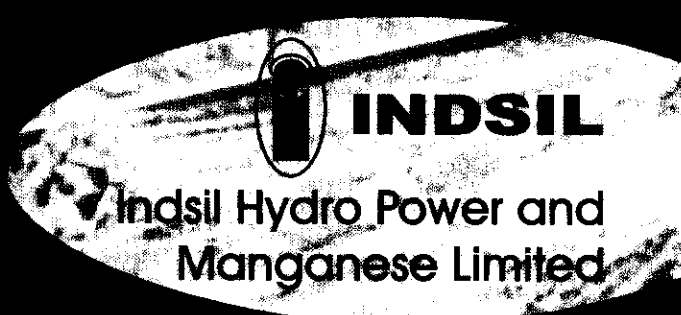
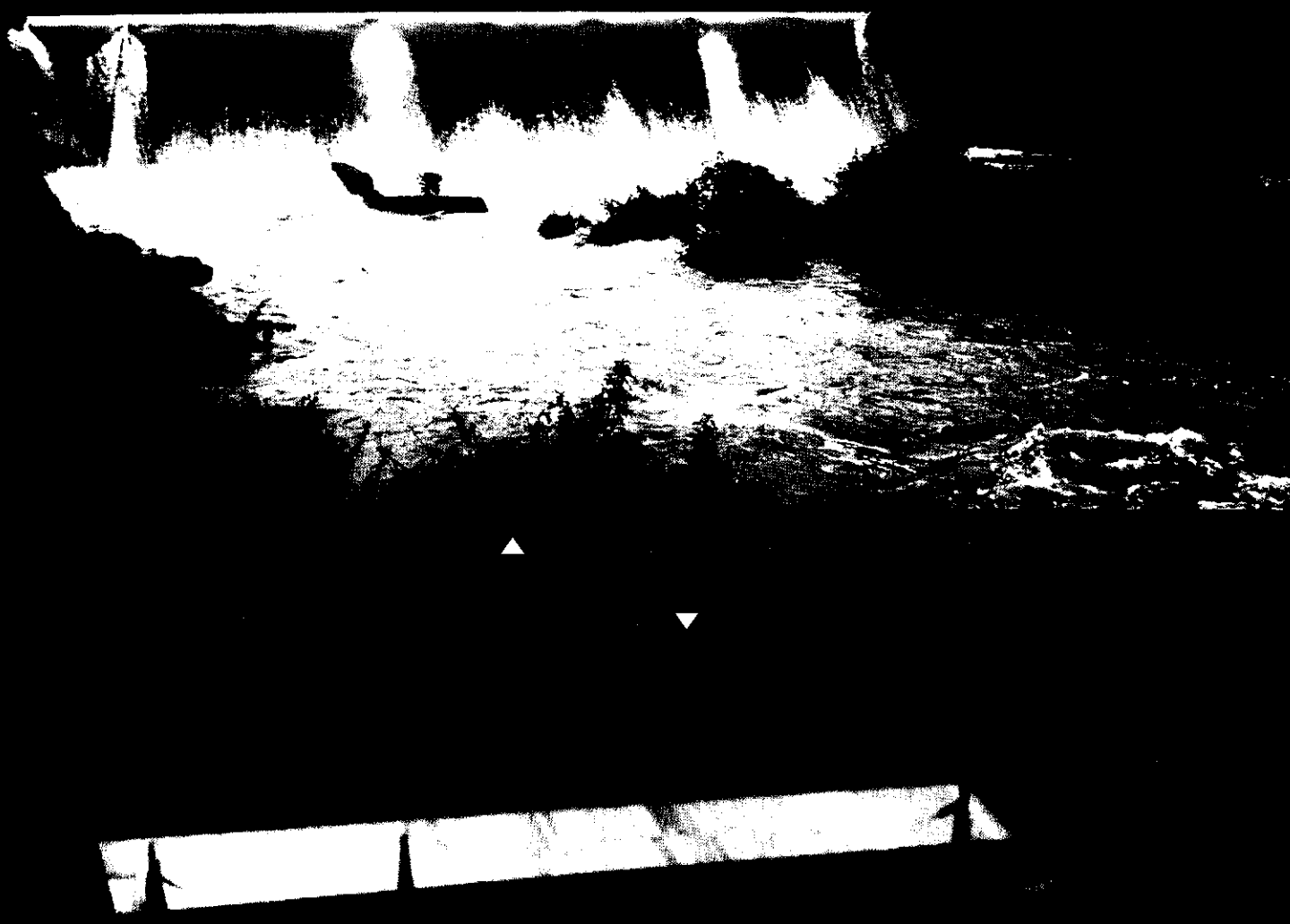


# 20th annual report

2009 - 10



**INDSIL**

Indsil Hydro Power and  
Manganese Limited



**INDSIL**

# INDSIL HYDRO POWER AND MANGANESE LIMITED

20<sup>th</sup> ANNUAL REPORT FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2010

## BOARD OF DIRECTORS

SRI S.N.VARADARAJAN  
CHAIRMAN

SRI VINOD NARSIMAN  
MANAGING DIRECTOR

SRI S. INDERCHAND

SRI B. BALCHAND

SMT. D. PUSHPA VARADARAJAN

DR. S. RAMA IYER

SRI K.S. MAHADEVAN

DR. A.K. SREEDHARAN

SRI. K. RAMAKRISHNAN

## COMPANY SECRETARY

SRI S. MAHADEVAN

## AUDITORS

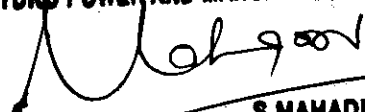
M/S. K.S.G. SUBRAMANYAM & CO.,  
CHARTERED ACCOUNTANTS, COIMBATORE

## REGISTRAR & SHARE TRANSFER AGENT (PHYSICAL & DEMAT)

SKDC CONSULTANTS LTD  
"KANAPATHY TOWERS"  
3<sup>rd</sup> FLOOR, 1391/A-1  
SATHY ROAD  
GANAPATHY  
COIMBATORE 641 006  
PHONE : 0422-6549995, 2539835/836  
e-mail : info@skdc-consultants.com

## CERTIFIED TRUE COPY

For INDSIL HYDRO POWER AND MANGANESE LIMITED

  
S. MAHADEVAN  
COMPANY SECRETARY

## BANKERS

STATE BANK OF INDIA  
STATE BANK OF TRAVANCORE  
THE FEDERAL BANK LIMITED  
IDBI BANK LIMITED  
AXIS BANK LIMITED  
STANDARD CHARTERED BANK

## REGD. & CORPORATE OFFICE

'INDSIL HOUSE', T.V.SAMY ROAD (WEST)  
R.S.PURAM, COIMBATORE 641 002

## WORKS

### SMELTER UNIT

VI-679 PALLATHERI  
ELAPULLY  
PALAKKAD 678 007  
KERALA

### RAJAKKAD HYDRO ELECTRIC POWER PLANT

VIII/351 RAJAKKAD  
IDUKKI DISTRICT - 685 566  
KERALA

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## NOTICE OF THE 20<sup>th</sup> ANNUAL GENERAL MEETING

NOTICE is hereby given that the 20<sup>th</sup> Annual General Meeting of the Company will be held at Chamber Towers, 8/732 Avanashi Road, Coimbatore 641 018 on Wednesday, the 6<sup>th</sup> day of October, 2010 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 30<sup>th</sup> June, 2010 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 Sri K.S. Mahadevan, who retires from office by rotation, and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Dr. A.K. Sreedharan, 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.

#### 6. SPECIAL BUSINESS

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

**"RESOLVED THAT** subject to the Memorandum and Articles of Association of the Company and to such consents and approvals as may be required and subject to the compliance with relevant guidelines issued by the Securities and Exchange Board of India (SEBI), the Companies Act 1956 and the Foreign Exchange Management Act 1999, an amount of Rs.6,35,47,170/- out of the amount standing to the credit of General Reserve as on 30<sup>th</sup> June 2010 be and is hereby capitalized and transferred from the said account to the equity share capital account and for being applied in full for the allotment of fully paid up equity shares not exceeding 63,54,717 shares of the face value of Rs. 10/- each as bonus shares to the holders of the existing equity shares of the Company (including unvested options granted under INDSIL ESOS Scheme) whose names appear on the Register of Members of the Company or whose names appear as the beneficial owners of the equity shares of the Company on the records of the Depositories as on such date (hereinafter referred to as the "Record Date") as may be fixed by the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall be deemed to include any Committee of the Board) in the proportion of TWO (2) new equity shares for every THREE (3) existing equity shares of the Company held by them (ignoring fractions, if any), on the following terms and conditions :

1. That the new equity shares so allotted shall be treated as an increase in the nominal amount of the paid up capital of the Company held by each member and not as income.
2. That the new equity shares to be allotted as bonus shares shall rank pari passu in all respects with and carry the same rights as the existing fully paid-up equity shares of the Company and notwithstanding the date or dates of allotment thereof shall be entitled to participate in full in any dividend to be declared in respect of the financial year in which the allotment of the new equity shares pursuant to this resolution is made.
3. That all fractions resulting from the issue of said bonus shares in the aforesaid manner shall be consolidated into equity shares and allotted in the name of a director or officer of the Company who shall hold the same in trust for the members who are originally entitled to such fractional entitlements and who shall sell those shares as per directions of the Board at market price prevailing at the time of sale and remit the proceeds thereof to the Board for being distributed (less expenses if any) proportionately as far as practicable to the members entitled thereof.
4. That the issue and allotment of the bonus shares in favour of non resident members of the Company shall be made in accordance with the guidelines issued by the Reserve Bank of India and such other applicable legislations from time to time.
5. That in the case of shares held in dematerialized form, the intimation of allotment of the bonus shares shall be sent, while in case of shares held in physical form, share certificates shall be issued directly instead of allotment letters within the statutory time limit.



**“RESOLVED FURTHER THAT** the Board be and is hereby authorized :

1. To apply for listing of the new equity shares issued as bonus shares to the Stock Exchange(s) where the Company's shares are listed / traded and to make an application to the depositories for crediting the Bonus shares to the individual depository accounts of the allottees.
2. To modify the terms and conditions, quantum and amount to be capitalized, and number of new equity shares to be allotted, relating to the aforesaid issue of bonus shares, if the circumstances so arise as would necessitate these and to settle all questions or difficulties that may arise with regard to the allotment and issue of the said new equity shares in such manner as they shall determine in their absolute discretion”.

