



INDSIL

INDSIL ELECTROSMELTS LIMITED

17TH ANNUAL REPORT FOR THE YEAR ENDED 30TH JUNE 2007

BOARD OF DIRECTORS

SRI.S.N.VARADARAJAN
CHAIRMAN & MANAGING DIRECTOR

SRI.VINOD NARSIMAN
CHIEF EXECUTIVE OFFICER

SRI S. INDERCHAND

SRI B. BALCHAND

SMT. D. PUSHPA VARADARAJAN

DR. S. RAMA IYER

SRI K.S. MAHADEVAN

SRI M.K. RAVINDRANATHAN, IAS (RETD.)
NOMINEE OF KSIDC

DR. A.K. SREEDHARAN

SMT. S. USHA
NOMINEE OF IDBI

SRI V MURALIDHARAN

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.
No.11, Street No.1
S.N. Layout, West Power House Road, Tatabad
COIMBATORE 641 012
Phone : 0422 - 6549995
e-mail : skdccbe@gmail.com

BANKERS

STATE BANK OF INDIA
STATE BANK OF TRAVANCORE
THE FEDERAL BANK LIMITED
INDUSTRIAL DEVELOPMENT BANK OF INDIA
LIMITED
AXIS BANK LIMITED

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 17th ANNUAL GENERAL MEETING

NOTICE is hereby given that the 17th Annual General Meeting of the Company will be held at Chamber Towers, 8/732 Avanashi Road, Coimbatore 641 018 on Thursday, the 13th day of December 2007 at 10.30 A.M. to transact the following business :

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

AGENDA

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 30th June, 2007 and Profit & Loss Account for the year ended on that date and the Reports of the Auditors and Directors of the Company.
2. To declare dividend on 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.

SPECIAL BUSINESS

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

Resolution :

"RESOLVED THAT in accordance with Schedule XIII read with Sections 198, 269 and 309 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or enactment thereof for the time being in force) and as per the Remuneration Committee's recommendation and approval of the Board of Directors of the Company, the consent of the Company be and is hereby given to the reappointment of Sri. Vinod Narsiman as Chief Executive Officer of the Company for a period of 5 years from 6.11.2007. The details of his remuneration is as follows and can be subject to review at any time during the period of his appointment.

1. Salary : Rs.50,000/- per month (Rupees Fifty Thousand only). This will include dearness allowance and all other allowances.
2. Commission : 1% of the net profits of the Company computed in accordance with section 349 of the Companies Act, 1956.
3. Perquisites : In addition to the above salary, the Chief Executive Officer is entitled for the following perquisites.
 - a. Company leased residential accommodation on recovery of 10% of the basic salary.
 - b. Expenditure for medical treatment incurred for self, wife and dependent children not exceeding one months' salary per annum or 3 months' salary over a period of 3 years.
 - c. Leave travel concession for self, wife and dependent children once in a year in accordance with the rules of the Company.
 - d. Fees of clubs of choice, however not exceeding 2 clubs, over and above admission fees payable.
 - e. Personal accident insurance premium not exceeding Rs.1,00,000/- per annum.
 - f. Company's contribution to Provident Fund as per rules of the Company and as laid down under the Income Tax Rules 1962.



- g. Contribution to superannuation fund / annuity as per rules of the Company.
- h. Gratuity as per rules of the Company, but not exceeding half a months' salary for each completed year of service.
- i. Encashment of leave at the end of the tenure as per the rules of the Company.
- J. Any other perquisites as may be allowed by the Board of Directors of the Company within the permissible limits.

