transfer to General Reserve	--	95.00
Less: Proposed Dividend	94.49	141.74
Less: Tax on Proposed Dividend	16.05	24.09
Balance to be carried over to Balance Sheet	2,825.48	2,652.92
Paid-up Equity Share Capital	944.91	944.91
Earnings per Share	Rs. 3.00	Rs. 18.87
Book value per Share	50.30	Rs. 48.45

## REVIEW OF OPERATIONS

Your Company's financial performance was affected significantly by the global meltdown in the steel industry last year.

The Company registered a revenue of Rs.8016 lakhs compared to Rs.11550 lakhs in 2007-08.

PBDIT was Rs.1054 lakhs compared to Rs.2577 lakhs in 2007-08 and PBT was Rs.376 lakhs compared to Rs.1931 lakhs in 2007-08

A more detailed view is given in the "Management Discussion and Analysis" Report forming part of this Annual Report.

## FUTURE PROSPECTS:

The outlook and future prospects of the Company are presented in the "Management Discussion and Analysis" Report forming part of this Report.

## INDONESIAN JOINT VENTURE

During the previous year, your Company acquired a 50% stake in an Indonesian manganese ore mining venture. The investment was primarily exploratory in nature. Exploration work commenced and it was observed that the grade of manganese ore in the mine failed to conform to earlier expectations especially in terms of phosphorous contents. Your Company decided to drop the proposal and accordingly the venture was dropped by coming into settlement as per the existing arrangements and agreements entered with the Joint Venture partner. The settlement amount was also received by your Company as per the settlement. To this extent, the necessary treatment was also given in the accounts as per the applicable Accounting Policies.

## FINANCE:

The Company has achieved a target whereby the current debt equity ratio is 0.16 and the total long term outstanding is Rs.754.21 lakhs. The Company would become debt-free within the next 4-5 quarters.

**DIVIDEND:**

Your directors recommend payment of dividend at 10% on the Equity Share Capital of Rs.9,44,90,750 for the year ended 30th June 2009. The dividend, if approved, will be paid to those members whose names appear on the Register of Members of the Company as on the date of the Annual General Meeting.

The aggregate dividend payout for the year 2008-09 amounts to Rs. 110.54 lakhs including corporate dividend tax.

**EMPLOYEE STOCK OPTION SCHEME:**

The Company had announced the Employee Stock Option Scheme (ESOS-2008) to the employees of the Company which was approved by the shareholders in the previous Annual General Meeting held on 5.12.08.

The Bombay Stock Exchange has directed the Company to incorporate certain additional disclosures in the Scheme and accordingly the additional disclosures have been incorporated in the resolution concerning ESOS and Explanatory Statement to the resolution proposed in the Notice of the Annual General Meeting.

The Company has received the in-principle approval from the Bombay Stock Exchange vide its letter dated 4th August, 2009.

**Disclosure as required as per the Guidelines:**

As recommended by the Compensation Committee, the Board of Directors of the Company in their meeting held on 28.1.2009 had approved granting of 64,500 Equity Shares of Rs.10/- each to eligible employees of the Company as per the Scheme. The details of options granted are given below as required under the Guidelines:

Sl. No.	Name of the employee	Designation	No.of Options Granted
1	Sri S. Mahadevan	Company Secretary	10,000
2	Smt. B. Meenakshi	GM (Finance)	10,000
3	Sri V. Natarajan	Finance Advisor	10,000
4	Sri K. Rajan Jose	G.M.(Works)	7,500
5	Sri M. Kannan	G.M. (Production)	7,500
6	Sri K. Ramakrishnan	Manager(Production)	7,500
7	Sri S. Chakrapani	AGM (E & T)	5,000
8	Sri M.P.L.Sukumar	Commercial Advisor	3,000
9	Sri K.Jayasuriyan	Senior Manager	2,000
10	Sri N.Sundararajan	Senior Manager	2,000
		<b>TOTAL</b>	<b>64,500</b>

The options were granted for the issue and allotment of shares at the nominal value of Rs. 10/- each. All the eligible employees to whom options were granted are senior managerial personnel.

As per the Scheme, the granted options will be vested only in the year 2010 and onwards and hence the Company is not required to issue any shares during the year. To this extent, the disclosure relating to details of issue of shares under the Scheme and other disclosures to be made as per the Guidelines in the Directors Report will not arise during the year.

The Audited accounts placed before the shareholders in this meeting, have been prepared recognizing the employee compensation cost using the intrinsic value.

Having received the in-principle approval from the Bombay Stock Exchange recently, the Company could not complete the valuation of the employee compensation cost based on the fair value of the options. Under the Guidelines, the Company is required to disclose the difference in employee compensation cost as computed under the intrinsic value method and the fair value method and also the Company is to furnish the impact of this difference on profits and also on its EPS in the Directors Report.

In compliance of the Guidelines, the difference in the employee compensation cost using the intrinsic value and the fair value of the options would be furnished in the next Annual Report.



## **INSURANCE:**

All the properties of the Company including buildings, plant & machinery and stocks have been adequately insured.

## **DIRECTORS:**

Sri V. Muralidharan resigned from the Board and also as occupier of the factory with effect from 1st June, 2009. The Board of Directors took on record the same at their meeting held on 20th July, 2009 and expressed their appreciation to Sri V. Muralidharan for his contribution to the Company as Director and occupier of the factory during his tenure.

Sri K. Ramakrishnan was co-opted as Director and also appointed as occupier of the factory with effect from 1st June, 2009 in the meeting of the Board of Directors held on 20th July 2009.

Smt. D. Pushpa Varadarajan and Sri S. Inderchand are retiring by rotation at the forthcoming Annual General Meeting and being eligible for re-election, offer themselves for re-appointment.

## **AUDITORS:**

M/s. K.S.G. Subramanyam & Co., Company's existing Statutory Auditors are to retire at the ensuing Annual General Meeting and being eligible for re-appointment, they have consented to continue to be the Statutory Auditors of the Company.

The Company has received a letter from them to the effect that their appointment, if made, would be within the prescribed limits under Section 224(1-B) of the Companies Act, 1956.

## **DEPOSITS:**

Your Company has neither invited nor accepted any fixed deposits from the public as per the provisions of Section 58A of the Companies Act, 1956.

## **MANAGEMENT DISCUSSION AND ANALYSIS:**

Management Discussion and Analysis for the year under review as stipulated under Clause-49 of the Listing Agreement with the Stock Exchange(s) is presented in a separate section forming part of this Annual Report.

## **DIRECTORS' RESPONSIBILITY STATEMENT UNDER SECTION 217 (2AA) OF THE COMPANIES (AMENDMENT ACT) 2000:**

The Board of Directors Report that :

1. in the preparation of the annual accounts, the applicable Accounting Standards have been followed alongwith proper explanation relating to material departures.
2. the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a fair view of the state of affairs of the Company at the end of the year and of the profit of the Company for that year.
3. the Directors 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 fraud and other irregularities.
4. The Directors have prepared the annual accounts on a going concern basis.

## **CORPORATE GOVERNANCE:**

A separate section on Corporate Governance and a Certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance forms part of this Annual Report.

## **INDUSTRIAL SAFETY**

Your Company has laid high emphasis on safety of all the personnel and mitigation of damage to equipment. The Company has thoroughly followed all the safety measures.



## **PARTICULARS REQUIRED UNDER SECTION 217 OF THE COMPANIES ACT, 1956:**

Particulars required under Section 217 (1) (e) of the Companies Act, 1956, read with relevant rules are annexed in Annexure-A.

Information in accordance with Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is given in Annexure-B of this Report.

## **“GROUP” FOR INTER-SE TRANSFER OF SHARES:**

As required under Clause 3(1) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulation 1997, persons constituting “Group” (within the meaning as defined in the Monopolies and Restrictive Trade Practices Act, 1969) for the purpose of availing exemption from applicability of the provisions of Regulation 10 to 12 of the aforesaid SEBI regulations are given in Annexure-C attached herewith and the said Annexure-C forms part of this Report.

## **DECLARATION:**

The Company has been regular in filing all forms and returns with the Registrar of Companies as required under the Companies Act, 1956 and has not defaulted in payment of dividends. Accordingly, the Company has not committed any of the defaults specified under Section 274(1) of the Companies Act, 1956 (as amended by the Companies Amendment Act, 2000) disqualifying its Directors to act as Directors of other companies.

## **ACKNOWLEDGEMENTS:**

Your Directors are extremely thankful to IDBI Bank Limited, Kerala State Industrial Development Corporation Limited, State Bank of Travancore, State Bank of India, The Federal Bank Limited, Axis Bank Ltd and Standard Chartered Bank for their continued support.

Your Directors acknowledge and express their grateful appreciation for the co-operation and support received from Government Authorities, Employees, Customers and Suppliers. They also thank the Shareholders for the confidence reposed by them in the management of the Company and for their continued support and co-operation

Place : Coimbatore  
Date : 14.09.2009

For and on behalf of the Board

Sd/-  
**S.N. VARADARAJAN**  
Chairman & Managing Director.



# INDSIL

## ANNEXURE 'A' TO DIRECTORS' REPORT

INFORMATION REQUIRED UNDER SECTION 217 (1)(e) OF THE COMPANIES ACT, 1956.

### I. CONSERVATION OF ENERGY

- a. Energy conservation measures : At the time of installation of the equipment, sufficient devices have already been incorporated to conserve energy. These devices and furnace operation practices based on indigenous technology have resulted in maintaining the industry standards of consumption.
- b. Additional Investments proposed for reduction in consumption of energy : Nil
- c. Impact of measures at (a) and (b) above for energy conservation : Nil
- d. Total energy consumption per unit of production as per Form A of the Annexure in respect of industries specified. : As per the prevailing rules, Ferro Alloys and power generation are excluded industries for the purpose of this information.

### II. TECHNOLOGY ABSORPTION

- a. Research & Development : The Company through R&D in process control has consistently improved the performance through innovative practices developed and perfected in-house.
- b. Benefits derived as a result of the above R&D : The metallurgical balance and recovery rates achieved through in-house R&D has made this Company outstanding in performance when compared with other industries in this class.
- c. Future plan of action : To concentrate on in-house R&D
- d. Expenditure on R&D : Nil.
- e. Technology absorption, adoption & innovation : The Company's indigenous technological methods have already yielded results that match well with imported ones.

### III. FOREIGN EXCHANGE EARNINGS AND OUTGO

Particulars	2008-09 (Rs.in lakhs)	2007-08 (Rs.in lakhs)
1. Earnings (Export)	900.79	3,596.67
2. Expenditure in Foreign Currency		
a. Subscription & Others	26.79	2.98
b. Net dividend	0.02	0.02

- Initiatives taken to increase exports : The Company is taking efforts to increase the exports by constant quality improvements, change of product and penetrating a wider customer base.

### ANNEXURE 'B'

Information pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975:

Name	Age in years	Designation	Remuneration (Rs.)	Qualification	Experience	Date of Commencement of employment	Last employment before joining the Company
Sri S.N.Varadarajan	63	Chairman & Managing Director	20,59,997	B.Com	28	3.9.1992	Sun Metals & Alloys Pvt. Ltd.
Sri Vinod Narsiman	37	Chief Executive Officer	19,30,423	B.E., MBA (University of Michigan)	13	18.1.1997	--

### ANNEXURE 'C'

#### "Group" for inter-se transfer of shares:

The following is the list of persons constituting "Group" (within the meaning as defined in the Monopolies and Restrictive Trade Practices Act, 1969) for the purpose of availing exemption from applicability of the provisions of Regulations 10 to 12 of the Securities Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations 1997 as provided in Clause 3 (1)(e) of the said regulations:

- Sri S.N.Varadarajan,
- Sri Vinod Narsiman,
- Smt.D.Pushpa Varadarajan,
- Smt.Jayashree Vinod,
- Ms.Sudha K Varadarajan,
- Indsil Energy and Electrochemicals Ltd,
- Sunmet Holdings India Private Ltd.,
- Sun Metals & Alloys Private Ltd.