**“RESOLVED FURTHER THAT** the Board be and is hereby authorized to prepare and file necessary forms, documents with Registrar of Companies and other authorities and to do all such acts, deeds and things as may be required or deemed necessary in this regard”.

**“RESOLVED FURTHER THAT** the Board be and is hereby authorised to do all such acts as may be found necessary for giving effect to the Resolution for issue of such Bonus shares”.

Place : Coimbatore  
Date : 23.08.2010

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. Dividend, if approved at the Annual General Meeting will be paid to those members whose names appear :
  - a) As Beneficial owners as at the end of business hours on 13<sup>th</sup> September, 2010 as per the list to be furnished by NSDL & CDSL in respect of the shares held in electronic form and
  - b) as members in the Register of Members of the Company after giving effect to all valid share transfers in physical form lodged with the Company on or before 13<sup>th</sup> September, 2010.

The Register of Members and Share Transfer books will be closed from 14<sup>th</sup> September, 2010 to 16<sup>th</sup> September, 2010 (both days inclusive).

4. Details in respect of Directors retiring by rotation, pursuant to Clause 49 of the Listing Agreements 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 amount 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 abovesaid 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 : 23.08.2010

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 6 of the accompanying Notice dated 23<sup>rd</sup> August, 2010.**

The Company has to its credit Rs. 49,85,04,913/- in Free Reserves (including share premium account) as on 30<sup>th</sup> June 2010. The present paid up capital of the Company is Rs. 9,53,20,750/- divided into 95,32,075 equity shares of Rs. 10/- each (including unvested options granted under INDSIL ESOS Scheme) The Board of Directors considered desirable that it will be advantageous to the Company and the shareholders if a portion of General Reserve is capitalized by issue of Bonus shares. Hence, at the meeting held on 23<sup>rd</sup> August 2010 the Board of Directors has recommended that Bonus equity shares be issued and allotted in the proportion of TWO (2) new equity shares for every THREE (3) existing equity shares held by the eligible Members of the Company on the Record date to be fixed by the Board of Directors for this purpose. Fractional entitlements will be consolidated and sold at market price and the proceeds thereof, after deducting expenses, will be distributed in a proportionate manner to all those who are entitled to fractional entitlements.

Issue of Bonus Shares is a corporate action leading to the need for making adjustment in the ESOS. The number and price of ESOS shall be adjusted in a manner that the total value of the ESOS remains the same after corporate action. Thus in respect of bonus shares, proportionate number of bonus shares will be issued to INDSIL ESOS TRUST and simultaneously the TRUST will reissue appropriate bonus shares to the eligible employees as per the Scheme.

No amount will be payable upon exercising the bonus options. However if original options are not exercised during the exercise period, they lapse due to nonexercising. Thus bonus options would vest simultaneously with the original and are exercisable simultaneously with the exercising of original options. If original options lapse, bonus options also lapse.

The said Bonus shares shall rank pari passu with the existing Equity Shares in all respects and carry the same rights as the existing fully paid up Equity Shares of the Company.

The Bonus shares shall be issued pursuant to the applicable provisions of the Companies Act, Memorandum and Articles of Association of the Company, and the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 [SEBI ICDR Regulations].

The Board recommends the passing of the resolution set out in item no. 6 of the Notice convening the meeting. After receipt of your approval for capitalization as set out in the resolutions under this item, the Board of Directors will undertake the allotment process. Pursuant to SEBI ICDR Regulations, the bonus issue should be completed within 60 days from the date of Board's recommendation thereof.

None of the Directors of your Company are interested or concerned in any respect in the Bonus issue except to the extent of Bonus shares that may be issued to them or their relatives in the same manner in which the other shareholders of your Company are entitled to the same.

Place : Coimbatore  
Date : 23.08.2010

By Order of the Board

Sd/-  
S.MAHADEVAN  
Company Secretary.



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

Mr. K.S. Mahadevan (Independent Non Executive Director) is a reputed businessman of Erode region with considerable contacts among business communities. He joined the Board on 27-06-1995 and the Company will be benefited by his vast experience.

Dr.A.K. Sreedharan (Independent Non Executive Director) is a well known person in Palakkad having wide contacts in Kerala and considering his very rich experience, the Company will be benefited. He joined the Board on 21-04-1996. He is the Chairman of Audit Committee and Remuneration Committee and Member of the Compensation Committee of the Board of Directors of the Company.

Place : Coimbatore  
Date : 23.08.2010

By Order of the Board

Sd/-  
S.MAHADEVAN  
Company Secretary.

**DIRECTORS' REPORT**

Your Directors have great pleasure in presenting the 20th Annual Report of your Company together with the Audited statements of accounts for the year ended 30th June 2010.

**FINANCIAL RESULTS**

Particulars	Rs. in lakhs	
	2009-10	2008-09
Profit before depreciation and Financial charges	<b>2,044.38</b>	<b>1,053.54</b>
Less : Financial charges	148.92	235.14
Profit before Depreciation	1,895.46	818.41
Less : Depreciation	348.53	350.07
Profit before taxes and extraordinary items	<b>1,546.93</b>	<b>468.33</b>
Less : Irrecoverable advances written off	--	91.97
Profit before tax	1,546.93	376.36
Less : Provision for Tax	210.00	115.00
Add : Deferred Tax asset	22.05	24.74
Less : Fringe benefit tax	--	3.00
Profit after tax	1,358.98	283.10
Add : Balance brought forward	2,825.48	2,652.93
Surplus available for appropriation	4,184.46	2,936.03
Less: Transfer to General Reserve	1,000.00	--
Less: Proposed Dividend	142.98	94.49
Less: Tax on Proposed Dividend	23.75	16.06
Balance to be carried over to Balance Sheet	3,017.73	2,825.48
Paid-up Equity Share Capital	951.36	944.91
Earnings per Share	Rs. 14.34	Rs. 3.00
Book value per Share	Rs. 64.36	Rs.50.30

**REVIEW OF OPERATIONS:**

Your Company's financial performance significantly improved this year on account of a highly value added product mix coupled with strong demand from European markets for its core product viz., low carbon silico manganese.

The Company registered a PBDIT of Rs. 2,044.38 lakhs as compared to Rs. 1,053.54 lakhs in 2008-09. PBT is Rs. 1,546.93 lakhs as compared to Rs. 376.36 lakhs in 2008-09.

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.

**PROJECT IN CHHATTISGARH STATE & EXPANSION OF CAPACITY IN KERALA:**

Your Company is in the process of expanding its manufacturing facility of Low Carbon Silico Manganese by setting up a green field 9 MVA SAF smelter in the State of Chhattisgarh and it is expected to go operational by June 2011. Your Company has also decided to carry out de-bottle-necking operations at its existing Palakkad, Kerala facilities, as a result of which the smelter would undergo a capacity expansion of around 25%.

With both the above projects in place, the capacity for production of low carbon silico manganese is expected to go up from 14,400 tons per annum to 28,500 tons per annum.

**JOINT VENTURE PROJECT IN OMAN :**

Your Company, along with a Group sister Company is promoting a 75,000 tpy ferro chrome smelter in the Sultanate of Oman. The Indsil Group would be having a 50% interest in the JV with the Sultanate's largest chrome ore miner viz., the Muscat Overseas Group.





A Joint Venture Company called Al-Tamman Indsil Ferro Chrome LLC has been established and the project is expected to go on-stream in its first phase by December 2011. Indsil Hydro Power & Manganese Ltd is expected to hold 25% stake in the entire venture.

The Company considers this investment an exciting opportunity because the project would have access to captive chrome ore from its JV partner's mines. This factor coupled with the fact that electricity in Oman is available at economical levels would make the proposed chrome smelter a globally competitive one.

## FINANCE:

The Company's debt equity ratio as on 30.6.2010 is 0.04 and the long term debt outstanding is Rs. 261 lakhs. The Company would become completely debt free this year.

## DIVIDEND:

Your Directors recommend payment of dividend at 15% on the Equity Share Capital of Rs.9,53,20,750/-. The dividend, if approved, will be paid to those members whose names appear on the Register of members of the Company as on 13<sup>th</sup> September, 2010, the subject to the approval of the shareholders.

The aggregate dividend payout for the year amounts to Rs 1,66,72,851 including Corporate dividend tax.

## ISSUE OF BONUS SHARES :

The Board of Director at its meeting held on 23<sup>rd</sup> August, 2010 approved to issue bonus Shares by capitalising the reserves, at the rate of two fully paid up equity shares for every three equity Shares held by the members on a record date which would be announced to the Bombay Stock Exchange.

## EMPLOYEE STOCK OPTION SCHEME:

The Company implemented the Employees Stock Option Scheme ("Scheme") in accordance with the Securities Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 the SEBI (Guidelines). The Compensation Committee, constituted in accordance with the SEBI Guidelines, administers and monitors the Scheme.

Details of the total number of options are as shown below :

	On 28.1.2009	On 30.4.2010
Options granted	64,500	18,500
Exercise Price	Rs.10	Rs.10

### For options granted on 28.1.2009:

As per the Scheme, INDSIL ESOS TRUST has been formed to manage and administer the Scheme and accordingly 64,500 shares were allotted to the said Trust on 28.1.2009. As per the Scheme, the vesting being graded, 16,125 options (being 25% of 64,500 options granted) were vested with eligible employees, which were exercised by them in full. As a result, 16,125 shares were re-issued as detailed below. There were no options lapsed which were vested with the eligible employees as a result of not being exercised by the eligible employees.