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

- II. a. The Chief Executive Officer shall be entitled to reimbursement of all actual expenses including on entertainment and travelling incurred in the course of the Company's business.
- b. The Company shall provide a car with driver and telephone facility at the residence of the Chief Executive Officer. Provision of car with driver for use in connection with the Company's business and telephone facility at the residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purposes shall be billed by the Company to the Chief Executive Officer.
- III. In case the Company has no profits or its profits are inadequate in any financial year during the currency of the tenure of Sri. Vinod Narsiman as Chief Executive Officer of the Company, Sri. Vinod Narsiman shall be entitled to receive remuneration as above subject to the minimum remuneration specified in para 1(A) of Section II of part II of Schedule XIII of the Companies Act, 1956 as amended from time to time provided that the following perquisites shall not be included in the computation of remuneration.
 - (a) Company's contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
 - (b) Gratuity at a rate not exceeding half a month's salary for each completed year of service and
 - (c) Encashment of leave at the end of the tenure of office.
- IV. The appointment may be terminated by either side at any time by giving 3 months' notice in writing provided that in case termination is desired by the Company, payment of 3 months' salary in lieu of notice will be taken as sufficient.

"RESOLVED FURTHER THAT as the above appointee is already a Managing Director in Indsil Energy and Electrochemicals Limited and drawing remuneration from the said Company, the total remuneration drawn by him from both the companies shall not exceed the higher maximum limit admissible from this Company or the said Company."

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

"RESOLVED THAT Sri V. Muralidharan who has been appointed an Additional Director by the Board of Directors of the Company to hold office under the provisions of Section 260 of the Companies Act, 1956 upto the date of ensuing Annual General Meeting, and in respect of whom the Company has received a notice proposing his candidature for the office of Director be and is hereby appointed as Director of the Company, in the capacity of Independent and Non Executive Director, liable for retirement by rotation."

Place : Coimbatore
Date : 15.10.2007

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 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 the 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. The Register of Members, the Register of Beneficial Owners and Share Transfer Books of the Company will remain closed from 11.12.2007 to 13.12.2007. (Both days inclusive)
4. Details in respect of appointment / reappointment of Directors retiring by rotation, pursuant to Clause 49 of the Listing Agreement are annexed hitherto.
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 dividend 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 1998-99 were transferred to the abovesaid fund accordingly. Members who have not encashed their Dividend Warrants for the 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 address, 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 immediately.
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 the office hours (9.30 A.M to 5.30 P.M) on all working days except Holidays before the date of the Annual General Meeting.
13. Shareholders seeking any information with regard to accounts are requested to write to the Company seven days prior to the meeting 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 : 15.10.2007

By Order of the Board

Sd/-
S.MAHADEVAN
Company Secretary.



EXPLANATORY STATEMENT :

As required by Section 173 of the Companies Act, 1956, the following Explanatory Statement sets out all material facts relating to the business mentioned under Item Nos. 6 and 7 of the accompanying Notice dated 15.10.2007.

ITEM NO.6

Sri Vinod Narsiman was appointed as Chief Executive Officer of the Company for a period of 5 years from 6.11.2002 and his term of office expires on 5.11.2007. The Remuneration Committee of the Company at its meeting held on 15.10.2007 recommended to reappoint Sri Vinod Narsiman as Chief Executive Officer of the Company for a further period of 5 years on such remuneration, terms and conditions as set out in the proposed resolution. The remuneration and perquisites payable to Sri Vinod Narsiman are in line with the requirements of Schedule XIII of the Companies Act, 1956.

Sri Vinod Narsiman is aged 34 years. He is a B.E (Mechanical) and MBA (Finance) from the University of Michigan, Ann Arbor, Michigan, USA. His key technical strengths are in the areas of Mechanical engineering, smelting metallurgy processes, expertise in finance and corporate affairs.

He has been heading the Company as Executive Director and Chief Executive Officer since 6th November 1997.

None of the Directors other than Sri S.N. Varadarajan, Chairman & Managing Director, Smt. D. Pushpa Varadarajan, Director and Sri Vinod Narsiman, Chief Executive Officer are interested in this resolution.

The Board of Directors recommend the resolution and the same is placed before you for approval.

The foregoing material facts may also be treated as an abstract of the terms of Sri Vinod Narsiman's re-appointment as Chief Executive Officer for the purpose of Section 302 of the Companies Act, 1956.