Place : Coimbatore  
Date : 14.09.2009

For and on behalf of the Board



Sd/-  
**S.N. VARADARAJAN**  
Chairman & Managing Director.



## MANAGEMENT DISCUSSION AND ANALYSIS

(Pursuant to Clause 49 of the Listing Agreement with Stock Exchange)

### a. INDUSTRY STRUCTURE AND DEVELOPMENTS :

The Company is a part of the ferro alloy industry. Ferro alloys refer to a range of compounds that find application in producing steel and stainless steel. Manganese, chrome and silicon alloys form a majority of the bulk of ferro alloys produced. While Chromium alloys are used in the production of stainless steel, manganese alloys are used in the production of steel and some specialized grades of manganese alloys are used in specific grades of stainless steel making.

Your Company produces a specialized variety of low carbon manganese alloys which are primarily used in stainless steel making as well as in some specific carbon steel grades.

Starting August 2008, the industry faced a severe meltdown which resulted in prices of manganese alloys falling as much as 50% in a matter of a few months. This collapse was largely on account of recessionary trends in the global economy, which affected the capacity utilization of the steel industry to a very large extent. In turn, the ferro alloy industry, which is entirely dependent on the steel industry, was also severely affected.

The ferro alloy industry suffered an additional blow in terms of holding inventories of ore at high cost levels. This high cost ore proved to be a drag in terms of finances for the entire industry during the year.

Further, the boom period saw the mushrooming of several small and medium sized ferro alloy plants coming up in various parts of the country. This led to an over capacity situation during the recessionary phase.

It is widely expected that there will be some turnaround once steel production starts picking up to reasonable levels. Signs received from the global steel sector in the past few months indicate a promising trend towards a turnaround in the fortune of the steel sector.

### b. OPPORTUNITIES AND THREATS :

Your Company sees opportunities for in-organic growth in terms of adding up manganese manufacturing capacities. Your Company feels it would be prudent to seek good assets at reasonable prices during the dull phases of the economic cycle as is present now.

Your Company continues to seek opportunities to invest in the manganese ore mining sector. Its efforts in Indonesia did not pay fruits on account of the actual specifications of the manganese ore being very poor relative to the requirement of the Company.

However, the Company continues to pursue opportunities within India for joint ventures or outright acquisition of mines.

In terms of threats, your Company's finances largely depend on the operation of the hydro electric power plant which in turn is dependent on monsoon patterns.

In terms of the manganese division, the ferro alloy industry is cyclical in nature and is linked to the steel and stainless steel industry. Therefore, the risk of downward fluctuations in the economic cycle always remain.

### c. SEGMENT WISE PERFORMANCE :

#### SMELTER DIVISION:

Due to weak conditions, the smelter division witnessed a setback in performance levels in this year. The PBDIT of the smelter division for the year is Rs.200 lakhs as compared to Rs.684 lakhs for the previous year.



## **POWER DIVISION:**

The hydro electric plant generated 26.99 million units during this year as compared to 58.88 million units during 2007-08.

There was a general weakness in monsoon patterns which in turn affected the load factor of the hydro electric power division.

The hydro electric power plant generated PBDIT of Rs.853 lakhs in the year as compared to PBDIT of Rs.1893 lakhs in the previous year.

## **d. RISKS AND CONCERNS :**

Already covered under 'Threats'.

## **e. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:**

### **i) COST CONTROL**

Every single cost item goes through a thorough internal audit and in several stages as well.

As part of the cost control system, every single aspect of costs goes through stringent pre-expenditure checks and audits as well.

### **ii) OPERATIONS**

Process and deliverables pass through stringent control systems on a continuous basis. These systems are highly adequate and in fact play a vital role in productivity growth, efficiency, improvement etc.,

## **f. FUTURE PROSPECTS :**

Your Company is focusing on very specialized grade of manganese alloys.

Your Company has recently taken the route of long-term contractual relationships with specific buyers for marketing these alloys. This would help preventing sudden erosions in value during any down cycle.

Such contracts are already in place and therefore, the Smelter Division is expected to show robust financial results in the coming year.

The performance of the Hydel Power Division entirely depends on the prospects of monsoon.

## **g. CAUTIONARY FORWARD-LOOKING STATEMENTS :**

The Company makes forward-looking statements that are subject to risks and uncertainties. All statements that address expectations or projections about the future, including, but not limited to, statements about the Company's strategy for growth, market position and financial results are forward-looking statements.

For those statements the Company cautions that numerous important factors could affect the Company's actual results and could cause its results to differ materially from those expressed in any such forward-looking statements. The Company assumes no responsibility to publicly amend, modify or revise any forward-looking statements on the basis of any subsequent developments, information or events.

**h) FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE**

Rs. in lakhs

Particulars	30th June, 2005	30th June, 2006	30th June, 2007	30th June, 2008	30th June, 2009
<b>I OPERATING RESULTS :</b>					
1. Sales	7,474	5,779	7,293	11,550	8,016
2. Operating Profit (PBDIT)	1,820	1,088	1,212	2,577	1,054
3. Interest	475	383	352	296	235
4. Depreciation	343	346	346	350	350
5. Taxes	125	1	24	148	93
6. Extraordinary Items	--	--	--	--	92
7. Net Income (PAT)	877	358	490	1,783	283
8. Dividend Percentage	7.5%	10%	15%	15%	10%
Dividend Amount	71	94	142	142	94
Dividend Tax	10	13	24	24	16
9. Production :					
- Ferro Alloys (MT)	12,955	10,051	12,673	12,937	10,143
- Power (Lakh KWH)	293	520	397	589	270
<b>II. PERFORMANCE PARAMETERS:</b>					
1. Share capital	945	945	945	945	945
2. Reserves & Surplus	1,441	1,692	2,016	3,633	3,808
3. Secured Loans	3,600	2,908	2,218	1,352	754
4. Deferred liabilities	1,238	1,213	1,185	1,159	1,134
5. Fixed Assets (Gross Block)	7,930	8,246	8,288	8,351	8,530
6. Accumulated Depreciation	(2,203)	(2,545)	(2,891)	(3,217)	(3,564)
7. Investments	18	18	18	1,147	422
8. Net Current Assets	1480	1040	951	807	1,253
<b>III. RATIOS :</b>					
1. Profit after tax / Sales (%)	11.74	6.18	6.72	15.49	4.69
2. Return on Net worth (%)	35.56	13.58	16.54	37.67	5.82
3. Earnings per share (Rs.)	9.28	3.79	5.18	18.93	3.00
4. Cash Earnings per share (Rs.)	12.92	7.45	8.85	22.64	6.70
5. Debt Equity ratio	1.46	1.10	0.75	0.28	0.16
6. Book Value per share (Rs.)	26.11	27.90	31.33	48.45	50.30

**i. HUMAN RESOURCES:**

Your Company has always endeavoured to retain quality man power talent. Conscious efforts are on to develop an HR policy accordingly, giving thrust for effective participation of potential human resources at all levels in the activities of the Company.

The HR policy has been designed so as to give thrust on a transparent and performances driven work culture which ensures challenges and opportunities for the deserving. The Company in fact, adopts intensive selection process to ensure that best talents with great attitude are recruited so that the culture of team work and dedication remain intact.

Place : Coimbatore  
Date : 14.09.2009

For and on behalf of the Board

Sd/-  
**S.N. VARADARAJAN**  
Chairman & Managing Director.





## REPORT ON CORPORATE GOVERNANCE

As required by Clause 49 of the Listing Agreement with Stock Exchange(s), a report on Corporate Governance is furnished herebelow.

### COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

INDSIL is committed to maintaining the highest levels of Corporate Governance practices, which are essential to the enhancement in the stake holders value and for the very success of the Company. Its Corporate Governance practices meet Stock Exchange Corporate Governance guidelines and other regulatory requirements to ensure transparency and effective governance of the Company. The Board of Directors of the Company reviews its Corporate Governance in the light of developing requirements in the field and as new provisions come into effect, such provisions are complied with, where appropriate.

INDSIL is endeavoring to become a leading advocate for sustainability in business as the key to value creation and growth in the process.

The forms and substance of transactions are reasonably representing the Company's state of affairs and the profits for the year.

### BOARD OF DIRECTORS

Statutory and material information are placed before the Board on quarterly basis and thus the Board discharges its responsibility in an effective manner.

#### a. Present Composition of Board of Directors:

The Board comprises of nine members who in turn in their individual capacity bring collective wisdom to the welfare of the Company.

The present Board of Directors consists of :

- Two Whole-time Executive Directors namely Sri S.N. Varadarajan, Chairman & Managing Director and Sri Vinod Narsiman, Director and Chief Executive Officer. Both of them are Non-independent Directors.
- Seven Non-Executive Directors namely Dr.A.K. Sreedharan, Dr. S. Rama Iyer, Sri S. Inderchand, Sri B. Balchand, Sri K.S. Mahadevan, Smt. D. Pushpa Varadarajan and Sri K. Ramakrishnan. Smt. D. Pushpa Varadarajan is a Non-Independent Director and the other Directors are Independent Directors.

#### b. Board Meetings and attendance:

During the year, five Board meetings were held and the gap between two meetings did not exceed four months. The Board meetings were held on 14.7.2008, 31.10.2008, 5.12.2008, 28.1.2009 and 13.4.2009.

The names and categories of the Directors on the Board, the attendance at Board meetings during the year and at the last Annual General Meeting and also the number of directorships and committee memberships / chairmanships held by them in other companies and the shares held by Non-Executive Directors are given below.

Name of the Directors	Board Meetings	Audit Committee Meetings	Shareholders'/ Investors' Grievance Committee Meetings	Share Transfer Committee Meetings	Remuneration Committee Meetings	Last AGM Attended (Yes/No)	No. of shares held by non-Executive Directors
Sri S.N. Varadarajan	5	-	-	-	-	Y	N.A
Sri Vinod Narsiman	5	3	-	-	-	Y	N.A
Smt. D. Pushpa Varadarajan	5	-	1	9	-	Y	3,18,125
Sri S.Inderchand	5	4	1	9	1	Y	80,778
Sri B. Balchand	3	-	-	-	1	Y	40,000
Sri K.S. Mahadevan	5	-	-	-	-	Y	55,800
Dr. S. Rama Iyer	1	-	-	-	-	Y	--
Dr. A.K. Sreedharan	5	4	-	-	1	Y	--
Smt. S Usha *	1	-	-	-	-	-	--
Sri V. Muralidharan **	4	-	-	-	-	Y	--
Sri K. Ramakrishnan ***	-	-	-	-	-	-	--

\* ceased to be Director w.e.f. 1.9.08

\*\* ceased to be Director w.e.f.1.6.09

\*\*\* appointed w.e.f. 1.6.09

**c. Directorship and Committee Membership held in other companies**

Name of the Directors	Directorship held in other Companies		Committee Membership held in other Companies	
	As Director	As Chairman	As Member	As Chairman
Sri S.N. Varadarajan	8	2	--	--
Sri Vinod Narsiman	9	--	--	--
Smt. D. Pushpa Varadarajan	9	--	--	--
Sri S. Inderchand	1	--	--	--
Sri B. Balchand	--	1	--	--
Sri K.S. Mahadevan	--	--	--	--
Dr. S. Rama Iyer	4	2	--	--
Dr. A.K. Sreedharan	1	--	--	--
Smt.S. Usha *	--	--	--	--
Sri V. Muralidharan**	1	--	--	--
Sri K. Ramakrishnan ***	--	--	--	--

\* ceased to be Director w.e.f. 1.9.08

\*\* ceased to be Director w.e.f. 1.6.09

\*\*\* appointed w.e.f 1.6.09

All the above Directorship in other companies includes Private Limited companies and unlisted public limited companies

None of the Directors in the Board is a member of the Committees of more than 10 companies and Chairman of more than five companies (as specified in Clause 49), across all the companies in which anyone is a Director. The necessary disclosures regarding the committee positions have been made by all the Directors.