Name of the eligible Employee	No. of Options Granted	Date of grant	25% of the options vested	Date of vesting	Exercise price (Per Share)	Shares transferred to eligible employees by ESOS Trust	Date of transfer
Sri V. Natarajan*	10,000	28.1.09	2,500	29.1.10	Rs.10	2,500	13.5.10
Smt. B. Meenakshi*	10,000	28.1.09	2,500	"	Rs.10	2,500	13.5.10
Sri S. Mahadevan*	10,000	28.1.09	2,500	"	Rs.10	2,500	13.5.10
Sri K. Rajan Jose*	7,500	28.1.09	1,875	"	Rs.10	1,875	15.5.10
Sri M. Kannan*	7,500	28.1.09	1,875	"	Rs.10	1,875	13.5.10
Sri K. Ramakrishnan*	7,500	28.1.09	1,875	"	Rs.10	1,875	04.6.10
Sri S. Chakrapani*	5,000	28.1.09	1,250	"	Rs.10	1,250	31.5.10
Sri M. P.L.Sukumar	3,000	28.1.09	750	"	Rs.10	750	13.5.10
Sri K. Jayasuriyan	2,000	28.1.09	500	"	Rs.10	500	13.5.10
Sri N. Sundararajan	2,000	28.1.09	500	"	Rs.10	500	13.5.10
	<b>64,500</b>		<b>16,125</b>			<b>16,125</b>	

64,500 shares allotted to INDSIL ESOS TRUST were listed on the Bombay Stock Exchange on 27<sup>th</sup> July 2010.



There is no variation in terms of the options granted as per the Scheme.

Money realized by exercise of options : Rs. 1,61,250/-

\* No. of employees who received a grant of options in any one year amounting to 5% or more of options granted during the year : SEVEN

Identified employees, who were granted options, during any one year, equal to or exceeding 1% of the issued Capital of the Company at the time of grant : NIL

Diluted Earnings Per Share (EPS) before exceptional items pursuant to issue of share on exercise of options calculated in accordance with Accounting Standard (AS) 20 "Earnings per Share" : Rs. 14.34

The issue of Equity Shares pursuant to exercise of options will affect the Profit & Loss Account of the Company, as the exercise has been made at par value of Rs. 10/- per share.

**For options granted on 30.4.2010**

As recommended by the Compensation Committee, the Board of Directors of the Company at its meeting held on 30.4.2010 has approved the grant of 18,500 options to another batch of 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 C.J.Andappan	Advisor (Electrical)	3,000
2	Sri S.Varadarajan	Manager (Admn.)	3,000
3	Sri V. D.Johnson	Asst. Manager (Prodn.)	2,500
4	Sri V. Pushparajan	Asst. Manager (Prodn.)	2,500
5	Sri N.Hariharan Pillai	Deputy Chief Engr. (Elec.)	5,000
6	Sri K. Balamurugan	Manager(Electrical)	2,500
		<b>TOTAL</b>	<b>18,500</b>

The options were granted at face value of Rs. 10/- each. All the eligible employees to whom the options are granted are senior managerial personnel.

As per the Scheme, the granted options will be vested from 30.4.2011 as graded vesting and hence the Company is not required to issue any shares during the year to these eligible employees. To this extent the disclosure relating to details of issue of shares under the Scheme and other disclosure to be made as per the Guidelines in the Directors' Report will not arise during the year. These 18,500 options granted to another set of eligible employees were allotted as 18,500 fully paidup Equity Shares to INDSIL ESOS TRUST on 23<sup>rd</sup> August, 2010. The said shares will be re-issued to the eligible employees as and when they are entitled to exercise their options as per the Scheme.

**Valuation of options:**

As required, the employee compensation cost as a result of calculations made under Black Scholes model is Rs 15.21 per share having regard to the fact that the strike price is Rs. 10 per share and the stock price (price on the date of grant i.e., 28.1.09) is Rs.23.95 in respect of 64,500 shares.

The Company has received a Certificate from the Auditors of the Company that the Scheme has been implemented in accordance with the SEBI Guidelines and the resolution passed by the shareholders. The Certificate would be placed at the Annual General Meeting for inspection by members.

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

**INSURANCE:**

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

**DIRECTORS:**

Sri K.S. Mahadevan and Dr. A.K. Sreedharan are retiring by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

**AUDITORS:**

M/s. K.S.G. Subramanyam & Co., Company's existing Auditors are to retire at the ensuing Annual General Meeting and being eligible for reappointment, they have consented to continue to be the 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 & ANALYSIS:**

Management Discussion and Analysis Report 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 along with proper explanation relating to material departures.
2. the Directors have selected such accounting policies and applied them consistently and made judgments 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, read with relevant rules are annexed in Annexure-A of this Report.

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 under 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 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 State Bank of India, State Bank of Travancore, The Federal Bank Limited, IDBI 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, Kerala State Industrial Development Corporation, 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 : 23.08.2010

For and on behalf of the Board

Sd/-  
**S.N. VARADARAJAN**  
Chairman



## ANNEXURE TO DIRECTORS' REPORT ANNEXURE A

### 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	2009-10 (Rs.in lakhs)	2008-09 (Rs.in lakhs)
1. Earnings (Export)	5,578.83	900.79
2. Expenditure in Foreign Currency		
a. Subscription & Others	8.27	25.82
b. Traveling Expenses	2.43	0.98
c. 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	64	Chairman	56,84,399	B.Com	29	3.9.1992	Sun Metals & Alloys Pvt. Ltd.
Sri Vinod Narsiman	38	Managing Director	56,47,309	B.E., MBA (University of Michigan)	14	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:

1. Sri S.N.Varadarajan,
2. Sri Vinod Narsiman,
3. Smt.D.Pushpa Varadarajan,
4. Smt.Jayashree Vinod,
5. Ms.Sudha K Varadarajan,
6. Indsil Energy and Electrochemicals Ltd,
7. Sunmet Holdings India Private Ltd.,
8. Sun Metals & Alloys Private Ltd.

Place : Coimbatore  
Date : 23.08.2010

For and on behalf of the Board

Sd/-  
**S.N. VARADARAJAN**  
Chairman



## 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.

The global steel, stainless steel and consequently the manganese industry witnessed a major turn-around in fortunes from the middle of the financial year and this led to reasonably good capacity utilizations across the industry.

India and China continue to lead in terms of growth of steel production and the developed regions like Europe and USA continue to show solidity and stability in terms of production of steel and stainless steel.

### b. OPPORTUNITIES AND THREATS :

Your Company's core product low carbon silico manganese has met with very good response from the European and USA markets recently. Your Company finds significant opportunity in growth of this niche segment of the market and towards this, an investment for doubling of capacity is planned. There would be investment in a green field smelter in the state of Chhattisgarh and also investment in de-bottlenecking the existing smelters at Palakkad. One of the key threats remain availability of manganese ore at reasonable price over the long term. With the turn around in the manganese industry, as expected, the manganese ore prices shot up. In the short and medium term, it is widely expected that manganese ore would be available in abundant quantities. However, the manganese ore industry is controlled by 2-3 global majors and therefore, pricing of ore is always under risk. Your Company continues to seek opportunities to invest in the manganese ore mining sector.

Apart from the above concern, there is always the threat of the industry being affected by cyclicity in the global economy. Large capacities for production of manganese have been created during the turn around phase and any down turn in the global steel industry would definitely necessitate some capacity to be idled.

### c. SEGMENT WISE PERFORMANCE:

#### SMELTER DIVISION:

Due to a good rebound in the global steel and stainless steel industry, the smelter division witnessed strong levels of capacity utilization during the year. The PBDIT of the smelter division for the year is Rs. 827 lakhs as compared to Rs. 200 lakhs for the previous year. This division also largely benefitted by upgradation of its product mix from low carbon silico manganese to that of ultra low carbon silico manganese, which mostly was supplied to the European and American markets. Overall price realization improved thereby contributing significantly to the bottom line.

#### POWER DIVISION :

The hydro electric plant generated 37.76 million units during this year as compared to 26.99 million units during the previous year. The monsoon was average.

The hydro electric power plant generated PBDIT of Rs.1,218 lakhs in the year as compared to PBDIT of Rs.853 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 keen on exploiting the growing demand for its core product of low carbon silico manganese and therefore it has started investments to double its production capacity from the current 14,400 tpy to 28,500 tpy. As discussed, this would come into effect by around June 2011. The financial year 2011-2012 would capture the benefit of its expanded capacity.

Your Company's investment in the Oman Joint Venture ferro chrome segment is expected to yield dividends and valuation gains from the year 2012 onwards. The hydro electric power plant is the key contributor of earnings and its fortunes entirely depend on the prospects of the monsoon seasons.

**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, 2006	30th June, 2007	30th June, 2008	30th June, 2009	30th June, 2010
<b>I OPERATING RESULTS :</b>					
1. Sales	5779	7293	11550	8016	10626
2. Operating Profit (PBIDT)	1088	1212	2577	1054	2044
3. Interest	383	352	296	235	149
4. Depreciation	346	346	350	350	349
5. Taxes	1	24	148	93	188
6. Net Income (PAT)	358	490	1783	283	1358
7. Dividend Percentage	10%	15%	15%	10%	15%
Dividend Amount	94	142	142	94	143
Dividend Tax	13	24	24	16	24
8. Production :					
- Ferro Alloys (MT)	10051	12673	12937	10143	12496
- Power (Lakh KWH)	520	397	589	270	378



**FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE (Contd.)**

Rs. in lakhs

Particulars	30th June, 2006	30th June, 2007	30th June, 2008	30th June, 2009	30th June, 2010
<b>II. PERFORMANCE PARAMETERS:</b>					
1. Share capital	945	945	945	945	951
2. Reserves & Surplus	1692	2016	3633	3808	5005
3. Secured Loans	2908	2218	1352	754	588
4. Deferred liabilities	1213	1185	1159	1134	1112
5. Fixed Assets (Gross Block)	8246	8288	8351	8530	8674
6. Accumulated Depreciation	(2545)	(2891)	(3217)	(3564)	(3906)
7. Investments	18	18	1147	422	829
8. Net Current Assets	1040	951	807	1253	2059
<b>III. RATIOS :</b>					
1. Profit after tax/ Sales (%)	6.18	6.72	15.49	4.69	12.79
2. Return on Net worth (%)	13.58	16.54	37.67	5.82	22.20
3. Earnings per share (Rs.)	3.79	5.18	18.93	3.00	14.34
4. Cash Earnings per share (Rs.)	7.45	8.85	22.64	6.70	17.95
5. Debt Equity ratio	1.10	0.75	0.28	0.16	0.04
6. Book Value per share (Rs.)	27.90	31.33	48.45	50.30	64.36

**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 : 23.08.2010

For and on behalf of the Board

Sd/-

**S.N. VARADARAJAN**  
Chairman



## 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.

### 1. 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.

### 2. 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 and Sri Vinod Narsiman, Managing Director. 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. Dr. S. Rama Iyer and Smt. D. Pushpa Varadarajan are Non-Independent Directors and the other five Directors are Independent Directors.