ITEM NO.7

Sri V. Muralidharan was coopted as an Additional Director of the Company on 29th January, 2007 by the Board of Directors of the Company. According to the provisions of Section 260 of the Companies Act, 1956, he holds office as Additional Director till this Annual General Meeting. As required under the provisions of Section 257 of the Act, a Notice has been received from a member signifying his intention to propose the appointment of Mr. V. Muralidharan as a Director alongwith a deposit of Rupees five hundred. The Company is expected to benefit from his rich and varied experience.

The Board of Directors recommend the resolution and the same is placed before you for approval.

Save and except Mr. V. Muralidharan, none of the other directors of the Company, are, in any way, concerned or interested in the resolution.

Place : Coimbatore
Date : 15.10.2007

By Order of the Board

Sd/-
S.MAHADEVAN
Company Secretary.

Details of the Directors seeking appointment/reappointment at the forthcoming Annual General Meeting

Explanatory Statement for resolution no.6 relating to the reappointment of Sri.Vinod Narsiman as Chief Executive Officer contains the required details.

Mr. V. Muralidharan (Non Executive Director) was appointed as an Additional Director by the Board of Directors at their meeting held on 29th January 2007. He is backed by good experience in the areas relating to personnel and administration of factory functions. He is capable of discharging the functions of an Occupier under the Factories Act.

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.

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 21-04-96.

Place : Coimbatore
Date : 15.10.2007

By Order of the Board

Sd/-
S.MAHADEVAN
Company Secretary.



INDSIL

DIRECTORS' REPORT

To

The Shareholders,
Indsil Electrosmelts Limited,
'INDSIL HOUSE'
T.V Samy Road West
R.S. Puram
COIMBATORE 641 002.

Ladies and Gentlemen,

Your Directors have great pleasure in presenting the 17th Annual Report of your Company together with the Audited statement of accounts for the year ended 30th June 2007.

FINANCIAL RESULTS

Rs. in lakhs

Particulars	2006-07	2005-06
Profit before depreciation and Financial charges	1208.83	1088.35
Less : Financial charges	348.57	382.71
Profit before Depreciation	860.26	705.64
Less : Depreciation	346.27	345.76
Profit before tax	513.99	359.88
Less : Provision for Tax	46.00	21.97
Add : Deferred Tax asset	27.48	25.55
Less : Fringe benefit tax	5.70	5.50
Profit after tax	489.77	357.06
Add : Balance brought forward	831.58	581.36
Surplus available for appropriation	1321.35	939.32
Less : Transfer to General Reserve	25.00	--
Less: Proposed Dividend	141.74	94.49
Less: Tax on Proposed Dividend	24.09	13.25
Balance to be carried over to Balance sheet	1130.53	831.58
Paid-up equity share capital	944.91	944.91
Earnings per share	Rs.5.18	Rs.3.79
Book value per share	Rs.31.33	Rs.27.90

OPERATIONS:

The year 2006-07 witnessed a fairly good year of operation as compared to that of the previous year. PBT grew by around 42% and PBDIT improved by around 11%.

The improvement in performance largely came due to strong demand and consequently better price realizations for manganese alloy products worldwide.

The Company managed to record an improvement in performance despite the fact that the hydro electric power plant managed to generate only around 40 million units of power as compared to a figure of 52 million units during the previous year.

The value loss on account of this dip in hydro power generation was approximately Rs.3.82 crores for the year.

Therefore, the Company's overall performance has to be viewed from the above point of view.

A detailed view of performance and challenges ahead are discussed later under 'Management Discussion and Analysis' forming part of this report.

FUTURE PROSPECTS :

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

FINANCE :

Long term debt for your Company has come down to Rs.2087.71 lakhs as on 30.06.07 from Rs.2560.62 lakhs as on 30.06.06. The average interest cost is 10%.



INDSIL

DIVIDEND :

Your directors recommend payment of dividend at 15% on the equity share capital of Rs.94490750 for the year ended 30th June 2007. The dividend, if approved, will be paid to those members whose names appear on the Register of members of the Company as on the date of Annual General Meeting.

INSURANCE

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

ADDITIONAL DISCLOSURES

In line with the requirements of the Listing Agreement with the Stock Exchange, Management Discussion and Analysis Report, Corporate Governance Report, Segment Reporting and Related Party Disclosures are made part of this Annual Report.