**d. Changes in the composition of Directors:**

The nomination of Director Smt.S.Usha was withdrawn by IDBI Ltd. from the Board with effect from 1.9.2008. Sri V. Muralidharan resigned as Director with effect from 1.6.2009 and Sri K. Ramakrishnan was appointed as Director with effect from 1.6.2009.

**e. Code of Conduct**

The Company has adopted the Code of Conduct for Directors and Senior Management. This Code of Conduct helps to maintain the standards of business conduct for the Company and ensures compliance with legal requirements by the Company. The purpose of the code is to deter wrong doing and to promote ethical conduct. All the Board Members and Senior Management personnel have affirmed compliance with the Code on an annual basis.

**f. DETAILS OF REMUNERATION PAID OR PAYABLE TO DIRECTORS DURING 2008-09**

The remuneration paid / payable to the Executive Directors are provided elsewhere in the Report and accounts.

At present, the Company pays sitting fees to all the Non-Executive Directors at the rate of Rs.2,500/- for attending each meeting of the Board and/or Committee thereof in terms of Clause 70 of the Articles of Association of the Company. An amount of Rs. 4,20,468 in the aggregate is payable as commission to the Non-Executive Directors for the financial year 2008-09

**AUDIT COMMITTEE**

An Audit Committee has been constituted with scope of activities as set out in Clause 49 of the Listing Agreement with the Stock Exchange read with Section 292 A of the Companies Act, 1956.

**a) Composition**

The Committee consists of 2 Non-Executive independent Directors Dr. A.K. Sreedharan and Sri S. Inderchand and a non-independent Executive Director Sri Vinod Narsiman.

Company Secretary of the Company is the Secretary of the Committee

**b) Terms of reference**

The primary objective of this Committee is to monitor and provide effective supervision of the financial control and reporting process. The terms of reference of the Audit Committee are in tandem with those laid down by Stock Exchange regulations and the provisions of the Companies Act. In particular, the Committee would review the financial reporting process, internal audit process, adequacy of internal control systems, risk management policies and management audit process. The Committee would also adopt matters such as Auditors' Report, appointment of statutory auditors and fixation of their remuneration before consideration by the Board of Directors.

**c. Committee Meetings**

The Committee met 4 times during the year on 14.7.2008, 31.10.2008, 28.1.2009 and 13.4.2009.

The attendance of the members at the meetings is stated below.

Member	Committee meetings attended
Dr.A.K.Sreedharan	4
Sri.S.Inderchand	4
Sri.Vinod Narsiman	3

The Chairman of the Committee Dr. A.K. Sreedharan was present at the last Annual general Meeting held on 5.12.2008.

**SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE****a. Composition**

The Shareholders'/Investors' Grievance Committee was constituted by the Board on 30.07.2001 and it comprises of Sri S. Inderchand (Chairman) and Smt. D. Pushpa Varadarajan (Member).

**b. Terms of reference**

The terms of reference of this Committee encompasses formulation of shareholders'/investors' servicing policies, looking into redressal of shareholders and investors complaints viz. transfer of shares, non-receipt of Annual Reports, non-receipt of declared dividends etc., and deciding on any other matter as may be required in connection with the shareholders'/investors' servicing and redressal of their grievances.

**c. Committee meetings**

The Shareholders'/Investors' Grievances Committee met on 14.09.2009 and reviewed the grievances/complaints received and the action taken on the grievances/complaints.

Complaints Status : 1.7.2008 to 30.6.2009

- Number of shareholders' complaints received so far (including dividend revalidation requests, non receipt of dividend warrant and non receipt of Annual Reports) : 8
- Number not solved to the satisfaction of shareholders : Nil
- Number of pending complaints : Nil

**SHARE TRANSFER COMMITTEE****a. Composition.**

To expedite the process of share transfers, the Board has delegated the powers of share transfers to a Committee comprising of two Directors namely Sri S. Inderchand (Chairman) and Smt. D. Pushpa Varadarajan, (Member).

**b. Terms of reference**

This Committee approves transfers, deletion of the names of deceased share holders, transmission of shares, issue of duplicate share certificates, issue of fresh share certificates as a result of splitting of share certificates and the like.

The business transacted at the Share Transfer Committee meetings is placed before the Board regularly.

**c. Committee Meetings**

During 2008-09, 9 meetings of the Committee were held on 21.7.08, 12.8.08, 30.8.08, 15.9.08, 10.10.08, 28.10.08, 06.1.09, 17.1.09 and 20.04.09. The number of share transfer committee meetings attended by the Directors is as follows:

Member	Committee meetings attended
Sri.S.Inderchand	9
Smt.D.Pushpa Varadarajan	9



## REMUNERATION COMMITTEE

### a. Composition

This Committee comprises entirely of Non-Executive Directors from the Board. It presently consists of three independent Directors with Dr.A.K.Sreedharan (Chairman), Sri.S.Inderchand and Sri.B.Balchand (Members).

### b. Terms of reference

The role of the Remuneration Committee is to give recommendations to the Board regarding the Company's policy and specific remuneration packages of the Executive Directors including pension rights and any compensation payments.

### c. Committee Meetings

The Committee met on 31.10.2008.

## COMPENSATION COMMITTEE

### a. Composition

The Committee was constituted by the Board on 28th October, 2008 and Dr. A.K. Sreedharan, Sri. S. Inderchand, Independent Directors and Sri Vinod Narsiman, Director & Chief Executive Officer are the members of the Committee.

### b. Terms of reference :

The terms of reference of this Committee is to administer the "Indsil Hydro Power and Manganese Limited Employee Stock Option Scheme (INDSIL-ESOS 2008).

### c. Committee Meetings.

The Committee met on 28.10.2008 and 28.01.2009, attended by all the members of the Committee.

## GENERAL BODY MEETINGS

Last three Annual General Meetings were held as per details shown below :

Year	Location	Date	Time
2008	Chamber Towers 8/732 Avanashi Road Coimbatore 641 018	05-12-2008	10.15 A.M.
2007	Chamber Towers 8/732 Avanashi Road Coimbatore 641 018	13-12-2007	10.30 A.M.
2006	Chamber Towers 8/732 Avanashi Road Coimbatore 641 018	18-12-2006	10.15 A.M.

No special resolution was put through postal ballot, nor is proposed for this year.

## DISCLOSURES

1. Disclosure on related party transactions i.e transactions of the Company with its Promoters, Directors or the management, relatives, bodies corporate in which the Directors are interested etc., are annexed elsewhere in the Annual Report. There is no materially significant related party transaction that would have been a potential conflict with the interests of the Company at large.
2. No penalties / strictures were imposed on the Company by Stock Exchange(s) or SEBI or any other statutory authorities on any matter relating to the shareholders' complaints, any other matter on account of non-compliance of any requirements, legal and otherwise.
3. In compliance of Clause 49(1)(B) of the Listing Agreement, it is disclosed that the Company does not have any pecuniary relationship or transactions with its Non-Executive Directors during the financial year ended 30th June 2009.



4. The Company has scrupulously complied with all the mandatory requirements and the Company has at present not adopted the non mandatory requirements of Corporate Governance except for certain clauses regarding Remuneration Committee. However, in line with its policy to ever improve the good Corporate Governance practices, it is proposed to adopt all such practices in due course of time.
5. The Company has not yet established a mechanism for Whistle Blower Policy. However, no personnel have been denied access to the Audit Committee.
6. The accounting treatment as prescribed in the Accounting Standards has been followed in the preparation of financial statements.

## RISK MANAGEMENT

The Management laid down the risk assessment and minimization procedures, which are reviewed periodically at its meetings to ensure that management controls risks through a properly defined network.

## MEANS OF COMMUNICATION

Quarterly results, dividend announcements, book closure/record dates are intimated to the Stock Exchange where the Company's shares are listed and also published in the Newspapers either in Business Line or Business Standard or Mint in English and Makkal Kural in Tamil. The Annual Reports are sent by post under Certificate of Posting to the shareholders.

Reports on quarterly financial performance are being sent to the shareholders to their registered addresses after the Board Meeting is held for considering the unaudited results of the Company.

Quarterly results of the Company can be viewed in the Company's website i.e. [www.indsil.com](http://www.indsil.com).

The Company had informed the Bombay Stock Exchange that it had opted to declare audited results for the financial year 2008-09 on or before September 30, 2009 instead of declaring unaudited financial results for the last quarter ended June 30, 2009.

Management Discussion and Analysis Report is annexed elsewhere in the Annual Report.

## GENERAL SHAREHOLDER INFORMATION

### 1. Annual General Meeting

- |               |   |   |
|---------------|---|---|
| a. Date & Day | : | 21.12.2009 (Monday)   |
| b. Time       | : | 10.15 A.M.  |
| c. Venue      | : | Chamber Towers<br>8/732 Avanashi Road<br>Coimbatore 641 018 |

### 2. Financial Calendar for 2009-10

- |   |   |                                 |
|---|---|---------------------------------|
| Declaration of financial results:               | : |                                 |
| Unaudited financial results for the 1st quarter | : | On or before 31st October, 2009 |
| Unaudited financial results for the 2nd quarter | : | On or before 31st January, 2010 |
| Unaudited financial results for the 3rd quarter | : | On or before 30th April, 2010   |
| Unaudited financial results for the 4th quarter | : | On or before 31st July, 2010    |

(or)

The Company may opt to publish the Audited results for the entire financial year instead of publishing unaudited results for the 4th quarter

- |   |   |   |
|---|---|---|
| Annual General Meeting for the year ending 30th June 2010 | : | Within 6 months from the close of the accounting year |
|---|---|---|

### 3. Date of Book Closure

: 18.12.2009 to 21.12.2009

### 4. Dividend payment

: Dividend on equity shares, if approved will be paid within the stipulated time as prescribed

### 5. Listing on Stock Exchange & Scrip code

: The Bombay Stock Exchange Ltd & 522165

**6. Stock price data.**

High / Low prices during the financial year 2008-09 on The Bombay Stock Exchange Ltd.

Month & Year	High (Rs.)	Low (Rs.)
July 2008	98.00	67.15
August 2008	95.95	71.00
September 2008	79.15	44.10
October 2008	50.10	27.70
November 2008	36.20	26.50
December 2008	32.90	24.00
January 2009	31.90	21.15
February 2009	21.95	16.85
March 2009	19.35	15.10
April 2009	27.85	17.75
May 2009	44.00	21.75
June 2009	42.75	29.20

**7. Categories of Shareholders as on 30th June, 2009**

Category of Shareholders	No.of Shareholders	No.of shares held	% of Holding
<b>Promoters Shareholding</b>			
<b>Indian</b>			
Individuals / Hindu Undivided Family	14	15,62,779	16.54
Bodies Corporate	1	31,98,360	33.85
<b>Sub Total - A</b>	<b>15</b>	<b>47,61,139</b>	<b>50.39</b>
<b>Public Shareholding</b>			
<b>Institutions</b>			
Mutual Funds / UTI	2	2,200	0.02
Central / Sate Government(s)	1	6,32,500	6.69
<b>Sub-Total - B</b>	<b>3</b>	<b>6,34,700</b>	<b>6.72</b>
<b>Non-institutions</b>			
Bodies Corporate	182	5,15,239	5.45
Resident Individuals	7,571	33,71,341	35.68
Non-Resident Indians	270	1,66,656	1.76
<b>Sub-Total - C</b>	<b>8,023</b>	<b>40,53,236</b>	<b>42.89</b>
<b>GRAND TOTAL (A+B+C)</b>	<b>8,041</b>	<b>94,49,075</b>	<b>100.00</b>

**8. Registrar and Transfer Agent.**

Both physical and Demat segments are handled by the Company's Registrar & Share Transfer Agent namely SKDC Consultants Ltd., No.11, Street No.1, S.N. Layout, (West Power House Road), Tatabad, Coimbatore 641 012.

**9. Share Transfer System**

The share transfers are registered and returned within the stipulated time if the documents are in order.