#### b. Board Meetings and attendance:

During the year six Board meetings were held and the gap between two meetings did not exceed four months. The Board meetings were held on 14.9.2009, 21.10.2009, 21.12.2009, 29.01.2010, 29.03.2010, & 30.04.2010.

The names of the Directors on the Board, the attendance at Board meetings during the year and at the last Annual General Meeting 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	Last AGM Attended (Yes/No)	No. of shares held by non-Executive Directors
Sri S.N. Varadarajan	6	-	-	-	Y	N.A
Sri Vinod Narsiman	6	4	-	-	Y	N.A
Smt. D. Pushpa Varadarajan	6	-	1	13	Y	3,18,125
Sri S. Inderchand	6	4	1	13	Y	83,778
Sri B. Balchand	5	-	-	-	Y	40,000
Sri K.S. Mahadevan	5	-	-	-	Y	55,800
Dr. S. Rama Iyer	1	-	-	-	Y	--
Dr. A.K. Sreedharan	6	4	-	-	Y	--
Sri K. Ramakrishna n	6	-	-	-	Y	--



**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	9	2	-	-
Sri Vinod Narsiman	9	-	-	-
Smt. D. Pushpa Varadarajan	8	-	-	-
Sri S. Inderchand	1	-	-	-
Sri B. Balchand	-	1	-	-
Sri K.S. Mahadevan	-	-	-	-
Dr. S. Rama Iyer	4	2	-	-
Dr. A.K. Sreedharan	1	-	-	-
Sri K. Ramakrishnan	-	-	-	-

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 any one is a director. The necessary disclosures regarding the committee positions have been made by all the Directors.

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

There are no changes in the composition of directors during year 2009-10.

**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 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 2009-10**

The remuneration paid / payable to the Executive Directors and commission on Profits to Non-Executive Directors are provided elsewhere in the report and accounts.

At present, the Company pays sitting fees to all the 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.

**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 exchanges read with Section 292A of the Companies Act, 1956.

**a. Composition**

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

**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.

Company Secretary of the Company is the Secretary of the Committee.

**c. Committee Meetings**

The Committee met 4 times during the year on 14.9.2009, 21.10.2009, 29.1.2010 and 30.4.2010.

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

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

The Chairman of the Committee Dr. A.K. Sreedharan was present at the Annual general Meeting held on 21.12.2009.



## 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 23.08.2010 and reviewed the grievances/complaints received and the action taken on the grievances/complaints.

Complaints Status from 1.7.09 to 30.6.10

- Number of shareholders' complaints received so far : 2  
(including dividend revalidation requests, non receipt of dividend warrant and non receipt of Annual Reports)
- 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 2009-10, 13 meetings of the Committee were held on 20.07.09, 14.9.09, 16.9.09, 4.11.09, 18.12.09, 6.2.10, 20.2.10, 13.3.10, 23.4.10, 8.5.10, 29.5.10, 12.6.10 & 26.6.10. The number of share transfer committee meetings attended by the Directors is as follows:

Member	Committee meetings attended
Sri.S.Inderchand	13
Smt.D.Pushpa Varadarajan	13

## 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 21.10.2009, attended by Dr.A.K.Sreedharan and Sri.S.Inderchand.



## COMPENSATION COMMITTEE

### a. Composition

The Committee was constituted by the Board on 28<sup>th</sup> October, 2008 and Dr. A.K. Sreedharan, Sri. S. Inderchand, Independent Directors and Sri Vinod Narsiman, Managing Director 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 29.01.2010 and 30.04.2010, 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
2009	Chamber Towers 8/732 Avanashi Road Coimbatore 641 018	21-12-2009	10.15 A.M.
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.

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 Exchanges 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. 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.
4. The Company has not yet established a mechanism for Whistle Blower Policy However, no personnel have been denied access to the Audit Committee.
5. The accounting treatment as prescribed in the Accounting Standards has been followed in the preparation of financial statements.

## EMPLOYEE STOCK OPTION SCHEME:

During the year under review, as recommended by the Compensation Committee, the Board of Directors at its meeting held on 29.1.2010, allotted 64,500 shares to the INDSIL ESOS TRUST. Out of 64,500 shares, 16,125 shares were re-issued from the Trust to the employees by way of transfer for 25% of the options exercised by them as envisaged in the Scheme.

As recommended by the Compensation Committee, the Board of Directors at its meeting held on 30.4.2010 granted 18,500 options to another batch of employees. 18,500 shares were allotted to the ESOS TRUST on 23rd August, 2010 which would be reissued to the eligible employees as and when the eligible employees exercise their options.



## 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 Mint in English and Makkal Kural in Tamil. The Annual Reports are sent by post under Certificate of Posting to the shareholders. Further Annual Reports and quarterly results are also sent to those who request for the same.

Quarterly results of the Company are published in the newspapers as per the listing requirements. 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 BSE that it has opted to declare audited results for the financial year 2009-10 on or before August 30, 2010 instead of declaring unaudited financial results for the last quarter ended June 30, 2010.

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

## GENERAL SHAREHOLDER INFORMATION

### 1. Annual General Meeting

- |               |   |                                                             |
|---------------|---|-------------------------------------------------------------|
| a. Date & Day | : | 06.10.2010 (Wednesday)                                      |
| b. Time       | : | 10.15 A.M.                                                  |
| c. Venue      | : | Chamber Towers<br>8/732 Avanashi Road<br>Coimbatore 641 018 |

### 2. Financial Calendar for 2010-11

Declaration of financial results:

- |                                                 |   |                                  |
|-------------------------------------------------|---|----------------------------------|
| Unaudited financial results for the 1st quarter | : | On or before 15th November, 2010 |
| Unaudited financial results for the 2nd quarter | : | On or before 15th February, 2011 |
| Unaudited financial results for the 3rd quarter | : | On or before 15th May, 2011      |
| Unaudited financial results for the 4th quarter | : | On or before 15th Aug, 2011      |

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 2011 | : | Within 6 months from the close of the accounting year |
|-----------------------------------------------------------|---|-------------------------------------------------------|

### 3. Date of Book Closure

: 14.9.2010 to 16.9.2010

### 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 2009-10 on The Bombay Stock Exchange Ltd.

Month & Year	High (Rs.)	Low (Rs.)
July 2009	37.70	24.00
August 2009	48.25	32.25
September 2009	56.50	40.00
October 2009	49.05	38.85
November 2009	49.95	36.05
December 2009	56.95	44.00
January 2010	59.90	46.00
February 2010	71.30	53.00
March 2010	75.90	59.05
April 2010	81.00	66.65
May 2010	83.50	68.05
June 2010	79.00	70.20

**7. Categories of Shareholders as on 30th June, 2010**

Category of Shareholders	No. of Shareholders	No. of shares held	% of Holding
<b>Promoters Shareholding</b>			
<b>Indian</b>			
Individuals / Hindu Undivided Family	16	15,71,079	16.51
Bodies Corporate	1	31,98,360	33.62
<b>Sub Total - A</b>	<b>17</b>	<b>47,69,439</b>	<b>50.13</b>
<b>Public Shareholding</b>			
<b>Institutions</b>			
Mutual Funds / UTI	2	2,200	0.02
Central / State Government(s)	1	6,32,500	6.65
<b>Sub-Total - B</b>	<b>3</b>	<b>6,34,700</b>	<b>6.67</b>
<b>Non-institutions</b>			
Bodies Corporate	175	5,06,615	5.33
Resident Individuals	7,367	34,56,129	36.33
Non-Resident Indians	270	1,46,692	1.54
<b>Sub-Total - C</b>	<b>7,812</b>	<b>41,09,436</b>	<b>43.20</b>
<b>GRAND TOTAL (A+B+C)</b>	<b>7,832</b>	<b>95,13,575</b>	<b>100.00</b>

**8. Registrar and Transfer Agents.**

Both physical and demat segments are handled by the Company's Registrar & Share Transfer Agent namely SKDC Consultants Ltd., "Kanapathy Towers", 3<sup>rd</sup> Floor, 1391/A-1, Sathy Road, Ganapathy, Coimbatore 641 006.

**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 2010.**

Range (Value in Rs.)	No. of Shareholders	%held (% No. of Shareholders)	Face value of shares (Rs.)	% held (% Value)
Up to 5000	6,799	86.81	1,13,00,050	11.88
5001 to 10000	522	6.66	44,45,630	4.67
10001 to 20000	251	3.20	38,62,890	4.06
20001 to 30000	96	1.23	25,06,310	2.63
30001 to 40000	31	0.40	11,34,770	1.20
40001 to 50000	32	0.41	15,33,240	1.61
50001 to 100000	53	0.68	39,25,730	4.13
100001 and above	48	0.61	6,64,27,130	69.82
<b>TOTAL</b>	<b>7,832</b>	<b>100.00</b>	<b>9,51,35,750</b>	<b>100.00</b>

**11. Dematerialisation of shareholdings and liquidity:**

As on 30.6.2010, 90,18,988 shares constituting 94.80% 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 Practising 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](mailto:indsilho@indsil.com)

**17. Compliance Officer**

: Sri S. Mahadevan  
Company Secretary

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

Place : Coimbatore  
Date : 23.08.2010

For and on behalf of the Board  
Sd/-  
**S.N. VARADARAJAN**  
Chairman





**INDSIL**

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

As the Chairman 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 2009-10.