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

The Board of Directors report

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

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.

DIRECTORS.

During the year under review, Sri Saji V. Mathew resigned from the Board with effect from 29th January, 2007 and the Board recorded its appreciation for the valuable service rendered by Sri.Saji V.Mathew during his tenure on the Board.

During the year under review, Sri.V.Muralidharan was co-opted as an Additional Director by the Board of Directors at its meeting held on 29th January, 2007 and his appointment as Director is placed before the shareholders at the forthcoming Annual General Meeting.

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

AUDITORS

M/s. K.S.G. Subramanyam & Co., Company's existing 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.

PARTICULARS REQUIRED UNDER SECTION 217 OF THE COMPANIES ACT, 1956.

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

Information in accordance with Sub-section (2A) of Section 217 of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 is not applicable to the Company as of now.



BANKERS

Besides State Bank of Travancore, The Federal Bank Limited, State Bank of India and Axis Bank Limited, facilities and services are being availed from Industrial Development Bank of India Limited as well. Your Company is maintaining Current Account with Citi Bank NA.

ACKNOWLEDGEMENT

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

Your Directors place on record their gratefulness to the shareholders for the trust they have reposed on them. They also appreciate the co-operation and contribution made by the Executives, Staff and Workers of the Company.

Place : Coimbatore
Date : 15.10.2007

For and on behalf of the Board

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



ANNEXURE 'A' TO DIRECTORS' REPORT

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

I. CONSERVATION OF ENERGY

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

II. TECHNOLOGY ABSORPTION

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

III. FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange Earnings and Outgo	Current Year 2006-07 (Rs.in lakhs)	Previous Year 2005-06 (Rs.in lakhs)
1. Earnings (Export)	1203.81	384.87
2. Expenditure in Foreign Currency		
a. Travel, Subscription & Others	4.03	11.07
b. Net dividend	2.31	2.18

- 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.



MANAGEMENT DISCUSSION AND ANALYSIS

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

a. INDUSTRY STRUCTURE AND DEVELOPMENTS :

The Company is part of the ferro alloy industry. The Company's products are consumed mostly by the stainless steel industry and a part of its production is consumed by the steel industry as well.

The boom in the ferro alloy prices was accompanied by a massive increase in the price of major inputs like manganese ore. After the correction, manganese ore prices did not correct proportionately and this led to severe losses in terms of operations across the ferro alloy industry in India and worldwide.

The ferro alloy industry has seen a major upward rise, both in demand and price realization during the year 2006-07. The manganese alloy industry in particular has seen a major bull run in prices of its respective commodities starting with pure manganese metal and stretching across the entire gamut of manganese alloy products.

All time high prices were reached by the industry during the last part of the year. The bull run has been mainly attributed to tightening supply from China, whose Government, imposed various export taxes on export of manganese alloy products last year. The Chinese Government's stated policy is to restrict exports of manganese alloy products thereby forcing the Chinese industry to concentrate on domestic supplies.

This shortage of material in China had to be made up by countries like India. The demand from the steel industry in India too had a significant bearing on the overall demand for manganese alloy products. Thus, a severe shortage in availability of manganese alloy was witnessed worldwide, especially in India and the industry saw a major upward correction and this positive uptick has been a sustained one.

Manganese ore is a key input for the production of manganese alloys and due to increase in demand from the manganese alloy industry, manganese ore prices have more than tripled over the last one year.

The manganese ore industry has also been witnessing major consolidation and merchant supply of material is gradually coming down.

b. OPPORTUNITIES AND THREATS :

The Company is one of the market leaders in the production and supply of Low carbon silico manganese. Over the past year, the Company has concentrated on securing long term arrangements with key customers. The Company has been quite successful on this front and managed to bag a couple of contracts with long term fixed price arrangements. This would help the Company tide over the cyclical nature of the industry in the short term.

The Company continues to scout for opportunities where medium term price realizations can be maximized with an effective product mix. Amongst threats, the scenario for manganese ore is developing into a major threat for the competitiveness of the manganese alloy industry.