**10. Distribution of shareholding as on 30th June 2009.**

Range (Value in Rs.)	No. of Shareholders	%held (% No. of Shareholders)	Face value of shares (Rs.)	% held (% Value)
Up to 5000	6,980	86.81	1,19,40,180	12.64
5001 to 10000	572	7.11	48,11,250	5.09
10001 to 20000	246	3.06	38,64,210	4.09
20001 to 30000	82	1.02	21,08,000	2.23
30001 to 40000	32	0.40	11,80,110	1.25
40001 to 50000	33	0.40	15,90,080	1.68
50001 to 100000	48	0.60	35,65,390	3.77
100001 and above	48	0.60	6,54,31,530	69.25
<b>TOTAL</b>	<b>8,041</b>	<b>100.00</b>	<b>9,44,90,750</b>	<b>100.00</b>

**11. Dematerialisation of shareholdings and liquidity**

As on 30.6.2009, 89,35,738 shares constituting 94.57% of the total paid up capital of the Company have been dematerialized. In view of the numerous advantages offered by the Depository System, members are requested to avail of the facility of dematerialisation of the Company's shares.

For guidance on Depository Services, shareholders may write to the Company.

**12. Secretarial Audit**

The Company gets the Secretarial Audit done by a firm of Practicing Company Secretaries for the purpose of reconciliation of the total Equity Capital with both the Depositories and in physical form with the total paid up capital as per the books. The Secretarial Audit Reports are placed before the Board of Directors on a quarterly basis and are also sent to the Stock Exchange where the Company's shares are listed.

**13. Details on use of public funds obtained in the last three years**

No funds have been raised from public in the last three years.

**14. Outstanding GDR/ADR/Warrants and convertible bonds, conversion date and likely impact on equity.**

The Company has not issued any GDR/ADR or convertible bonds.

**15. Plant locations**

Smelter plant : VI-679 Pallatheri, Elapully, Palakkad 678 007, Kerala  
Rajakkad Hydro Electric Power Plant : VIII/351, Rajakkad, Idukki Dist. 685 566, Kerala

**16. Address for correspondence** :

Indsil Hydro Power and Manganese Limited  
"INDSIL HOUSE", T.V. Samy Road, (West)  
R.S. Puram, Coimbatore 641 002.  
Phone : (+91/0) (422) 4522922, 23, 24  
Fax : (+91/0) (422) 4522925  
e-mail : indsilho@indsil.com

**17. Compliance Officer** :

Sri S. Mahadevan  
Company Secretary

Direct Phone : (+91/0) (422) 4522904  
e-mail : mahadevan@indsil.com

Place : Coimbatore  
Date : 14.09.2009

For and On behalf of the Board  
Sd/-  
**S.N. VARADARAJAN**  
Chairman & Managing Director.



**INDSIL**

**ANNUAL CERTIFICATION BY CHAIRMAN & MANAGING DIRECTOR PURSUANT TO CLAUSE 49 I(D)(ii) OF THE LISTING AGREEMENT**

As the Chairman & Managing Director of Indsil Hydro Power and Manganese Limited and as required pursuant to Clause 49 I(D)(ii) of the Listing Agreement, I hereby declare and certify that all the Board Members and Senior Management Personnel of Indsil Hydro Power and Manganese Limited have affirmed compliance with the Code of Conduct adopted by the Company for the year 2008-09.

Place : Coimbatore  
Date : 14.09.2009

For **INDSIL HYDRO POWER AND MANGANESE LIMITED**

Sd/-  
**S.N. VARADARAJAN**  
CHAIRMAN & MANAGING DIRECTOR

**AUDITORS' CERTIFICATE**

To

The Members of **INDSIL HYDRO POWER AND MANGANESE LIMITED**

We have examined the compliance of conditions of Corporate Governance by Indsil Hydro Power and Manganese Limited for the year ended 30th June 2009, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchange(s).

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor's grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders'/Investors' Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **K.S.G. SUBRAMANYAM & CO.,**  
Chartered Accountants

Sd/-  
**T.C. KERALA VARMA RAJA**  
Partner  
Membership No. : 6932

Place : Coimbatore  
Date : 14.09.2009





## AUDITORS' REPORT

We have audited the attached Balance Sheet of **INDSIL HYDRO POWER AND MANGANESE LIMITED**, Coimbatore as at 30th June 2009 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date together with the schedules 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.

We have 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditors' Report) Order 2003 and amended by the Companies (Auditors' Report Amendment) Order, 2004 issued by the Central Government of India in terms of Section 227(4A) of the Companies Act 1956 and on the basis of the information and explanations given to us and the books and records examined by us in the normal course of our audit and to the best of our knowledge and belief, we annex hereto a statement on the matters specified in paragraph 4 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph 1 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 Cash Flow Statement dealt with by this Report comply with the mandatory Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956, to the extent applicable.
  - e) On the basis of written representations received from the Directors of the Company and taken on record by the Board of Directors, and the information and explanations given to us, we report that none of the Directors is prima facie disqualified as on 30th June 2009 from being appointed as a Director in terms of Section 274 (1)(g) 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 Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this Report read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, in the case of the:
    - 1) Balance Sheet, of the state of affairs of the Company as at 30th June 2009;
    - 2) Profit and Loss account, of the Profit of the Company for the year ended on that date; and
    - 3) Cash Flow Statement of the cash flows for the year ended on that date.

Place : Coimbatore  
Date : 14.09.2009

for K.S.G.SUBRAMANYAM & CO  
Chartered Accountants,

Sd/-  
T.C.KERALA VARMA RAJA  
Partner  
Membership No: 6932



## ANNEXURE REFERRED TO IN PARAGRAPH 1 OF AUDITORS' REPORT OF EVEN DATE

(Referred to in paragraph 1 of our Report of even date to the members of Indsil Hydro Power and Manganese Limited)

- 1) Fixed Assets:
  - (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
  - (b) As explained to us, most of the fixed assets of the Company have been physically verified by the management at reasonable intervals during the year, which, in our opinion, is reasonable having regard to the size of the Company and the nature of the assets. No material discrepancies were noticed on such verification.
  - (c) No disposal of a substantial part of the fixed assets has taken place during the year.
- 2) Inventories:
  - (a) Physical verification of inventory has been conducted at reasonable intervals by the management.
  - (b) In our opinion, the procedures of physical verification of inventory 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 is maintaining proper records of inventories. The discrepancies noticed on physical verification between the physical stocks and book records were not material.
- 3)
  - (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.
  - (b) The Company has not taken any loans, secured or unsecured, from companies, firms or from other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.
- 4) In our opinion and according to the information and explanations given to us, the Company has adequate internal control procedures, commensurate with the size of the Company and the nature of its business for the purchase of inventories and fixed assets and for the sale of goods.
- 5) Register under Section 301:
  - (a) In our opinion and according to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the Register required to be maintained under that section.
  - (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- 6) The Company has not accepted any deposits from the public.
- 7) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- 8) The Company is not required to maintain cost records as per Section 209(1)(d) of the Companies Act, 1956.
- 9)
  - a) The Company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income tax, Sales tax, Wealth Tax, Service tax, Customs Duty, Excise Duty, cess and any other statutory dues with the appropriate authorities.
  - b) There are no statutory dues which have not been deposited on account of any dispute



- 10) The Company does not have any accumulated losses at the end of the financial year and the Company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- 11) The Company has not defaulted in repayment of dues to any financial institution or bank and the Company has not issued any debentures.
- 12) The Company has not granted loans / advances on the basis of security by way of pledge of shares, debentures and other securities.
- 13) The Company is not a chit fund or Nidhi/Mutual benefit fund/ Society. Accordingly, the provisions of Clause 4(xiii) of the Order are not applicable to the Company.
- 14) The Company has maintained records on all transactions regarding purchase and redemption of mutual funds. Timely entries have been made in such records and the investment in mutual funds was made in the Company's name.
- 15) The Company has not given any guarantee for loans taken by others from banks or financial institutions.
- 16) In our opinion and according to the information and explanations given to us, term loans have been applied for the purpose for which the loans were obtained.
- 17) Funds raised on short-term basis have not been used for long term investment.
- 18) During the year, 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.
- 19) The Company has not issued any debentures during the year.
- 20) The Company has not made any public issue during the year.
- 21) Based upon the audit procedures performed and according to the information and explanations given to us, we report that no fraud on or by the Company has been noticed or reported during the year.

Place : Coimbatore  
Date : 14.09.2009

for K.S.G.SUBRAMANYAM & CO  
Chartered Accountants,

Sd/-  
T.C.KERALA VARMA RAJA  
Partner  
Membership No: 6932

**BALANCE SHEET AS AT 30TH JUNE 2009**

PARTICULARS	SCHEDULE NO	30.6.2009		30.6.2008	
		Amount (Rs.)	Amount (Rs.)	Amount (Rs.)	Amount (Rs.)
<b>SOURCES OF FUNDS</b>					
<b>SHARE HOLDERS FUNDS :</b>					
Share Capital	I		9,44,90,750		9,44,90,750
ESOS Outstanding net of unamortised ESOS employee compensation			2,03,074		-
Reserves & Surplus	II		38,05,54,778		36,32,99,638
<b>LOAN FUNDS :</b>					
Secured Loans	III		7,54,21,281		13,51,52,312
Provision for Deferred Liability	IV		11,09,49,430		11,09,49,430
Deferred Tax Liability (Net)			24,35,490		49,09,646
<b>TOTAL</b>			<u>66,40,54,803</u>		<u>70,88,01,776</u>
<b>APPLICATION OF FUNDS</b>					
<b>FIXED ASSETS</b>					
Gross Block	V	85,29,86,018		83,51,13,995	
Less : Depreciation Reserve		<u>35,64,39,874</u>		<u>32,17,17,423</u>	
			49,65,46,144		51,33,96,572
Investments-Long term	VI		43,25,000		40,05,000
- Short term-in Debt based liquid funds			3,78,46,467		11,06,65,699
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>					
Inventories	VII	15,11,25,809		13,74,71,002	
Sundry Debtors		1,71,56,716		28,84,021	
Cash & Bank Balances		85,67,561		2,20,25,786	
Loans & Advances		<u>4,06,55,946</u>		<u>4,37,83,534</u>	
		21,75,06,032		20,61,64,343	
<b>Less : Current Liabilities &amp; Provisions</b>	VIII	<u>9,21,68,840</u>		<u>12,54,29,838</u>	
			12,53,37,192		8,07,34,505
<b>TOTAL</b>			<u>66,40,54,803</u>		<u>70,88,01,776</u>
Notes on accounts	XV				