Place : Coimbatore  
Date : 23.08.2010

For **INDSIL HYDRO POWER AND MANGANESE LIMITED**

Sd/-  
**S.N. VARADARAJAN**  
CHAIRMAN

**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 30<sup>th</sup> June 2010, 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.,**  
Firm No. : 004151S  
Chartered Accountants

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

Place : Coimbatore  
Date : 23.08.2010

**AUDITORS' REPORT**

We have audited the attached Balance Sheet of **INDSIL HYDRO POWER AND MANGANESE LIMITED, Coimbatore** as at 30<sup>th</sup> June 2010 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 30<sup>th</sup> June, 2010 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 30<sup>th</sup> June 2010;
    - 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 : 23.08.2010

for K.S.G.SUBRAMANYAM & CO  
Firm No. : 004151S  
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 : 23.08.2010

for K.S.G.SUBRAMANYAM & CO  
Firm No. : 004151S  
Chartered Accountants,

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

**BALANCE SHEET AS AT 30<sup>TH</sup> JUNE 2010**

PARTICULARS	SCHEDULE NO	30.6.2010		30.6.2009	
		Amount (Rs.)	Amount (Rs.)	Amount (Rs.)	Amount (Rs.)
<b>SOURCES OF FUNDS</b>					
<b>SHARE HOLDERS FUNDS :</b>					
Share Capital	I		9,51,35,750		9,44,90,750
ESOS Outstanding net of unamortised			4,75,999		2,03,074
ESOS employee compensation					
Reserves & Surplus	II		50,00,04,913		38,05,54,778
<b>LOAN FUNDS :</b>					
Secured Loans	III		5,88,20,624		7,54,21,281
Provision for Deferred Liability	IV		11,09,49,430		11,09,49,430
Deferred Tax Liability (Net)			2,30,240		24,35,490
<b>TOTAL</b>			<u>76,56,16,956</u>		<u>66,40,54,803</u>
<b>APPLICATION OF FUNDS</b>					
<b>FIXED ASSETS</b>					
Gross Block	V		86,73,56,113		85,29,86,018
Less : Depreciation Reserve			39,05,59,397		35,64,39,874
			<u>47,67,96,716</u>		<u>49,65,46,144</u>
Investments-Long term	VI		88,64,375		43,25,000
- Short term-in Debt based liquid funds			7,40,30,502		3,78,46,467
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>					
Inventories	VII		22,05,58,977		15,11,25,809
Sundry Debtors			1,97,19,156		1,71,56,716
Cash & Bank Balances			2,59,82,900		85,67,561
Loans & Advances			5,76,98,240		4,06,55,946
			<u>32,39,59,273</u>		<u>21,75,06,032</u>
Less : Current Liabilities & Provisions	VIII		11,80,33,910		9,21,68,840
			<u>20,59,25,363</u>		<u>12,53,37,192</u>
<b>TOTAL</b>			<u>76,56,16,956</u>		<u>66,40,54,803</u>
Notes on accounts	XV				

As per our report of even date

For **K.S.G. SUBRAMANYAM & CO**  
Firm No. : 004151S  
Chartered Accountants

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

Place : Coimbatore  
Date : 23.08.2010

Sd/-  
**S.N. VARADARAJAN**  
Chairman

Sd/-  
**S. INDERCHAND**  
Director

Sd/-  
**VINOD NARSIMAN**  
Managing Director

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



# INDSIL

## PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2010

PARTICULARS	SCHEDULE NO	30.6.2010		30.6.2009	
		Amount (Rs.)	Amount (Rs.)	Amount (Rs.)	Amount (Rs.)
<b>INCOME</b>					
Gross Sales					
Smelter					
Export		56,87,36,640		10,64,99,692	
Domestic		36,59,05,846		60,37,26,616	
		<u>93,46,42,486</u>		<u>71,02,26,308</u>	
Power		12,79,91,176		9,13,68,445	
			106,26,33,662		80,15,94,753
Less : Excise Duty			2,17,39,259		5,76,24,408
Net Sales			104,08,94,403		74,39,70,345
Less: Interdivisional sale of power			12,79,91,176		9,13,68,445
			<u>91,29,03,227</u>		<u>65,26,01,900</u>
DEPB Claims			65,82,706		9,45,883
Interest receipts-Gross (TDS : Current year - Rs.76,737 Previous year - Rs.2,49,754/-)			4,85,935		16,17,398
Income from Mutual funds			12,84,036		19,02,271
Increase / (Decrease) in Stock of Finished Goods	IX		1,10,83,166		(-) 19,73,638
			<u>93,23,39,070</u>		<u>65,50,93,814</u>
<b>EXPENDITURE</b>					
Consumption of Raw Materials	X		43,23,59,678		31,99,96,396
Purchase of Trade goods			4,92,28,119		-
Manufacturing Expenses (Net of interdivisional purchase of power)	XI		16,73,53,938		16,32,77,329
Selling Expenses	XII		3,14,00,794		2,97,73,603
Administrative Expenses	XIII		4,75,58,917		3,66,92,096
			<u>72,79,01,446</u>		<u>54,97,39,424</u>
<b>Profit before Depreciation &amp; Financial Charges &amp; Interest</b>			20,44,37,624		10,53,54,390
Financial Charges & Interest	XIV		1,48,92,124		2,35,13,516
<b>Profit before Depreciation &amp; Taxes</b>			18,95,45,500		8,18,40,874
Depreciation			3,48,52,708		3,50,07,741
<b>Profit before Taxes &amp; Extraordinary items</b>			15,46,92,792		4,68,33,133
Less: Irrecoverable Advances written off			-		91,97,204
<b>Profit before Taxes</b>			15,46,92,792		3,76,35,929
Add : Deferred Tax Asset			22,05,250		24,74,156
Less : Provision for taxation - Current			(-) 2,10,00,000		(-) 1,15,00,000
Less : Provision for Fringe Benefit tax			-		(-) 3,00,000
<b>Profit after Taxes</b>			13,58,98,042		2,83,10,085
Add : Balance of Profit b/f			28,25,47,794		26,52,92,654
Amount available for Appropriation			<u>41,84,45,836</u>		<u>29,36,02,739</u>
<b>Appropriations :</b>					
Transfer to General Reserve			10,00,00,000		-
Proposed Dividend			1,42,98,113		94,49,075
Tax on Proposed Dividend			23,74,738		16,05,870
Nett balance carried to Balance Sheet			30,17,72,985		28,25,47,794
			<u>41,84,45,836</u>		<u>29,36,02,739</u>
<b>Earnings per share (Refer Note: 10 in Notes to Accounts)</b>					
Basic			Rs. 14.34		Rs. 3.00
Diluted			Rs. 14.34		Rs. 2.99
<b>Notes on accounts</b>					
As per our report of even date					
For <b>K.S.G. SUBRAMANYAM &amp; CO</b>					
Firm No. : 004151S					
Chartered Accountants					
Sd/- <b>T.C. KERALA VARMA RAJA</b> Partner Membership No.6932		Sd/- <b>S.N. VARADARAJAN</b> Chairman		Sd/- <b>VINOD NARSIMAN</b> Managing Director	
Place : Coimbatore Date : 23.08.2010		Sd/- <b>S. INDERCHAND</b> Director		Sd/- <b>S. MAHADEVAN</b> Company Secretary	

**SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 30<sup>TH</sup> JUNE 2010**

SCH. NO	PARTICULARS	30.6.2010		30.6.2009	
		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>				
	95,13,575 Equity shares of Rs.10/- each fully paid up		9,51,35,750		9,44,90,750
	(Previous year : 94,49,075 shares)				
	(64,500 shares were issued during the year to Indsil ESOS Trust)		<b>9,51,35,750</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				
	Balance as per last Balance Sheet	76,99,811		76,99,811	
	Add: Credit on exercise of ESOS Shares during the year	2,24,944		-	
			79,24,755		76,99,811
	General Reserve				
	Balance as per last Balance Sheet	8,88,07,173		8,88,07,173	
	Add: Transfer from P & L Appropriation a/c	10,00,00,000		-	
			18,88,07,173		8,88,07,173
	Surplus in Profit & Loss Account		30,17,72,985		28,25,47,794
			<b>50,00,04,913</b>		<b>38,05,54,778</b>
<b>III</b>	<b>SECURED LOANS</b>				
	<b>Term Loans from</b>				
	IDBI Bank Ltd	-		1,30,13,037	
	The Federal Bank Limited	60,00,000		3,00,00,000	
	State Bank of India	2,01,04,756		3,24,08,244	
			2,61,04,756		7,54,21,281
	Buyer's Credit from Standard Chartered Bank		3,27,15,868		-
			<b>5,88,20,624</b>		<b>7,54,21,281</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 30<sup>TH</sup> JUNE 2010**  
**V - FIXED ASSETS**