Your Company imports around 20% of its needs and the balance is procured from mines in areas like Karnataka and Maharashtra. There is an expectation of continuing tightening in the manganese ore markets and this will result in major price increases for this commodity which will in turn affect the profitability of the manganese alloy industry. Apart from manganese ore, your Company's captive hydel power division depends on the strength of both the South West and North East monsoons during any year. The possibility of poor monsoons always remains a threat.

c. SEGMENTWISE PERFORMANCE :

SMELTER DIVISION :

The smelter division has had a fairly good year of operation as compared to that of the previous year. The PBDIT for 2006-07 was Rs. (1.57) crores as compared to Rs. (6.58) crores for the year 2005-06. As discussed above, the major reason for the improvement has been better average realization for its products.

POWER DIVISION :

The hydro electric power plant generated 39.67 Million units of power during the year 2006-07 as compared to 52.05 Million units in 2005-06. The PBDIT recorded by the hydel division for the year 2006-07 is Rs.13.65 crores as compared to Rs.17.46 crores in 2005-06.

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.,



The Company recorded an improved financial performance for the year 2006-07 with an overall growth of 42% in PBT and 11% in PBDIT. Gross Sales also grew by 26%. The Company recorded a PBT of Rs.513.99 lakhs in 2006-07 as compared to Rs.359.88 lakhs in 2005-06. It also recorded a PBDIT of Rs.1208.83 lakhs as compared of Rs. 1,088.35 lakhs during the previous year.

As explained earlier, improved financial performance can be attributed largely due to the improvement in global manganese alloy prices and growth in demand.

FUTURE PROSPECTS :

The global manganese alloy industry continues to grow and is showing signs of improved price realization and growth in demand.

Your Company has secured lucrative medium term and long term contracts for supply of Low carbon silico manganese till February 2008.

The contribution from the orders are expected to be robust and subject to the hydel division continuing to generate a good quantum of power, your Company could see continued growth in the financial performance numbers.

f) FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

Rs. in lakhs

Particulars	30th June, 2003	30th June, 2004	30th June, 2005	30th June, 2006	30th June, 2007
I OPERATING RESULTS :					
1. Sales (Gross)	4,174	6,759	7474	5779	7293
2. Operating Profit (PBDIT)	220	1,240	1820	1088	1209
3. Financial Charges & Interest	616	565	475	383	349
4. Depreciation	340	339	343	346	346
5. Taxes	(44)	(43)	125	1	24
6. Net Income (PAT)	(691)	379	877	358	490
7. Dividend Percentage	...	...	7.50%	10%	15%
Dividend Amount	...	...	71	94	142
Dividend Tax	...	...	10	13	24
8. Production :					
- Ferro Alloys (MT)	9,641	13,984	12955	10051	12673
- Power (Lakh KWH)	160	203	293	520	397
II.PERFORMANCE PARAMETERS:					
1. Share capital	945	945	945	945	945
2. Reserves & Surplus	279	645	1441	1692	2016
3. Secured & Unsecured loans	3,915	3,711	3600	2908	2218
4. Deferred liabilities	1,011	1255	1238	1213	1185
5. Fixed Assets (Gross Block)	7,597	7,582	7930	8246	8288
6. Accumulated Depreciation	1,538	1865	2203	2545	2891
7. Investments	29	18	18	18	18
8. Net Current Assets	59	822	1480	1040	951
9. Miscellaneous expenditure	3	--	--	--	--
III. RATIOS :					
1. Profit after tax/Sales (%)	(16.55)	5.61	11.74	6.18	6.72
2. Return on Net worth (%)	(56.57)	23.84	35.56	13.58	15.67
3. Earnings per share (Rs.)	(7.32)	4.01	9.28	3.79	5.18
4. Cash Earnings per share (Rs.)	(3.72)	7.60	12.92	7.45	8.85
5. Debt Equity ratio	3.19	2.33	1.46	1.10	0.71
6. Book Value per share (Rs.)	12.93	16.83	26.11	27.90	31.33

g) 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

Place : Coimbatore
Date : 15.10.2007

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



REPORT ON CORPORATE GOVERNANCE

As required by Clause 49 of the Listing Agreement with Stock Exchange, a report on corporate governance is furnished here below.