As per our Report of even date

For **K.S.G. SUBRAMANYAM & CO**

Chartered Accountants

Sd/-

**T.C. KERALA VARMA RAJA**

Partner

Membership No.6932

Sd/-

**S.N. VARADARAJAN**

Chairman &amp; Managing Director

Sd/-

**VINOD NARSIMAN**

Chief Executive Officer

Sd/-

**S. INDERCHAND**

Director

Sd/-

**S. MAHADEVAN**

Company Secretary

Place : Coimbatore

Date : 14.09.2009



# INDSIL

## PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2009

PARTICULARS	SCHEDULE NO	30.6.2009		30.6.2008	
		Amount (Rs.)	Amount (Rs.)	Amount (Rs.)	Amount (Rs.)
<b>INCOME</b>					
<i>Gross Sales</i>					
<i>Smelter</i>					
Export		10,64,99,692		36,35,43,587	
Domestic		60,37,26,616		59,72,22,227	
		<u>71,02,26,308</u>		<u>96,07,65,814</u>	
Power		9,13,68,445		19,42,84,110	
			80,15,94,753		115,50,49,924
Less : Excise Duty			5,76,24,408		8,06,30,270
Net Sales			74,39,70,345		107,44,19,654
Less: Interdivisional sale of power			9,13,68,445		19,42,84,110
			<u>65,26,01,900</u>		<u>88,01,35,544</u>
DEPB Claims			9,45,883		57,55,600
Interest receipts-Gross (TDS- Rs.2,49,754, Previous year: Rs.59,720/-)			16,17,398		4,01,464
Income from Mutual funds			19,02,272		7,57,957
Increase / (Decrease) in Stock of Finished Goods	IX		(-) 19,73,638		(-) 65,14,920
			<u>65,50,93,815</u>		<u>88,05,35,645</u>
<b>EXPENDITURE</b>					
Consumption of Raw Materials	X		31,99,96,396		45,94,26,220
Manufacturing Expenses (Net of interdivisional purchase of power)	XI		16,32,77,329		8,77,38,775
Selling Expenses	XII		2,97,73,603		3,42,82,896
Administrative Expenses	XIII		3,66,92,097		4,14,18,330
			<u>54,97,39,425</u>		<u>62,28,66,221</u>
<b>Profit before Depreciation &amp; Financial Charges &amp; Interest</b>			10,53,54,390		25,76,69,424
Financial Charges & Interest	XIV		2,35,13,516		2,95,63,639
<b>Profit before Depreciation &amp; Taxes</b>			8,18,40,874		22,81,05,785
Depreciation			3,50,07,741		3,50,20,026
<b>Profit before Taxes &amp; Extraordinary items</b>			4,68,33,133		19,30,85,759
Less: Irrecoverable Advances written off			91,97,204		-
<b>Profit before Taxes</b>			3,76,35,929		19,30,85,759
Add : Deferred Tax Asset			24,74,156		27,20,790
Less : Provision for taxation - Current			(-) 1,15,00,000		(-) 1,70,00,000
Less : Provision for taxation - Prior years			-		(-) 84,063
Less : Provision for Fringe Benefit tax			(-) 3,00,000		(-) 4,00,000
<b>Profit after Taxes</b>			2,83,10,085		17,83,22,486
Add : Balance of Profit b/f			26,52,92,654		11,30,52,587
Amount available for Appropriation			<u>29,36,02,739</u>		<u>29,13,75,073</u>
<b>Appropriations :</b>					
Transfer to General Reserve			-		95,00,000
Proposed Dividend			94,49,075		1,41,73,613
Tax on Proposed Dividend			16,05,870		24,08,806
Nett balance carried to Balance Sheet			28,25,47,794		26,52,92,654
			<u>29,36,02,739</u>		<u>29,13,75,073</u>
<b>Earnings per share (Refer Note: 10 in Notes to Accounts)</b>					
Basic			Rs. 3.00		Rs. 18.87
Diluted			Rs. 2.99		Rs. 18.87
<b>Notes on accounts</b>					
XV					

As per our Report of even date

For **K.S.G. SUBRAMANYAM & CO**  
Chartered Accountants

Sd/-  
**T.C. KERALA VARMA RAJA**  
Partner  
Membership No.6932

Sd/-  
**S.N. VARADARAJAN**  
Chairman & Managing Director

Sd/-  
**VINOD NARSIMAN**  
Chief Executive Officer

Place : Coimbatore  
Date : 14.09.2009

Sd/-  
**S. INDERCHAND**  
Director

Sd/-  
**S. MAHADEVAN**  
Company Secretary

**SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 30TH JUNE 2009**

SCH. NO	PARTICULARS	30.6.2009		30.6.2008	
		Amount (Rs.)	Amount (Rs.)	Amount (Rs.)	Amount (Rs.)
<b>I</b>	<b>SHARE CAPITAL</b>				
	<b>Authorized:</b>				
	2,00,00,000 Equity Shares of Rs.10/- each		20,00,00,000		20,00,00,000
	5,00,000 Redeemable cumulative preference shares of Rs.100/- each		5,00,00,000		5,00,00,000
			<b>25,00,00,000</b>		<b>25,00,00,000</b>
	<b>Issued, Subscribed and paid up</b>				
	94,49,075 Equity Shares of Rs.10/- each fully paid up		9,44,90,750		9,44,90,750
			<b>9,44,90,750</b>		<b>9,44,90,750</b>
<b>II</b>	<b>RESERVES &amp; SURPLUS</b>				
	State Subsidy		15,00,000		15,00,000
	Share Premium		76,99,811		76,99,811
	General Reserve Balance as on 1.7.08	8,88,07,173		7,93,07,173	
	Add : Transfer from Profit & Loss Appropriation Account	-		95,00,000	
			8,88,07,173		8,88,07,173
	Surplus in Profit & Loss Account		28,25,47,794		26,52,92,654
			<b>38,05,54,778</b>		<b>36,32,99,638</b>
<b>III</b>	<b>SECURED LOANS</b>				
	<b>Term Loans from</b>				
	IDBI Bank Limited	1,30,13,037		3,03,62,637	
	The Federal Bank Limited	3,00,00,000		5,40,00,000	
	State Bank of India	3,24,08,244		4,81,04,756	
			7,54,21,281		13,24,67,393
	<b>Cash Credit from</b>				
	IDBI Bank Limited	-		1,87,004	
	State Bank of Travancore	-		24,97,915	
			-		26,84,919
			<b>7,54,21,281</b>		<b>13,51,52,312</b>
<b>IV</b>	<b>PROVISION FOR DEFERRED LIABILITY</b>				
	Electricity charges		11,09,49,430		11,09,49,430

**SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 30TH JUNE 2009****V - FIXED ASSETS**

Particulars	Gross Block				Depreciation				Nett Block	
	Cost as on 1.7.2008	Additions	Deletions	Cost as on 30.6.2009	Upto 30.6.2008	For the year	Withdrawn on deletions	Upto 30.6.2009	WDV As on 30.6.2009	WDV As on 30.6.2008
Land	2,09,04,943	-	-	2,09,04,943	-	-	-	-	2,09,04,943	2,09,04,943
Buildings	28,18,37,948	113,12,197	-	29,31,50,145	8,00,09,464	94,45,187	-	8,94,54,651	20,36,95,494	20,18,28,484
Plant & Machinery	39,64,59,010	48,28,114	-	40,12,87,124	18,92,43,025	2,10,47,039	-	21,02,90,064	19,09,97,060	20,72,15,985
Electrical Installation	2,06,05,885	-	-	2,06,05,885	1,81,84,874	11,82,461	-	1,93,67,335	12,38,550	24,21,011
Pollution Control Equipments	1,87,06,060	1,87,157	-	1,88,93,217	115,53,851	9,95,454	-	125,49,305	63,43,912	71,52,209
Water Treatment Plant	61,82,332	-	-	61,82,332	40,53,149	3,26,427	-	43,79,576	18,02,756	21,29,183
Workshop Equipments	7,18,353	-	-	7,18,353	6,42,148	42,098	-	6,84,246	34,107	76,205
Laboratory Equipments	4,88,876	35,700	-	5,24,576	3,80,730	26,083	-	4,06,813	1,17,763	1,08,146
Fire Fighting Equipments	50,616	-	-	50,616	42,437	2,912	-	45,349	5,267	8,179
Air Conditioner	13,45,917	24,000	-	13,69,917	7,54,875	60,683	-	8,15,558	5,54,359	5,91,042
Air Cooler	8,950	-	-	8,950	8,491	446	-	8,937	13	459
Electrical Fittings	2,76,264	-	-	2,76,264	2,76,264	-	-	2,76,264	-	-
Office Equipments	24,99,617	106,370	-	26,05,987	11,43,179	1,22,228	-	12,65,407	13,40,580	13,56,438
Generator	17,33,386	100,308	-	18,33,694	14,52,156	88,216	-	15,40,372	2,93,322	2,81,230
Weighing Scale	74,189	-	-	74,189	46,404	3,524	-	49,928	24,261	27,785
Computer	30,73,733	262,635	-	33,36,368	24,88,848	2,27,871	-	27,16,719	6,19,649	5,84,885
Vehicles	42,89,330	-	8,05,411	34,83,919	15,78,189	2,89,856	2,85,290	15,82,755	19,01,164	27,11,141
Tractor & Trailor	12,10,128	-	-	12,10,128	11,77,965	32,163	-	12,10,128	-	32,163
Furnitures & Fixtures	38,92,815	71,841	-	39,64,656	23,76,237	2,24,956	-	26,01,193	13,63,463	15,16,578
Transmission Lines	2,67,04,115	-	-	2,67,04,115	63,05,137	8,90,137	-	71,95,274	1,95,08,841	2,03,98,978
Capital W.I.P	79,10,62,467	1,69,28,322	8,05,411	80,71,85,378	32,17,17,423	3,50,07,741	2,85,290	35,64,39,874	45,07,45,504	46,93,45,044
	4,40,51,528	17,49,112	-	4,58,00,640	-	-	-	-	4,58,00,640	4,40,51,528
<b>TOTAL</b>	<b>83,51,13,995</b>	<b>186,77,434</b>	<b>805,411</b>	<b>85,29,86,018</b>	<b>32,17,17,423</b>	<b>3,50,07,741</b>	<b>2,85,290</b>	<b>35,64,39,874</b>	<b>49,65,46,144</b>	<b>51,33,96,572</b>
<b>Figures for Previous Year</b>	<b>82,87,57,612</b>	<b>93,00,313</b>	<b>29,43,930</b>	<b>83,51,13,995</b>	<b>28,91,44,690</b>	<b>3,50,20,026</b>	<b>24,47,293</b>	<b>32,17,17,423</b>	<b>51,33,96,572</b>	<b>53,96,12,922</b>

**SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 30TH JUNE 2009**

SCH. NO	PARTICULARS	30.6.2009		30.6.2008	
		Amount (Rs.)	Amount (Rs.)	Amount (Rs.)	Amount (Rs.)
<b>VI</b>	<b>INVESTMENTS</b>				
	Long term :				
	A: Equity shares - Unquoted (At Cost)				
	Non-Trade				
	1,50,000 equity shares of Rs.10/- each in Malayalam Communications Ltd.		15,00,000		15,00,000
	Trade				
	25,500 equity shares of Rs.10/- each in Indsil Energy & Electrochemicals Ltd.		2,55,000		2,55,000
	2,25,000 equity shares of Rs.10/- each in GoodEarth Indsil Natural Resources Ltd		22,50,000		22,50,000
	8,000 equity shares of Rs.10/- each in fully paid up in Kurumpetty HPP Ltd		80,000		-
	8,000 equity shares of Rs.10/- each in fully paid up in Palayakkam HPP Ltd		80,000		-
	8,000 equity shares of Rs.10/- each in fully paid up in Upper Poringal HPP Ltd		80,000		-
	8,000 equity shares of Rs.10/- each in fully paid up in Vattapara HP Ltd		80,000		-
	Short term :				
	B: Units - Mutual Funds - Unquoted	Face value	Quantity		
	ICICI Prudential Flexible Income Plan	Rs. 10	-	-	3,11,83,012
	Principal Liquid Plus Fund	Rs. 10	-	-	5,53,94,562
	DWS Credit Opportunities Cash Fund	Rs. 10	26,56,733 Units	2,66,20,461	1,10,88,125
	LIC MF Liquid Plus Fund	Rs. 10	11,22,601 Units	1,12,26,006	1,30,00,000
				<b>4,21,71,467</b>	<b>11,46,70,699</b>
	Aggregate value of unquoted investments			<b>4,21,71,467</b>	<b>11,46,70,699</b>
	(Movement of investments in mutual funds given in Notes on accounts)				
<b>VII</b>	<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>				
	<b>1. INVENTORIES</b>				
	Raw Materials		11,82,80,498		10,25,38,113
	Finished Goods		2,08,79,903		2,28,53,541
	Consumables		3,59,446		2,50,404
	Stores & Spares		98,74,214		98,50,768
	Work in Progress		16,64,188		18,36,034
	Packing Materials		67,560		1,42,142
			<b>15,11,25,809</b>		<b>13,74,71,002</b>
	<b>2. SUNDRY DEBTORS</b>				
	(Unsecured, Considered Good)				
	Debts exceeding 6 months		1,56,641		3,67,928
	Other Debts		1,70,00,075		25,16,093
			<b>1,71,56,716</b>		<b>28,84,021</b>
	<b>3. CASH &amp; BANK BALANCES</b>				
	Cash on Hand		62,193		3,41,091
	Balances with Scheduled Banks:				
	- in Current Accounts	13,64,040		77,78,253	
	- in Fixed Deposits	61,25,317		1,32,16,217	
	- in Unpaid Dividend Accounts	10,16,011		6,90,225	
			<b>85,05,368</b>		<b>2,16,84,695</b>
			<b>85,67,561</b>		<b>2,20,25,786</b>



**SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 30TH JUNE 2009**

SCH. NO	PARTICULARS	30.6.2009		30.6.2008	
		Amount (Rs.)	Amount (Rs.)	Amount (Rs.)	Amount (Rs.)
<b>4. LOANS &amp; ADVANCES</b>					
	Advances for Equipments & Purchases		42,64,149		1,17,15,580
	Cenvat Claim Receivable		3,64,805		8,60,436
	Deposits / Other Advances Recoverable		3,37,68,998		1,35,87,763
	Prepaid Expenses		16,92,616		26,92,763
	Staff Advances		5,65,378		4,41,992
	Loan to Joint venture company		-		1,44,85,000
			<b>4,06,55,946</b>		<b>4,37,83,534</b>
<b>VIII CURRENT LIABILITIES &amp; PROVISIONS</b>					
<b>A. CURRENT LIABILITIES :</b>					
	Sundry Creditors				
	Creditors for Purchases	4,26,55,252		5,77,54,089	
	Creditors for Equipments & Capital goods	37,800		2,22,041	
	Creditors for Expenses	46,09,255		50,56,384	
			<b>4,73,02,307</b>		<b>6,30,32,514</b>
	Other statutory liabilities		44,71,261		40,26,216
	Advance against supplies		11,56,090		12,40,168
	Outstanding expenses		1,02,04,937		2,65,90,170
	Unpaid dividends		10,16,011		6,90,225
	<b>(A) .....</b>		<b>6,41,50,606</b>		<b>9,55,79,294</b>
<b>B. PROVISIONS :</b>					
	Provision for Gratuity & EL encashment		66,32,089		60,20,000
	Provision for taxation (net of advance taxes)		1,03,31,200		72,48,125
	Proposed Dividend		94,49,075		1,41,73,613
	Tax on Proposed Dividend		16,05,870		24,08,806
	<b>(B) .....</b>		<b>2,80,18,234</b>		<b>2,98,50,544</b>
	<b>TOTAL (A+B).....</b>		<b>9,21,68,840</b>		<b>12,54,29,838</b>

As per our Report of even date

For **K.S.G. SUBRAMANYAM & CO**  
Chartered AccountantsSd/-  
**T.C. KERALA VARMA RAJA**  
Partner  
Membership No.6932Sd/-  
**S.N. VARADARAJAN**  
Chairman & Managing DirectorSd/-  
**VINOD NARSIMAN**  
Chief Executive OfficerPlace : Coimbatore  
Date : 14.09.2009Sd/-  
**S. INDERCHAND**  
DirectorSd/-  
**S. MAHADEVAN**  
Company Secretary

**SCHEDULES ANNEXED TO AND FORMING PART OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2009.**

SCH. NO	PARTICULARS	30.6.2009		30.6.2008	
		Amount (Rs)	Amount (Rs)	Amount (Rs)	Amount (Rs)
<b>IX</b>	<b>INCREASE / (DECREASE) IN STOCK OF FINISHED GOODS</b>				
	Closing Stock		2,08,79,903		2,28,53,541
	Opening Stock		2,28,53,541		2,93,68,461
			<u>(-) 19,73,638</u>		<u>(-) 65,14,920</u>
<b>X</b>	<b>CONSUMPTION OF RAW MATERIALS</b>				
	<b>Opening Stock</b>				
	Raw Materials	10,25,38,113		9,56,66,178	
	Consumables	2,50,404		1,53,792	
	Work-in-Progress	18,36,034		15,36,210	
			<u>10,46,24,551</u>		<u>9,73,56,180</u>
	<b>Add : Purchases</b>				
	Raw Materials & Consumables	28,76,10,543		39,44,04,234	
	Carriage Inwards	4,80,65,434		7,22,90,357	
			<u>33,56,75,977</u>		<u>46,66,94,591</u>
	<b>Less : Closing Stock</b>				
	Raw Materials	11,82,80,498		10,25,38,113	
	Consumables	3,59,446		2,50,404	
	Work-in-Progress	16,64,188		18,36,034	
			<u>12,03,04,132</u>		<u>10,46,24,551</u>
			<u><b>31,99,96,396</b></u>		<u><b>45,94,26,220</b></u>
<b>XI</b>	<b>MANUFACTURING EXPENSES</b>				
	Salary, Wages & Bonus - Factory		1,94,10,522		2,08,85,655
	Provision for Gratuity & Earned leave encashment		6,12,089		12,35,000
	Contribution to Provident Fund		13,32,618		13,30,302
	Contribution to ESI		6,46,536		6,79,558
	Electricity Charges (Net of interdivisional purchase of power)		13,25,75,290		5,34,23,525
	Repairs & Maintenance - Buildings		10,05,775		7,35,274
	Repairs & Maintenance - Plant		72,01,460		89,39,606
	Repairs & Maintenance - Others		4,93,039		5,09,855
			<u><b>16,32,77,329</b></u>		<u><b>8,77,38,775</b></u>
<b>XII</b>	<b>SELLING EXPENSES</b>				
	Packing Materials		22,65,577		27,37,764
	Freight outward & Forwarding Expenses		1,86,78,419		2,06,30,578
	Royalty on Sales		63,67,708		86,43,844
	Advertisement		8,13,455		8,96,749
	Sales commission		15,52,425		12,60,036
	Sales Promotion Expenses		96,019		1,13,925
			<u><b>2,97,73,603</b></u>		<u><b>3,42,82,896</b></u>



# INDSIL

## SCHEDULES ANNEXED TO AND FORMING PART OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2009.

SCH. NO	PARTICULARS	30.6.2009 Amount (Rs.)	30.6.2008 Amount (Rs.)
<b>XIII</b>	<b>ADMINISTRATIVE EXPENSES</b>		
	Rent	16,45,450	17,89,700
	Salaries & Bonus - Admn. Office	54,27,491	48,71,543
	Staff & Labour Welfare Expenses	33,37,988	30,24,438
	Employee compensation cost - ESOS amortisation	2,03,074	-
	Sitting Fees	112,500	39,000
	Chairman & Managing Director's Remuneration	20,59,997	70,10,370
	Chief Executive Officer's Remuneration	19,30,423	67,41,742
	Commission to Non-Executive Directors	4,20,468	6,00,000
	Insurance	6,25,243	1,90,884
	Security Service Charges	16,59,159	14,71,260
	Building Maintenance	5,77,846	4,41,766
	Garden Maintenance	2,30,931	3,07,987
	Printing & Stationery	6,43,252	5,81,740
	Postage, Telephone & Telegram	17,40,194	17,37,294
	Travelling & Conveyance	51,92,119	37,26,744
	Petrol & Vehicle Maintenance	7,23,203	11,61,484
	Rates & Taxes	4,63,083	8,84,249
	Legal Fees	37,86,400	9,98,250
	Auditor's Remuneration	80,000	80,000
	Professional & Consultancy Fees	31,57,936	15,15,435
	Subscriptions	20,96,334	38,30,846
	Miscellaneous Expenses	5,79,006	4,13,598
		<b>3,66,92,097</b>	<b>4,14,18,330</b>
<b>XIV</b>	<b>FINANCIAL CHARGES &amp; INTEREST</b>		
	Bank Charges	36,09,524	47,39,188
	Interest on Bills Discounted & other working capital facilities	58,46,551	66,42,308
	Interest on Term Loans	1,39,75,290	1,82,76,509
	Exchange fluctuation	82,151	(94,366)
		<b>2,35,13,516</b>	<b>2,95,63,639</b>

As per our Report of even date  
For **K.S.G. SUBRAMANYAM & CO**  
Chartered Accountants

Sd/-  
**T.C. KERALA VARMA RAJA**  
Partner  
Membership No.6932

Sd/-  
**S.N. VARADARAJAN**  
Chairman & Managing Director

Sd/-  
**VINOD NARSIMAN**  
Chief Executive Officer

Place : Coimbatore  
Date : 14.09.2009

Sd/-  
**S. INDERCHAND**  
Director

Sd/-  
**S. MAHADEVAN**  
Company Secretary



## XV NOTES FORMING PART OF PROFIT AND LOSS ACCOUNT AND BALANCE SHEET AS ON 30th JUNE 2009

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### a) Accounting Convention :

- i) The Financial statements are prepared under the historical cost convention on the accrual basis of accounting and in accordance with the requirements of Accounting Standards prescribed by the Companies (Accounting Standards) Rules, 2006 and the provisions of the Companies Act, 1956, to the extent applicable.
- ii) The preparation of financial statements requires the management of the Company to make certain estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to the contingent liabilities as at the date of the financial statements and reported amounts of income and expenditure for the year. Actual results may differ from those estimates. Any revision to such estimates is recognised prospectively in the year in which it is revised.

#### b) Fixed assets and Depreciation

- i) Fixed assets are stated at original cost net of tax / duty credits availed if any, less accumulated depreciation. Cost includes pre-operative expenses and all expenses related to acquisition and installation of the concerned assets.
- ii) Depreciation on fixed assets is provided on straight line method in accordance with the rates specified under Schedule XIV to the Companies Act, 1956. It is provided on prorata basis on additions made during the year.

#### c) Investments

Long-term investments held by the Company are stated at cost. Provision for diminution, if any, in the value of long-term investments is made, if the diminution is other than temporary. Current investments are stated at lower of cost or net realisable value.

#### d) Inventories

Raw materials and Stores & Spares are valued at cost on FIFO basis, finished goods at lower of cost or net realisable value on weighted average basis and Work-in-Progress at average cost.

#### e) Foreign currency transactions

- i) Foreign currency transactions are recorded at exchange rates prevailing on the date of such transactions.
- ii) Monetary foreign currency assets/liabilities at the end of the year are re-aligned at the exchange rate prevailing at the year end and the difference on re-alignment is recognised in the Profit & Loss account.
- iii) There are no outstanding forward contracts as on 30.6.2009

#### f) Recognition of revenue and expenditure:

- i) The Company generally follows the mercantile system of accounting and recognises income and expenditure on an accrual basis except those with significant uncertainties
- ii) Sale of goods is recognised when the risk and rewards of ownership are passed on to the customers, which is generally on despatch of goods. Gross sales include excise duty but exclude value added tax / central sales tax.
- iii) Purchases are net of value added tax set off and cenvat wherever applicable and include freight inward and exchange differences arising out of purchase transactions, if any.

#### g) Taxes on Income

Tax on Income for the current period is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961 and based on the expected outcome of assessments / appeals. Deferred tax is recognised on timing differences between the accounting income and the taxable income and quantified using the tax rates enacted or substantively enacted as on the Balance Sheet date. Deferred tax assets are recognised and carried forward to the extent there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

**NOTES FORMING PART OF PROFIT AND LOSS ACCOUNT AND BALANCE SHEET AS ON 30th JUNE 2009****h) Retirement Benefits****i) Defined Contribution Plans:**

Employee benefits in the form of Employee Provident and Pension Funds and Employee State Insurance Plan are considered as Defined Contribution Plans and the contributions are charged to the Profit & Loss Account of the year when the contributions to the said funds are due.

**ii) Defined Benefit Plans:**

Retirement benefits in the form of Gratuity and encashment of earned leave are considered as Defined Benefit Plans and are provided for on the basis of an actuarial valuation using the projected unit credit method as at the date of Balance Sheet. Actuarial gain/losses, if any, are immediately recognised in the Profit & Loss Account as income and expense.