Particulars	Gross Block			Depreciation			Nett Block			
	Cost as on 1.7.2009	Additions	Deletions	Cost as on 30.6.2010	Upto 30.6.2009	For the year	Withdrawn on deletions	Upto 30.6.2010	WDV as on 30.6.2010	WDV as on 30.6.2009
Land	2,09,04,943	-	-	2,09,04,943	-	-	-	-	2,09,04,943	2,09,04,943
Buildings	29,38,19,641	37,22,865	-	29,75,42,506	8,94,54,651	98,23,138	-	9,92,77,789	19,82,64,717	20,43,64,990
Plant & Machinery	44,61,69,469	68,56,787	-	45,30,26,256	21,02,90,064	2,12,52,244	-	23,15,42,308	22,14,83,948	23,58,79,405
Electrical Installation	2,06,05,885	-	-	2,06,05,885	1,93,67,335	4,80,865	-	1,98,48,200	7,57,685	12,38,550
Pollution Control Equipments	1,88,93,217	4,38,440	-	1,93,31,657	1,25,49,305	10,12,213	-	14,35,61,518	57,70,139	63,43,912
Water Treatment Plant	61,82,332	-	-	61,82,332	43,79,576	3,18,172	-	46,97,748	14,84,584	18,02,756
Workshop Equipments	7,18,353	-	-	7,18,353	6,84,246	25,862	-	7,10,108	8,245	34,107
Laboratory Equipments	5,24,576	-	-	5,24,576	4,06,813	27,702	-	4,34,515	90,061	1,17,763
Fire Fighting Equipments	50,616	-	-	50,616	45,349	1,927	-	47,276	3,340	5,267
Air Conditioner / Cooler	13,78,867	1,38,164	-	15,17,031	8,24,495	62,185	-	8,86,680	6,30,351	5,54,372
Electrical Fittings	2,76,264	-	-	2,76,264	2,76,264	-	-	2,76,264	-	-
Office Equipments	26,05,987	17,050	-	26,23,037	12,65,407	1,23,853	-	13,89,260	12,33,777	13,40,580
Generator	18,33,694	-	-	18,33,694	15,40,372	70,501	-	16,10,873	2,22,821	2,93,322
Weighing Scale	74,189	42,750	-	116,939	49,928	4,809	-	54,737	62,202	24,261
Computer	33,36,368	7,50,813	-	40,87,181	27,16,719	2,80,155	-	29,96,874	10,90,307	6,19,649
Vehicles	34,83,919	5,63,070	8,87,597	31,59,392	15,82,755	2,90,481	7,33,185	11,40,051	20,19,341	19,01,164
Tractor & Trailer	12,10,128	-	-	12,10,128	12,10,128	-	-	12,10,128	-	-
Furnitures & Fixtures	39,64,656	-	-	39,64,656	26,01,193	1,88,464	-	27,89,657	11,74,999	13,63,463
Transmission Lines	2,67,04,115	-	-	2,67,04,115	71,95,274	8,90,137	-	80,85,411	1,86,18,704	1,95,08,841
Capital W.I.P	85,27,37,219	1,25,29,939	8,87,597	86,43,79,561	35,64,39,874	3,48,52,708	7,33,185	39,05,59,397	47,38,20,164	49,62,97,945
	2,48,799	27,27,753	-	29,76,552	-	-	-	-	29,76,552	2,48,799
<b>TOTAL</b>	<b>85,29,86,018</b>	<b>1,52,57,692</b>	<b>8,87,597</b>	<b>86,73,56,113</b>	<b>35,64,39,874</b>	<b>3,48,52,708</b>	<b>7,33,185</b>	<b>39,05,59,397</b>	<b>47,67,96,716</b>	<b>49,65,46,144</b>
<b>Figures for Previous Year</b>	<b>83,51,13,995</b>	<b>1,86,77,434</b>	<b>8,05,411</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>



**SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 30<sup>TH</sup> JUNE 2010**

SCH. NO	PARTICULARS	30.6.2010		30.6.2009	
		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		80,000
	8,000 equity shares of Rs.10/- each in fully paid up in Palayakkam HPP Ltd		80,000		80,000
	8,000 equity shares of Rs.10/- each in fully paid up in Upper Poringal HPP Ltd		80,000		80,000
	8,000 equity shares of Rs.10/- each in fully paid up in Vattapara HP Ltd		80,000		80,000
	37,500 shares of OMR 1 each in Al Tamman Indsil Ferro Chrome LLC, Sultanate of Oman		45,39,375		-
	Short term :				
	B: Investment in Mutual Funds - quoted	Face value	Quantity		
	DWS Credit Opportunities Cash Fund	Rs. 10	6,89,758 Units	69,11,575	2,66,20,461
	LIC MF Liquid Plus Fund	Rs. 10	67,11,892 Units	6,71,18,927	1,12,26,006
				<b>8,28,94,877</b>	<b>4,21,71,467</b>
	Aggregate value of unquoted investments			<b>88,64,375</b>	<b>43,25,000</b>
	Aggregate value of quoted investments			<b>7,40,30,502</b>	<b>3,78,46,467</b>
	Market value of quoted investments			<b>7,40,30,502</b>	<b>3,78,46,467</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		17,68,61,933		11,82,80,498
	Finished Goods		3,19,63,069		2,08,79,903
	Consumables		1,19,871		3,59,446
	Stores & Spares		99,52,063		98,74,214
	Work in Progress		15,89,160		16,64,188
	Packing Materials		72,881		67,560
			<b>22,05,58,977</b>		<b>15,11,25,809</b>
	<b>2. SUNDRY DEBTORS</b>				
	(Unsecured, Considered Good)				
	Debts exceeding 6 months		-		1,56,641
	Other Debts		1,97,19,156		1,70,00,075
			<b>1,97,19,156</b>		<b>1,71,56,716</b>
	<b>3. CASH &amp; BANK BALANCES</b>				
	Cash on Hand		3,23,476		62,193
	Balances with Scheduled Banks:				
	- in Current Accounts		60,19,462		13,64,040
	- in Margin and Fixed Deposits		1,84,25,374		61,25,317
	- in Unpaid Dividend Accounts		12,14,588		10,16,011
			<b>2,56,59,424</b>		<b>85,05,368</b>
			<b>2,59,82,900</b>		<b>85,67,561</b>

**SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 30<sup>TH</sup> JUNE 2010**

SCH. NO	PARTICULARS	30.6.2010		30.6.2009	
		Amount (Rs.)	Amount (Rs.)	Amount (Rs.)	Amount (Rs.)
<b>4. LOANS &amp; ADVANCES</b>					
	Advances for Equipments & Purchases		50,46,318		42,64,149
	Cenvat Claim Receivable		15,14,783		3,64,805
	Deposits / Other Advances Recoverable		5,03,88,103		3,37,68,998
	Prepaid Expenses		2,00,000		16,92,616
	Staff Advances		5,49,036		5,65,378
			<b>5,76,98,240</b>		<b>4,06,55,946</b>
<b>VIII CURRENT LIABILITIES &amp; PROVISIONS</b>					
<b>A. CURRENT LIABILITIES :</b>					
	Sundry Creditors (No outstanding dues to Micro, small and medium enterprises)				
	Creditors for Purchases	4,76,98,509		4,26,55,252	
	Creditors for Equipments & Capital goods	4,76,159		37,800	
	Creditors for Expenses	43,49,074		46,09,255	
			5,25,23,742	4,73,02,307	
	Other statutory liabilities		17,14,113		44,71,261
	Advance against supplies		-		11,56,090
	Outstanding expenses		1,99,40,900		1,02,04,937
	Unpaid dividends (No amount due and outstanding to be credited to Investor Education & Protection Fund)		12,14,336		10,16,011
	<b>TOTAL (A) .....</b>		<b>7,53,93,091</b>		<b>6,41,50,606</b>
<b>B. PROVISIONS :</b>					
	Provision for taxation (net of advance taxes)		1,90,90,577		1,03,31,200
	Proposed Dividend		1,42,98,113		94,49,075
	Tax on Proposed Dividend		23,74,738		16,05,870
	Provision for Gratuity		63,24,322		64,32,065
	Provision for Leave encashment		5,53,069		2,00,024
	<b>TOTAL (B) .....</b>		<b>4,26,40,819</b>		<b>2,80,18,234</b>
	<b>TOTAL (A+B).....</b>		<b>11,80,33,910</b>		<b>9,21,68,840</b>

As per our report of even date

For **K.S.G. SUBRAMANYAM & CO**  
Firm No. : 004151S  
Chartered Accountants

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

Sd/-  
**S.N. VARADARAJAN**  
Chairman

Sd/-  
**VINOD NARSIMAN**  
Managing Director

Place : Coimbatore  
Date : 23.08.2010

Sd/-  
**S. INDERCHAND**  
Director

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

**SCHEDULES ANNEXED TO AND FORMING PART OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2010.**

SCH. NO	PARTICULARS	30.6.2010		30.6.2009	
		Amount (Rs)	Amount (Rs)	Amount (Rs)	Amount (Rs)
<b>IX</b>	<b>INCREASE / (DECREASE) IN STOCK OF FINISHED GOODS</b>				
	Closing Stock		3,19,63,069		2,08,79,903
	Opening Stock		2,08,79,903		2,28,53,541
			<u>1,10,83,166</u>		<u>(-) 19,73,638</u>
<b>X</b>	<b>CONSUMPTION OF RAW MATERIALS</b>				
	<b>Opening 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	
			12,03,04,132		10,46,24,551
	<b>Add : Purchases</b>				
	Raw Materials & Consumables	41,16,66,424		28,76,10,543	
	Carriage Inwards	7,89,60,086	49,06,26,510	4,80,65,434	33,56,75,977
	<b>Less : Closing Stock</b>				
	Raw Materials	17,68,61,933		11,82,80,498	
	Consumables	1,19,871		3,59,446	
	Work-in-Progress	15,89,160		16,64,188	
			17,85,70,964		12,03,04,132
			<u>43,23,59,678</u>		<u>31,99,96,396</u>
<b>XI</b>	<b>MANUFACTURING EXPENSES</b>				
	Salary, Wages & Bonus - Factory		2,20,64,063		1,94,10,522
	Provision for Gratuity & Earned leave encashment		5,90,404		6,12,089
	Contribution to Provident Fund		14,64,159		13,32,618
	Contribution to ESI		7,78,849		6,46,536
	Electricity Charges		13,12,48,063		13,25,75,290
	(Net of interdivisional purchase of power)				
	Repairs & Maintenance - Buildings		7,48,837		10,05,775
	Repairs & Maintenance - Plant		94,82,660		72,01,460
	Repairs & Maintenance - Others		9,76,903		4,93,039
			<u>16,73,53,938</u>		<u>16,32,77,329</u>
<b>XII</b>	<b>SELLING EXPENSES</b>				
	Packing Materials		25,20,892		22,65,577
	Freight outward & Forwarding Expenses		2,27,03,863		1,86,78,419
	Royalty on Sales		42,41,478		63,67,708
	Advertisement		7,15,584		8,13,455
	Sales commission		10,87,422		15,52,425
	Sales Promotion Expenses		1,31,555		96,019
			<u>3,14,00,794</u>		<u>2,97,73,603</u>