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

INDSIL is committed to 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 requirement 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 eleven members who in turn, in their individual capacity, bring collective wisdom to the welfare of the Company.

The present Board of Directors consists of :

Two Whole- time (Executive) Directors namely Sri S.N. Varadarajan, Chairman & Managing Director and Sri Vinod Narsiman, Chief Executive Officer. Both of them are Non Independent Directors.

Two Non Executive Directors namely Sri. M.K. Ravindranathan (IAS Retd) nominated by Kerala State Industrial Development Corporation Ltd. (KSIDC) and Smt. S. Usha nominated by Industrial Development Bank of India Ltd., (IDBI) both of them are 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 V. Muralidharan. Dr. S. Rama Iyer and Smt. D. Pushpa Varadarajan are Non Independent Directors and the other five Directors are Independent Directors. Thus the Board has seven Independent Directors.

b. Board Meetings and attendance

During the year five Board meetings were held and the gap between two meetings did not exceed four months. The Board meetings were held on 31.07.2006, 25.10.2006, 18.12.2006, 29.01.2007 and 23.04.2007.

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

Name of the Directors	Board Meetings	Audit Committee	Shareholders/ Investors Grievance Committee	Share Transfer Committee	Last AGM Attended (Yes/No)	No. of shares held by non- Executive Directors
Sri S.N. Varadarajan	4	-	-	-	Y	N.A
Sri Vinod Narsiman	5	-	-	-	Y	N.A
Smt. D. Pushpa Varadarajan	4	-	1	16	Y	318125
Sri S. Inderchand	5	4	1	16	Y	79724
Sri B. Balchand	4	-	-	-	Y	40000
Sri K.S. Mahadevan	1	-	-	-	N	55800
Sri M.K. Ravindranathan IAS(Retd)	4	3	-	-	Y	--
Dr. S. Rama Iyer	1	-	-	-	N	--
Dr. A.K. Sreedharan	5	4	-	-	Y	--
Smt. S. Usha	5	-	-	-	Y	--
Sri Saji V. Mathew (Resigned on 29.01.07)	2	-	-	-	Y	--
Sri V. Muralidharan	1	-	-	-	N.A	--



c. Directorship and Membership held in other companies

Name of the Directors	Directorship held in other Companies		Committee Memberships held in other Companies	
	As Member	As Chairman	As Member	As Chairman
Sri S.N. Varadarajan	5	2	--	--
Sri Vinod Narsiman	6	--	--	--
Smt. D. Pushpa Varadarajan	5	--	--	--
Sri S. Inderchand	1	--	--	--
Sri B. Balchand	-	1	--	--
Sri K.S. Mahadevan	-	-	--	--
Sri M.K. Ravindranathan IAS (Retd.)	-	-	--	--
Dr. S. Rama Iyer	4	2	--	--
Dr. A.K. Sreedharan	1	-	--	--
Smt.S. Usha	1	-	--	--
Sri V. Muralidharan	1	-	--	--

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

d. Changes in the composition of Directors during the financial year 2006-07

Sri.Saji V. Mathew resigned from the position of Director with effect from 29th January, 2007 Sri.V.Muralidharan was co-opted as an Additional Director with effect from 29th January, 2007

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 2006-07

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

At present, the Company pays only sitting fees to all the Non Executive Directors at the rate of Rs.500/- for attending each meeting of the Board and/or Committee thereof in terms of Clause 70 of Articles of Association of the Company.

AUDIT COMMITTEE

The Company has an audit committee with scope of activities as set out in Clause 49 of the Listing Agreement with the stock exchange read with Section 292 A of the Companies Act, 1956. The broad terms of reference of the audit committee are as under :

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.

The audit committee presently consists of three Independent Non Executive Directors viz. Dr. A.K. Sreedharan, as Chairman and Sri S. Inderchand and Sri. M.K. Ravindranathan IAS (Retd.) as members.

Company Secretary of the Company is the Secretary of the committee.