- i) Dividend as recommended by the Board of Directors is provided for in the accounts pending shareholders' approval.
- j) The management has carried out the assessment of impairment of assets and no impairment of loss has been recognised during the year other than the assets discarded / dismantled and written off to Profit & Loss account.

**k) Contingent Liabilities**

All liabilities have been provided for in the accounts except liabilities of a contingent nature, which have been disclosed at their estimated value in the notes to accounts.

**II. OTHER NOTES ON ACCOUNTS.**

- 1. a) The Term Loans from Banks are secured by first equitable mortgage on all Company's immovable properties, both present and future and a second charge by way of hypothecation of all Company's movable properties including book debts and subject to prior charges created or to be created in favour of Company's Bankers on Company's stocks of raw materials, consumables and such other movables for securing Company's working capital requirements. The term loans are further guaranteed by personal guarantees of Sri S.N.Varadarajan, Chairman & Managing Director. Aggregate of such personal guarantees is Rs.3,510 Lakhs. A portion of the term loans to the extent of Rs.2,310 lakhs have also been guaranteed by Sri Vinod Narsiman, Director & Chief Executive Officer.
- b) Working capital facilities from Banks are secured by hypothecation of stocks of raw materials, consumables, book debts etc., and also by a second charge on immovable properties of the Company. A portion of these facilities are further guaranteed by the personal guarantee of Sri Vinod Narsiman, Director & Chief Executive Officer to the extent of Rs.3,565 lakhs

**2. CONTINGENT LIABILITIES**

	As at 30.6.2009 (Rs. in Lakhs)	As at 30.6.2008 (Rs. in Lakhs)
a) Claims against the Company not acknowledged as debts		
Disputed sales tax liabilities	-	0.97
b) Contingent liabilities in respect of Bills discounted (fully secured by LCs)	668.28	659.74
c) Letters of Credit issued by Banks on behalf of the Company	449.31	834.47
d) Guarantees issued by Banks on behalf of the Company	152.66	354.29

**NOTES FORMING PART OF PROFIT AND LOSS ACCOUNT AND BALANCE SHEET AS ON 30th JUNE 2009**

	As at 30.6.2009 Rs.	As at 30.6.2008 Rs.
<b>3. DISCLOSURE ON "EMPLOYEE BENEFITS" AS PER AS 15:</b>		
<b>i) Defined Contribution Plans:</b>		
Employers' Contribution to Provident and Pension Funds	13,32,616	13,30,302
Employers' Contribution to Employees State Insurance	6,46,536	6,79,558
<b>ii) Defined Benefit Plans (Non-Funded):</b>		
<u>Reconciliation of opening and closing balances of Defined Benefit obligations:</u>	<b>Gratuity</b>	<b>Earned leave encashment</b>
Defined Benefit obligation at the beginning of the year	60,20,000	-
Interest cost	4,21,400	-
Current service cost	6,09,462	51,811
Benefits paid	-	-
Actuarial loss/(gain) on obligation	<u>-6,18,797</u>	<u>1,48,213</u>
Defined Benefit obligation at the end of the year	<u>64,32,065</u>	<u>2,00,024</u>
<u>Expenses recognised during the year in the Profit &amp; Loss Account:</u>		
Current service cost	6,09,462	51,811
Interest cost	4,21,400	-
Expected return on plan assets	-	-
Actuarial (gain)/loss	-6,18,797	1,48,213
Expenses recognised in the Profit & Loss Account	4,12,065	2,00,024
<u>Principal Actuarial Assumptions:</u>		
Discount rate	7%	7%
Salary Escalation rate	7%	7%
Withdrawal rate	5%	5%
Expected rate of return on plan assets	0%	0%

The above information is certified by an Actuary.

**4. SEGMENT REPORT**

<b>Primary Segments (Business Segments)</b>	Rs. In Lakhs	Rs. In Lakhs
<b>1. Segment Revenue</b>		
a. Smelter	6,535.48	8,858.91
b. Hydro Power	913.68	1,942.84
	<hr/>	<hr/>
	7,449.16	10,801.75
Less : Intersegment Revenue	913.68	1,942.84
	<hr/>	<hr/>
Net Revenue	<u>6,535.48</u>	<u>8,858.91</u>
<b>2 Segment Results</b>		
(Profit / Loss before Financial charges & Tax)		
a. Smelter	72.95	556.18
b. Hydro Power	630.52	1,670.32
	<hr/>	<hr/>
	703.47	2,226.50
Add / Less : Unallocable Income/Expenses	-	-
	<hr/>	<hr/>
Operating Profit	703.47	2,226.50
Less : Financial Charges	235.14	295.64
	<hr/>	<hr/>
Total Profit / (Loss) before Tax and extraordinary items	<u>468.33</u>	<u>1,930.86</u>
<b>3 Capital Employed</b>		
(Segment Assets - Segment Liabilities)		
a. Smelter	(783.49)	(654.31)
b. Hydro Power	6,480.62	6,819.58
	<hr/>	<hr/>
	5,697.13	6,174.27
	<hr/>	<hr/>

**NOTES FORMING PART OF PROFIT AND LOSS ACCOUNT AND BALANCE SHEET AS ON 30th JUNE 2009****5. INVESTMENT IN MUTUAL FUNDS**

	Balance as on 1.7.2008	Purchased/ Reinvested during the year	Redeemed during the year	Rs. Balance as on 30.6.2009
ICICI Prudential Flexible Income Plan	3,11,83,012 29,49,166 Units	4,59,353 43,444 Units	3,16,42,365 29,92,610 Units	- -
Principal Liquid Plus Fund	5,53,94,562 55,28,399 Units	6,69,408 66,837 Units	5,60,63,970 55,95,237 Units	- -
DWS Credit Opportunities Cash Fund	1,10,88,125 11,06,599 Units	1,66,233 16,590 Units	1,12,54,357 11,23,189 Units	- -
DWS Cash Opportunities Fund	- -	2,66,20,461 26,56,733 Units	- -	2,66,20,461 26,56,733 Units
LIC MF Liquid Plus Fund	1,30,00,000 13,00,000 Units	1,14,86,817 11,48,682 Units	1,32,60,811 13,26,081 Units	1,12,26,006 11,22,601 Units
Total (Rs.)	11,06,65,699	3,94,02,271	11,22,21,503	3,78,46,467

**6. RELATED PARTY DISCLOSURES:**

- a) Joint Venture Company : GoodEarth Indsil Natural Resources Limited (Previous Year)  
b) Associates : Sunmet Holdings India P. Ltd, Indsil Energy and Electrochemicals Ltd.  
c) Key Management Personnel : Sri S.N.Varadarajan  
Sri Vinod Narsiman  
d) Relatives of  
Key Management Personnel : Smt.D.Pushpa Varadarajan (W/o Sri S.N.Varadarajan)

Particulars	Joint Venture Rs.	Associates Rs.	Key Management Personnel Rs.	Relatives of Key Management Personnel Rs.
<b>Current Year</b>				
Services rendered	-	63,67,708	-	-
Rent	-	10,67,220	3,90,000	90,000
Sitting fees	-	-	22,500	22,000
Managerial Remuneration	-	-	39,90,420	-
Balances outstanding as on 30.6.2009	-	-	29,55,238 (Payable)	-
<b>Previous Year</b>				
Services rendered	-	86,43,884	-	-
Rent	-	10,16,400	3,90,000	90,000
Sitting fees	-	-	5,000	7,000
Managerial Remuneration	-	-	1,37,52,112	-
Loan Given	1,44,85,000	-	-	-
Balance outstanding as on 30.06.2008	1,44,85,000 (Receivable)	-	1,20,20,272 (Payable)	-

**NOTES FORMING PART OF PROFIT AND LOSS ACCOUNT AND BALANCE SHEET AS ON 30th JUNE 2009.****7. CHAIRMAN & MANAGING DIRECTOR'S REMUNERATION**

	2008-09 Rs.	2007-08 Rs.
Salary	6,00,000	6,00,000
Commission	12,61,405	62,23,136
Perquisites	1,98,592	1,87,234
	<u>20,59,997</u>	<u>70,10,370</u>

**8. CHIEF EXECUTIVE OFFICER'S REMUNERATION**

Salary	6,00,000	4,57,200
Commission	12,61,405	62,23,136
Perquisites	69,018	61,406
	<u>19,30,423</u>	<u>67,41,742</u>

**9. REMUNERATION TO STATUTORY AUDITORS (excluding service tax):**

Audit fees	50,000	50,000
Tax audit fees and representation	30,000	30,000
	<u>80,000</u>	<u>80,000</u>

**10. EARNINGS PER SHARE**

A. Basic EPS:		
Net Profit after Tax (Rs.)	2,83,10,085	17,83,22,486
Weighted average Number of Equity Shares (Face value of Rs. 10 each)	94,49,075	94,49,075
Basic EPS (Rs.)	3.00	18.87
B. Diluted EPS:		
Weighted average Number of Equity Shares (Face value of Rs. 10 each)	94,49,075	94,49,075
Add: Potential Equity Shares taking into consideration Employee Stock options granted	10,767	-
Weighted average Number of Equity Shares including Potential Equity shares	94,59,842	94,49,075
Diluted EPS (Rs.)	2.99	18.87

**11. COMPUTATION OF COMMISSION PAYABLE TO CHAIRMAN & MANAGING DIRECTOR, CHIEF EXECUTIVE OFFICER AND NON-EXECUTIVE DIRECTORS :**

	Rs.	Rs.
Net Profit before Tax as per Profit & Loss Account	3,76,35,929	19,30,85,759
Add: Chairman and Managing Director's Remuneration	20,59,997	70,10,370
Chief Executive Officer's Remuneration	19,30,423	67,41,742
Commission to Non-Executive Directors	4,20,468	6,00,000
	<u>4,20,46,817</u>	<u>20,74,37,871</u>
a) Commission payable to Managing Director - 3% of Net profits	12,61,405	62,23,136
b) Commission payable to Chief Executive Officer - 3% of Net profits	12,61,405	62,23,136
c) Commission payable to Non-Executive Directors -1% of Net profits subject to a maximum of Rs.6,00,000/-	4,20,468	6,00,000



**NOTES FORMING PART OF PROFIT AND LOSS ACCOUNT AND BALANCE SHEET AS ON 30th JUNE 2009.****12 STATISTICAL INFORMATION**

Particulars	← 30.6.2009 →		← 30.6.2008 →	
	Quantity (M.T)	Value (Rs.)	Quantity (M.T)	Value (Rs.)
a. TURNOVER (Net):				
Silico Manganese	10,177.700	65,26,01,900	13,182.345	88,01,35,544
b. CONSUMPTION OF RAW MATERIALS:				
Quartz	4,588.303	41,48,325	4,700.668	36,12,329
Carbon Reducers	8,009.601	8,83,41,812	13,108.516	16,52,80,409
Carbon Paste	280.240	88,53,179	424.144	1,09,56,920
Manganese Ore	22,066.351	18,92,67,415	29,619.296	25,34,66,220
Flux	1,237.161	22,51,951	1,577.142	21,50,445
Slag	2,129.406	2,25,31,445	3,058.420	1,68,76,756
Tor Steel (Nos.)	1,210	15,41,299	968	11,62,067
C.R.Sheet (Nos.)	533	10,27,664	573	10,83,197
Other Items	Different units	20,33,306	Different units	48,37,878
		31,99,96,396		45,94,26,220
c. STOCK OF FINISHED GOODS:				
Opening Stock				
Silico Manganese	361.631	2,28,53,541	472.223	2,93,68,461
Closing Stock				
Silico Manganese	326.717	2,08,79,903	361.631	2,28,53,541
d. LICENCED CAPACITY		Not applicable		Not applicable
e. INSTALLED CAPACITY:				
Silico Manganese		14000 M.T.		14000 M.T.
Power		21 MW		21 MW
f. ACTUAL PRODUCTION:				
Silico Manganese		10,142.786 M.T.		12,936.783 M.T.
Power		2,69,85,223 KWH		5,88,76,155 KWH
g. Value of imports (on CIF basis)				
Raw Materials		NIL		Rs. 13,29,718
h. Percentage consumption of raw materials:				
Imported	3.86%	1,23,50,500	6.43%	2,95,48,120
Indigenous	96.14%	30,76,45,896	93.57%	42,98,78,100
	100.00%	31,99,96,396	100.00%	45,94,26,220
i. Expenditure in foreign currency:				
Subscription & others		Rs. 26,79,384		Rs. 2,98,354
j. Dividend in Foreign currency		Rs. 2,400		Rs. 2,400
k. Earnings in foreign exchange		Rs. 9,00,79,425		Rs. 35,96,67,438