**SCHEDULES ANNEXED TO AND FORMING PART OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2010.**

<b>SCH. NO</b>	<b>PARTICULARS</b>	<b>30.6.2010 Amount (Rs.)</b>	<b>30.6.2009 Amount (Rs.)</b>
<b>XIII</b>	<b>ADMINISTRATIVE EXPENSES</b>		
	Rent	19,07,388	16,45,450
	Salaries & Bonus - Admn. Office	68,22,122	54,27,491
	Staff & Labour Welfare Expenses	37,47,776	33,37,988
	Employee compensation - ESOS amortisation	4,97,869	2,03,074
	Sitting Fees	2,27,500	1,12,500
	Chairman's Remuneration	56,84,399	20,59,997
	Managing Director's Remuneration	56,47,309	19,30,423
	Commission to Non-Executive Directors	6,00,000	4,20,468
	Insurance	4,59,847	6,25,243
	Security Service Charges	18,47,950	16,59,159
	Building Maintenance	8,80,996	5,77,846
	Garden Maintenance	2,55,625	2,30,931
	Printing & Stationery	5,85,578	6,43,252
	Postage, Telephone & Telegram	22,14,351	17,40,194
	Travelling & Conveyance	67,54,680	51,92,119
	Petrol & Vehicle Maintenance	4,70,064	7,23,203
	Rates & Taxes	11,56,117	4,63,083
	Legal Fees	3,39,000	37,86,400
	Auditors' Remuneration	80,000	80,000
	Professional & Consultancy Fees	21,52,996	31,57,936
	Subscriptions	39,12,746	20,96,334
	Miscellaneous Expenses	13,14,604	5,79,005
		<b>4,75,58,917</b>	<b>3,66,92,096</b>
<b>XIV</b>	<b>FINANCIAL CHARGES &amp; INTEREST</b>		
	Bank Charges	40,36,339	36,09,525
	Interest on Bills Discounted & other working capital facilities	35,56,041	58,46,551
	Interest on Term Loans	73,34,107	1,39,75,290
	Exchange fluctuation	(34,363)	82,151
		<b>1,48,92,124</b>	<b>2,35,13,516</b>

As per our report of even date

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

Firm No. : 004151S

Chartered Accountants

Sd/-

**T.C. KERALA VARMA RAJA**

Partner

Membership No.6932

Place : Coimbatore

Date : 23.08.2010

Sd/-

**S.N. VARADARAJAN**

Chairman

Sd/-

**S. INDERCHAND**

Director

Sd/-

**VINOD NARSIMAN**

Managing Director

Sd/-

**S. MAHADEVAN**

Company Secretary



## XV NOTES FORMING PART OF PROFIT AND LOSS ACCOUNT AND BALANCE SHEET AS ON 30<sup>th</sup> JUNE 2010

### 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.

#### 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 30<sup>th</sup> JUNE 2010****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)** In respect of Employees stock Options the excess of market price on the date of grant over the exercise price is recognised as deferred compensation cost and amortised over the vesting period.
- j)** Dividend as recommended by the Board of Directors is provided for in the accounts pending shareholders' approval.
- k)** 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.

**l) 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. Aggregate of such personal guarantees is Rs.2,200 lakhs. A portion of the term loans to the extent of Rs.1,000 lakhs have also been guaranteed by Sri Vinod Narsiman, Managing Director.
- b)** Working capital facilities from State Bank of Travancore, The Federal Bank Ltd. IDBI Bank Ltd and Standard Chartered Bank 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, Managing Director to the extent of Rs.4,065 lakhs.

**2. CONTINGENT LIABILITIES**

	As at 30.6.2010 (Rs. in Lakhs)	As at 30.6.2009 (Rs. in Lakhs)
a) Claims against the Company not acknowledged as debts	-	-
b) Contingent liabilities in respect of Bills discounted (fully secured by LCs)	443.06	668.28
c) Letters of Credit issued by Banks on behalf of the Company	1,808.45	449.31
d) Guarantees issued by Banks on behalf of the Company	232.03	152.66



**NOTES FORMING PART OF PROFIT AND LOSS ACCOUNT AND BALANCE SHEET AS ON 30<sup>th</sup> JUNE 2010**

	As at 30.6.2010	As at 30.6.2009
	Rs.	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

**ii) Defined Benefit Plans (Non-Funded):**

	<b>Gratuity</b>		<b>Earned leave encashment</b>	
	As at 30.6.2010	As at 30.6.2009	As at 30.6.2010	As at 30.6.2009
<u>Reconciliation of opening and closing balances of Defined Benefit obligations:</u>				
Defined Benefit obligation at the beginning of the year	64,32,065	60,20,000	2,00,024	-
Interest cost	4,70,715	4,21,400	13,751	-
Current service cost	5,66,538	6,09,462	51,582	51,811
Benefits paid	-3,11,741	-	-33,361	-
Actuarial loss/(gain) on obligation	-8,33,255	-6,18,797	3,21,073	1,48,213
Defined Benefit obligation at the end of the year	<u>63,24,322</u>	<u>64,32,065</u>	<u>5,53,069</u>	<u>2,00,024</u>
<u>Expenses recognised during the year in the Profit &amp; Loss Account:</u>				
Current service cost	5,66,538	6,09,462	51,582	51,811
Interest cost	4,70,715	4,21,400	13,751	-
Expected return on plan assets	-	-	-	-
Actuarial (gain)/loss	-8,33,255	-6,18,797	3,21,073	1,48,213
Expenses recognised in the Profit & Loss Account	<u>2,03,998</u>	<u>4,12,065</u>	<u>3,86,406</u>	<u>2,00,024</u>
<u>Principal Actuarial Assumptions:</u>				
Discount rate	7.5%	7%	7.5%	7%
Salary Escalation rate	6%	7%	6%	7%
Withdrawal rate	5%	5%	5%	5%
Expected rate of return on plan assets	0%	0%	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	9,194.86	6,535.48
b. Hydro Power	1,279.91	913.68
	<u>10,474.77</u>	<u>7,449.16</u>
Less : Intersegment Revenue	1,279.91	913.68
Net Revenue	<u>9,194.86</u>	<u>6,535.48</u>
<b>2 Segment Results</b> (Profit / Loss before Financial charges & Tax)		
a. Smelter	691.82	53.93
b. Hydro Power	991.19	630.52
	<u>1,683.01</u>	<u>684.45</u>
Add / Less : Unallocable Income/Expenses	12.84	19.02
Operating Profit	1,695.85	703.47
Less : Financial Charges	148.92	235.14
Total Profit / (Loss) before Tax and extraordinary items	<u>1,546.93</u>	<u>468.33</u>
<b>3 Capital Employed</b> (Segment Assets - Segment Liabilities)		
a. Smelter	186.26	(783.49)
b. Hydro Power	6,626.90	6,480.62
	<u>6,813.16</u>	<u>5,697.13</u>

**5. INVESTMENT IN MUTUAL FUNDS**

	Balance as on 1.7.2009	Purchased/ Reinvested during the year	Redeemed during the year	Rs. Balance as on 30.6.2010
DWS Cash Opportunities Fund	2,66,20,461 26,56,733 Units	2,76,953 27,620 Units	1,99,85,838 19,94,595 Units	69,11,575 6,89,758 Units
LIC MF Liquid Plus Fund	1,12,26,006 11,22,601 Units	7,68,92,921 76,89,292 Units	2,10,00,000 21,00,000 Units	6,71,18,927 67,11,892 Units
<b>Total (Rs.)</b>	<b>3,78,46,467</b>	<b>7,71,69,874</b>	<b>4,09,85,838</b>	<b>7,40,30,502</b>

**6. RELATED PARTY DISCLOSURES:**

- a) Associates : Sunmet Holdings India P. Ltd, Indsil Energy and Electrochemicals Ltd.  
b) Key Management Personnel : Sri. S.N.Varadarajan  
Sri. Vinod Narsiman  
c) Relatives of Key Management Personnel : Smt. D.Pushpa Varadarajan  
d) Joint Venture : Al-Tamman Indsil Ferro Chrome LLC  
Joint Venture is expected to commence operations during next year.  
Investment made represents initial capital contribution.

Particulars	Joint Venture Rs.	Associates Rs.	Key Management Personnel Rs.	Relatives of Key Management Personnel Rs.
<b>Current Year</b>				
Investments made	45,39,375	-	-	-
Royalty paid	-	42,41,478	-	-
Rent paid	-	11,20,582	3,78,000	90,000
Sitting Fees	-	-	45,000	50,000
Managerial Remuneration	-	-	1,13,31,708	-
Balances outstanding as on 30.6.2010	-	-	1,21,87,476 (Payable)	-
<b>Previous Year</b>				
Royalty paid	-	63,67,708	-	-
Rent paid	-	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)	-

**7. CHAIRMAN'S REMUNERATION**

	2009-10 Rs.	2008-09 Rs.
Salary	6,00,000	6,00,000
Commission	49,98,735	12,61,405
Perquisites	85,664	1,98,592
	<b>56,84,399</b>	<b>20,59,997</b>



**NOTES FORMING PART OF PROFIT AND LOSS ACCOUNT AND BALANCE SHEET AS ON 30<sup>th</sup> JUNE 2010**

	2009-10 Rs.	2008-09 Rs.
<b>8. MANAGING DIRECTOR'S REMUNERATION</b>		
Salary	6,00,000	6,00,000
Commision	49,98,735	12,61,405
Perquisites	48,574	69,018
	<u><u>56,47,309</u></u>	<u><u>19,30,423</u></u>
<b>9. REMUNERATION TO STATUTORY AUDITORS (excluding service tax):</b>		
Audit fees	50,000	50,000
Tax audit fees and representation	30,000	30,000
	<u><u>80,000</u></u>	<u><u>80,000</u></u>
<b>10. EARNINGS PER SHARE</b>		
A. Basic EPS:		
Net Profit after Tax (Rs.)	13,58,98,042	2,83,10,085
Weighted average Number of Equity Shares (Face value of Rs. 10 each)	94,76,112	94,49,075
Basic EPS (Rs.)	14.34	3.00
B. Diluted EPS:		
Weighted average Number of Equity Shares (Face value of Rs. 10 each)	94,76,112	94,49,075
Add: Potential Equity Shares taking into consideration Employee Stock options granted	1,767	10,767
Weighted average Number of Equity Shares including Potential Equity shares	94,77,879	94,59,842
Diluted EPS (Rs.)	14.34	2.99
<b>11. COMPUTATION OF COMMISSION PAYABLE TO CHAIRMAN, MANAGING DIRECTOR AND NON-EXECUTIVE DIRECTORS :</b>		
	Rs.	Rs.
Net Profit before Tax as per Profit & Loss Account	15,46,92,792	3,76,35,929
Add: Chairman Remuneration	56,84,399	20,59,997
Managing Director's Remuneration	56,47,309	19,30,423
Commission to Non-Executive Directors	6,00,000	4,20,468
Net Profit as per Sec. 349 of the Companies Act	<u><u>16,66,24,500</u></u>	<u><u>4,20,46,817</u></u>
a) Commission payable to Chairman - 3% of Net profits	49,98,735	12,61,405
b) Commission payable to Managing Director - 3% of Net profits	49,98,735	12,61,405
c) Commission payable to Non-Executive Directors -1% of Net profits subject to a maximum of Rs.6,00,000/-	6,00,000	2,10,234