The committee met 4 times during the year on 31.07.2006, 25.10.2006, 29.01.2007 and 23.04.2007.

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

Members	Committee meetings attended
Dr. A.K.Sreedharan	4
Sri. M.K.Ravindranathan, IAS (Retd.)	3
Sri. S.Inderchand	4

The Chairman of the committee Dr. A.K. Sreedharan was present at the Annual General Meeting held on 18th December 2006.



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 03-07-2007 and reviewed the grievances/complaints received and the action taken on the grievances/complaints.

Complaints Status : 01.07.2006 to 30.06.2007

- Number of shareholders' complaints received so far (including dividend revalidation requests, non receipt of dividend warrant and non receipt of Annual Reports) : 9
- 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 split 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 2006-07, 16 meetings of the Committee were held on

10-07-2006	05-08-2006	02-09-2006	23-09-2006	04-11-2006	04-11-2006
25-11-2006	15-12-2006	06-01-2007	17-02-2007	10-03-2007	30-03-2007
13-04-2007	05-05-2007	26-05-2007	27-06-2007		

The number of share transfer committee meetings attended by the Directors is as follows :

Members	Committee meetings attended
Sri.S.Inderchand	16
Smt.D.Pushpa Varadarajan	16

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.M.K.Ravindranathan, I.A.S. (Retd) (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 Remuneration Committee was constituted on 8.10.2002. The committee met on 15.10.2007 and recommended the remuneration of Sri Vinod Narsiman, Chief Executive Officer whose reappointment is placed before the shareholders for approval in this Annual General Meeting.



GENERAL BODY MEETINGS

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

Year	Location	Date	Time
2006	Chamber Towers 8/732 Avanashi Road Coimbatore 641 018	18-12-2006	10.15 A.M.
2005	Chamber Towers 8/732 Avanashi Road Coimbatore 641 018	19-12-2005	10.15 A.M.
2004	Chamber Towers 8/732 Avanashi Road Coimbatore 641 018	13-12-2004	10.15 A.M.

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

DISCLOSURES

1. Disclosure on related party transactions i.e transactions of the Company with its promoters, directors or the management, relatives, bodies corporate in which the directors are interested etc., are annexed elsewhere in the Annual Report. There is no materially significant related party transaction that would have been a potential conflict with the interests of the Company at large.
2. No penalties / strictures were imposed on the Company by Stock Exchanges or SEBI or any other statutory authorities on any matter relating to shareholders' complaints on account of non-compliance with any requirements, legal and otherwise.
3. In compliance of Clause 49(1)(B) of the Listing Agreement, it is disclosed that the Company does not have any pecuniary relationship or transactions with its Non Executive Directors during the financial year ended 30th June 2007.
4. The Company has scrupulously complied with all the mandatory requirements and the Company has at present not adopted the non mandatory requirements of corporate governance except for certain clauses regarding remuneration committee. However in line with its policy to ever improve the good corporate governance practices it is proposed to adopt all such practices in due course of time.
5. The Company has not yet established a mechanism for Whistle Blower Policy. However, no personnel have been denied access to the Audit Committee.
6. Accounting Standards and Treatment :
The accounting treatment as prescribed in the Accounting Standards has been followed in the preparation of financial statements.

MEANS OF COMMUNICATION

Quarterly results, dividend announcements, book closure/record dates are intimated to the Stock Exchange where the Company's shares are listed and also published in the Newspapers either in Business Line or Business Standard 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.

Half yearly results of the Company are published in the newspapers as per the listing requirements. Report on quarterly financial performance are being sent to the shareholders to their registered addresses after the Board Meeting is held for considering the unaudited quarterly results of the Company.

Quarterly results of the Company can be viewed at the Company's website i.e. www.indsil.com

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



GENERAL SHAREHOLDER INFORMATION

1. Annual General Meeting

- a. Date : 13-12-2007 (Thursday)
b. Time : 10.30 A.M.
c. Venue : Chamber Towers
8/732 Avanashi Road
Coimbatore 641 018

2. Financial Calendar

- Financial reporting for the quarter ended September 30,2007 : 15th October, 2007
Financial reporting for the quarter ending December 31,2007 : By January, 2008
Financial reporting for the quarter ending March 31,2008 : By April, 2008
Financial reporting for the quarter ending June 30,2008 : By July, 2008
Annual General Meeting for the year ending 30th June 2008 : Within 6 months from the close of accounting year.