## NOTES FORMING PART OF PROFIT AND LOSS ACCOUNT AND BALANCE SHEET AS ON 30th JUNE 2009.

13. The Kerala State Electricity Board (KSEB) has raised certain demands on the Company towards payment of maximum demand charges and certain other charges related to the working of the hydro electric power division of the Company. The Company has disputed these demands on account of the fact that these demands are not in line with the existing agreement between the Company and KSEB for operation of the hydro electric power plant. The Company is confident of getting these demands withdrawn, waived or cancelled at various forums and hence no provision is made for these disputed amounts.
14. In accordance with Notification No: 719(E) dt. 16.11.07 issued by the Ministry of Corporate Affairs, certain disclosures are required to be made relating to Micro, Small and Medium enterprises as defined under the Micro, Small and Medium Enterprises Development Act, 2006. The Company is in the process of compiling relevant information from its suppliers about their coverage under the said Act. Since the relevant information is not readily available, no disclosures have been made in this financial statement. However, in the considered view of the management and as relied upon by the Auditors, the impact of interest, if any, that may be payable in accordance with the provisions of this Act is not expected to be material.
15. Deferred tax liability of Rs.24.35 lakhs as on 30.6.2009 is on account of timing difference relating to depreciation.
16. Amounts have been rounded off to the nearest rupee and previous year figures regrouped wherever necessary.

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As per our Report of even date

For **K.S.G. SUBRAMANYAM & CO**

Chartered Accountants

Sd/-

**T.C. KERALA VARMA RAJA**

Partner

Membership No.6932

Place : Coimbatore

Date : 14.09.2009

Sd/-

**S.N. VARADARAJAN**

Chairman & Managing Director

Sd/-

**S. INDERCHAND**

Director

Sd/-

**VINOD NARSIMAN**

Chief Executive Officer

Sd/-

**S. MAHADEVAN**

Company Secretary

**PART IV - SCHEDULE VI OF COMPANIES ACT, 1956****BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE****A. REGISTRATION DETAILS:**

Registration No. : L27101TZ1990PLC002849  
 State Code : 18  
 Balance Sheet Date : 30.6.2009

**B. CAPITAL RAISED DURING THE YEAR: (Amount in Rs.)**

Public Issue : NIL  
 Rights Issue : NIL  
 Bonus Issue : NIL  
 Private Placement : NIL

**C. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS: (Amount in Rs.)**

Total Liabilities :	66,40,54,803	Total Assets :	66,40,54,803
Paid-Up capital	9,44,90,750	Net Fixed Assets	49,65,46,144
ESOS Outstanding net of unamortised ESOS			
employee compensation	2,03,074		
Reserves & Surplus	38,05,54,778	Investments	4,21,71,467
Deferred Tax Liability	24,35,490	Net Current Assets	12,53,37,192
Secured Loans	7,54,21,281	Misc. Expenditure	-
Deferred Liability	11,09,49,430		

**D. PERFORMANCE OF THE COMPANY: (Amount in Rs.)**

Turnover (Net) : 65,26,01,900  
 Increase/Decrease in Stock : (-)19,73,638  
 Other Income : 44,65,553  
 Total expenditure : 60,82,60,682  
 Profit(+)/Loss(-) Before Tax : 4,68,33,133  
 Profit (+)/Loss(-) After tax : 2,83,10,085  
 Basic Earnings per Share Rs. : 3.00  
 Diluted Earnings per Share Rs. : 2.99  
 Dividend Rate % : 10%

**E. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS / SERVICES OF THE COMPANY:**

Item Code No. (ITC Code) :	7202 30 00	Not Applicable
Product Description :	Silico Manganese	Generation & supply of power

As per our Report of even date

For **K.S.G. SUBRAMANYAM & CO**

Chartered Accountants

Sd/-

**T.C. KERALA VARMA RAJA**

Partner

Membership No.6932

Sd/-

**S.N. VARADARAJAN**

Chairman &amp; Managing Director

Sd/-

**VINOD NARSIMAN**

Chief Executive Officer

Sd/-

**S. INDERCHAND**

Director

Sd/-

**S. MAHADEVAN**

Company Secretary

Place : Coimbatore

Date : 14.09.2009



# INDSIL

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30th JUNE 2009

Particulars	Year ended 30.06.09	Year ended 30.06.08
	Rs.	Rs.
<b>(I) CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net profit / (loss) before tax	3,76,35,929	19,30,85,759
Adjustments for		
Depreciation	3,50,07,741	3,50,20,026
Employee compensation - ESOS amortisation	2,03,074	-
Financial charges & Interest	2,35,13,516	2,95,63,639
Irrecoverable Advances written off	91,97,204	-
Profit/Loss on sale of assets	55,410	(-) 1,00,185
Provision for gratuity and Encashment of earned leave	6,12,089	12,35,000
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>10,62,24,963</b>	<b>25,88,04,239</b>
Adjustments for changes in		
Inventories	(-) 1,36,54,806	(-) 6,49,968
Debtors	(-) 1,42,72,695	1,14,47,984
Other advances	(-) 1,60,69,616	1,80,109
Current liabilities	(-) 3,14,28,690	2,76,79,436
Cash generated from operations	3,07,99,157	29,74,61,800
Income Tax Payments	(-) 87,16,925	(-) 1,60,13,969
<b>NET CASH FLOW FROM OPERATING ACTIVITIES (A)</b>	<b>2,20,82,232</b>	<b>28,14,47,831</b>
<b>(II) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(-) 1,86,77,434	(-) 93,00,313
Sale of Fixed Assets	4,64,711	5,96,821
Purchase of investments	(-) 3,20,000	(-) 22,50,000
Loan to Joint Venture Company	1,00,00,000	(-) 1,44,85,000
<b>NET CASH FLOW FROM INVESTING ACTIVITIES (B)</b>	<b>(-) 85,32,723</b>	<b>(-) 2,54,38,492</b>
<b>(III) CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of borrowings	(-) 5,97,31,031	(-) 8,66,66,983
Financial Charges & Interest	(-) 2,35,13,516	(-) 2,95,63,639
Payment of Dividend & Tax	(-) 1,65,82,419	(-) 1,65,82,419
<b>NET CASH FLOW FROM FINANCING ACTIVITIES (C)</b>	<b>(-) 9,98,26,967</b>	<b>(-) 13,28,13,041</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>(-) 8,62,77,458</b>	<b>12,31,96,298</b>
Cash and cash equivalents as on 1.7.2008 (Opening Balance)	13,26,91,485	94,95,186
Cash and cash equivalents as on 30.6.2009 (Closing Balance)	4,64,14,027	13,26,91,485
<b>Note :</b>		
Cash and cash equivalents included in the cash flow statement comprise the following Balance Sheet amounts:		
Cash in hand and balance with Banks	85,67,561	2,20,25,786
Short term Investments in debt based liquid funds	3,78,46,467	11,06,65,699
	<b>4,64,14,027</b>	<b>13,26,91,485</b>

As per our Report of even date

For **K.S.G. SUBRAMANYAM & CO**

Chartered Accountants

Sd/-

**T.C. KERALA VARMA RAJA**

Partner

Membership No.6932

Sd/-

**S.N. VARADARAJAN**

Chairman & Managing Director

Sd/-

**VINOD NARSIMAN**

Chief Executive Officer

Sd/-

**S. INDERCHAND**

Director

Sd/-

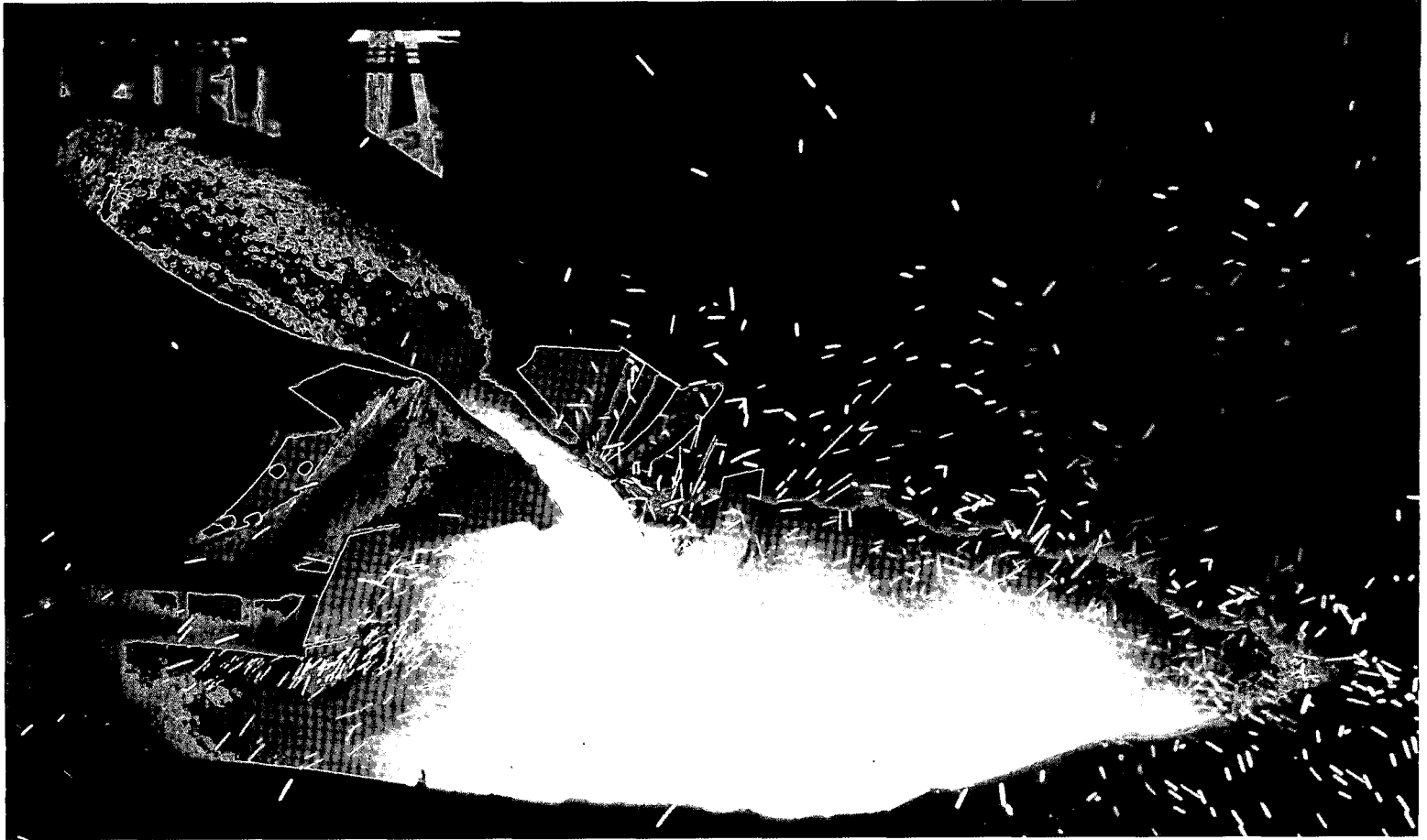
**S. MAHADEVAN**

Company Secretary

Place : Coimbatore

Date : 14.09.2009





## Indsil Hydro Power and Manganese Limited

Registered Office : "INDSIL HOUSE", T.V. Samy Road (West),  
R.S. Puram, Coimbatore - 641002. Tamil Nadu, India.

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