**NOTES FORMING PART OF PROFIT AND LOSS ACCOUNT AND BALANCE SHEET AS ON 30<sup>th</sup> JUNE 2010****12 STATISTICAL INFORMATION**

Particulars	30.6.2010		30.6.2009			
	Quantity (M.T)	Value (Rs.)	Value (Rs.)	Quantity (M.T)	Value (Rs.)	Value (Rs.)
<b>a. TURNOVER (Net):</b>						
Silico Manganese	12,992.940		91,29,03,227	10,177.700		65,26,01,900
<b>b. CONSUMPTION OF RAW MATERIALS:</b>						
Quartz	7,249.076	74,35,096		4,588.303	41,48,325	
Carbon Reducers	9,820.311	15,00,90,629		8,009.601	8,83,41,812	
Carbon Paste	409.811	1,07,95,015		280.240	88,53,179	
Manganese Ore	26,640.931	25,68,10,144		22,066.351	18,92,67,415	
Flux	1,503.361	24,40,148		1,237.161	22,51,951	
Slag	-	-		2,129.406	2,25,31,445	
Tor Steel (Nos.)	1,571	12,62,302		1,210	15,41,299	
C.R.Sheet (Nos.)	511	9,99,165		533	10,27,664	
Other Items	Different units	25,27,179		Different units	20,33,306	
			43,23,59,678			31,99,96,396
<b>c. STOCK OF FINISHED GOODS:</b>						
Opening Stock						
Silico Manganese	326.717		2,08,79,903	361.631		2,28,53,541
Purchases	582.000		4,92,28,119	-		-
Closing Stock						
Silico Manganese	411.927		3,19,63,069	326.717		2,08,79,903
<b>d. LICENCED CAPACITY</b>		Not applicable			Not applicable	
<b>e. INSTALLED CAPACITY:</b>						
Silico Manganese		14000 M.T.			14000 M.T.	
Power		21 MW			21 MW	
<b>f. ACTUAL PRODUCTION:</b>						
Silico Manganese		12,496.150 M.T			10,142.786 M.T	
Power		3,77,61,840 KWH			2,69,85,223 KWH	
<b>g. Value of imports (on CIF basis)</b>						
Raw Materials			Rs. 11,47,51,041			NIL
<b>h. Percentage consumption of raw materials:</b>						
Imported		21.40%	9,25,13,991		3.68%	1,23,50,500
Indigenous		78.60%	33,98,45,687		96.32%	30,76,45,896
		<u>100.00%</u>	<u>43,23,59,678</u>		<u>100.00%</u>	<u>31,99,96,396</u>
<b>i. Expenditure in foreign currency:</b>						
Travelling			Rs. 2,43,220			Rs. 98,125
Subscription & Others			Rs. 8,26,677			Rs. 25,81,259
<b>j. Dividend in Foreign currency</b>			Rs. 1,600			Rs. 2,400
<b>k. Earnings in foreign exchange</b>			Rs. 55,78,82,775			Rs. 9,00,79,425



## NOTES FORMING PART OF PROFIT AND LOSS ACCOUNT AND BALANCE SHEET AS ON 30<sup>th</sup> JUNE 2010

13. a) During the financial year 2008-09, the Company has granted 64,500 options under the Indsil Employees' Stock Options Scheme 2008 (ESOS) to the eligible employees of the Company as approved by the Compensation Committee of the Board and the Board of Directors pursuant to the said Scheme. Accordingly, the Company has allotted 64,500 shares to the Indsil ESOS Trust during the current year. As per the scheme, the vesting being graded vesting 25% of the total Options were exercised by the eligible employees resulting in transfer of 16,125 shares from the Trust out of the 64,500 shares allotted. The remaining 75% of the options are still to be exercised till January 2012 and appropriate number of shares would be transferred to the eligible employees based on their exercising their options through the vesting period.
- b) During the year yet another 18,500 options were granted to another batch of eligible employees under the Scheme. Such options have a graded vesting as per the Scheme. The vesting period has not yet been completed.
14. 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.
15. The Company has not received information from vendors regarding their status under the "Micro, Small and Medium Enterprises Development Act, 2006". Consequently the amount paid/payable to these parties during the year is nil. During the year the Company has paid no interest in terms of Section 16 of the said Act.
16. Deferred tax liability of Rs.2.30 lakhs as on 30.6.2010 is on account of timing difference relating to depreciation.
17. 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**  
Firm No. : 004151S  
Chartered Accountants

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

Place : Coimbatore  
Date : 23.08.2010

Sd/-  
**S.N. VARADARAJAN**  
Chairman

Sd/-  
**S. INDERCHAND**  
Director

Sd/-  
**VINOD NARSIMAN**  
Managing Director

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 : 30.6.2010

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

Public Issue : NIL  
 Rights Issue : NIL  
 Bonus Issue : NIL  
 Private Placement : NIL  
 Allotment under ESOS : 6,45,000

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

Total Liabilities :	76,56,16,956	Total Assets :	76,56,16,956
Paid-Up capital	9,51,35,750	Net Fixed Assets	47,67,96,716
ESOS Outstanding net of unamortised ESOS employee compensation	4,75,999	Investments	8,28,94,877
Reserves & Surplus	50,00,04,913	Net Current Assets	20,59,25,363
Deferred Tax Liability	2,30,240	Misc. Expenditure	-
Secured Loans	5,88,20,624		
Deferred Liability	11,09,49,430		

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

Turnover (Net) : 91,29,03,227  
 Increase/Decrease in Stock : 1,10,83,166  
 Other Income : 83,52,677  
 Total expenditure : 77,76,46,278  
 Profit(+)/Loss(-) Before Tax : 15,46,92,792  
 Profit (+)/Loss(-) After tax : 13,58,98,042  
 Basic Earnings per Share Rs. : 14.34  
 Diluted Earnings per Share Rs. : 14.34  
 Dividend Rate % : 15%

**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**  
 Firm No. : 004151S  
 Chartered Accountants

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

Sd/-  
**S.N. VARADARAJAN**  
 Chairman

Sd/-  
**VINOD NARSIMAN**  
 Managing Director

Place : Coimbatore  
 Date : 23.08.2010

Sd/-  
**S. INDERCHAND**  
 Director

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



# INDSIL

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2010

Particulars	Year ended 30.06.10 Rs.	Year ended 30.06.09 Rs.
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net profit / (loss) before tax	15,46,92,792	3,76,35,929
Adjustments for		
Interest Receipts	(-) 4,85,935	(-) 16,17,398
Income from Mutual Funds	(-) 12,84,036	(-) 19,02,272
Depreciation	3,48,52,708	3,50,07,741
Employe compensation - ESOS amortisation	4,97,869	2,03,074
Financial charges & Interest	1,48,92,124	2,35,13,516
Irrecoverable Advances written off	-	91,97,204
Profit/Loss on sale of assets	(-) 77,588	55,410
Provision for gratuity and Encashment of earned leave	5,90,404	6,12,089
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>20,36,78,338</b>	<b>10,27,05,293</b>
Adjustments for changes in		
Inventories	(-) 6,94,33,168	(-) 1,36,54,806
Debtors	(-) 25,62,441	(-) 1,42,72,695
Other advances	(-) 1,70,42,294	(-) 1,60,69,616
Current liabilities	1,08,97,385	(-) 3,14,28,690
Cash generated from operations	12,55,37,820	2,72,79,487
Income Tax Payments	(-) 1,22,40,623	(-) 87,16,925
<b>NET CASH FLOW FROM OPERATING ACTIVITIES (A)</b>	<b>11,32,97,197</b>	<b>1,85,62,562</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(-) 1,52,57,692	(-) 1,86,77,434
Sale of Fixed Assets	2,32,000	4,64,711
Purchase of investments	(-) 45,39,375	(-) 3,20,000
Loan to Joint Venture Company	-	1,00,00,000
Interest received	4,85,935	16,17,398
Income from Mutual Funds	12,84,036	19,02,272
<b>NET CASH FLOW FROM INVESTING ACTIVITIES (B)</b>	<b>(-) 1,77,95,096</b>	<b>(-) 50,13,053</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Issue of share capital	6,45,000	-
Repayment of Long term borrowings	(-) 4,93,16,525	(-) 5,70,46,112
Increase in Short term Borrowings	3,27,15,868	(-) 26,84,919
Financial Charges & Interest	(-) 1,48,92,124	(-) 2,35,13,516
Payment of Dividend & Tax	(-) 1,10,54,945	(-) 1,65,82,419
<b>NET CASH FLOW FROM FINANCING ACTIVITIES (C)</b>	<b>(-) 4,19,02,726</b>	<b>(-) 9,98,26,966</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>5,35,99,375</b>	<b>(-) 8,62,77,458</b>
Cash and Cash Equivalents as on 1.7.2009 (Opening Balance)	4,64,14,027	13,26,91,485
Cash and Cash Equivalents as on 30.6.2010 (Closing Balance)	10,00,13,402	4,64,14,027
<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	2,59,82,900	85,67,561
Short term Investments in debt based liquid funds	7,40,30,502	3,78,46,467
	<b>10,00,13,402</b>	<b>4,64,14,027</b>

As per our report of even date

For **K.S.G. SUBRAMANYAM & CO**  
Firm No. : 004151S  
Chartered Accountants

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

Place : Coimbatore  
Date : 23.08.2010

Sd/-  
**S.N. VARADARAJAN**  
Chairman

Sd/-  
**S. INDERCHAND**  
Director

Sd/-  
**VINOD NARSIMAN**  
Managing Director

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



## Indsil Hydro Power and Manganese Limited

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

Phone : (+91/0) (422) 4522922, 23, 24

Fax : (+91/0) (422) 4522925

e-mail : [indsilho@indsil.com](mailto:indsilho@indsil.com)