3. Date of Book Closure : 11.12.2007 to 13.12.2007

4. Dividend payment : Dividend amount, if approved will be paid within the stipulated time as prescribed.

5. Listing on Stock Exchange & Stock code : The Bombay Stock Exchange Ltd. 522165

6. Stock price data.

High / Low prices during the financial year 2006-07 on The Bombay Stock Exchange Ltd.

Month & Year	High (Rs.)	Low (Rs.)
July-2006	26.50	20.00
August-2006	28.95	20.90
September-2006	29.85	23.65
October-2006	31.95	25.20
November-2006	28.00	22.50
December-2006	34.25	25.05
January-2007	41.50	28.80
February-2007	39.00	28.00
March-2007	32.00	25.00
April-2007	29.70	25.10
May-2007	34.95	26.90
June-2007	36.65	29.00

**7. Categories of Shareholders as on 30th June, 2007**

Category of Shareholder	No. of Shareholders	No. of shares	% of Holding
Promoters Shareholding			
Indian			
Individuals / Hindu Undivided Family	12	2076284	21.97
Bodies Corporate	1	2529500	26.77
Sub Total - A	13	4605784	48.74
Public Shareholding			
Institutions			
Mutual Funds / UTI	2	2700	0.03
Central Government / State Government(s)	1	632500	6.69
Sub-Total - B	3	635200	6.72
Non-institutions			
Bodies Corporate	146	531737	0.06
Resident Individuals	6370	3435434	36.36
Non-Resident Indians	300	240920	2.55
Sub-Total - C	6816	4208091	44.53
GRAND TOTAL (A+B+C)	6832	9449075	100.00

8. Registrar and Transfer Agents.

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

9. Share Transfer System

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

10. Distribution of shareholdings as on 30th June 2007.

Range (Value in Rs.)	No. of Shareholders	%held (% No. of Persons)	Face value of shares (Rs.)	% held (% Value)
Up to 5000	5849	85.61	10666590	11.29
5001 to 10000	515	7.54	4397030	4.65
10001 to 20000	239	3.50	3655820	3.87
20001 to 30000	74	1.08	1896030	2.01
30001 to 40000	31	0.45	1115080	1.18
40001 to 50000	27	0.40	1308120	1.38
50001 to 100000	44	0.64	3174240	3.36
100001 and above	53	0.78	68277840	72.26
TOTAL	6832	100.00	94490750	100.00

11. Dematerialisation of shareholdings and liquidity

As on 30.6.2007, 8811488 shares constituting 93.25% 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 Practising Company Secretary 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 Electrosmelts Limited,
"INDSIL HOUSE", T.V. Samy Road, West
R.S. Puram, Coimbatore 641 002.

Phone : (+91/0) (422) 2554922, 23, 24

Fax : (+91/0) (422) 2554925

e-Mail : indsilho@indsil.com

17. Compliance Officer

Mr. S. Mahadevan
Company Secretary

Direct Phone : (+91/0) (422) 2554921

e-mail : mahadevan@indsil.com

Place : Coimbatore

Date : 15.10.2007

For and On behalf of the Board
Sd/-

S.N. VARADARAJAN
Chairman & Managing Director.



INDSIL

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

As the Chairman & Managing Director of Indsil Electrosmelts 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 Electrosmelts Limited have affirmed compliance with the Code of Conduct adopted by the Company for the year 2006-07.

Place : Coimbatore
Date : 15.10.2007

For **INDSIL ELECTROSMELTS LIMITED**

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

AUDITORS' CERTIFICATE

To

The Members of **INDSIL ELECTROSMELTS LIMITED**

We have examined the compliance of conditions of Corporate Governance by Indsil Electrosmelts Limited, for the year ended 30th June 2007, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchange.

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 **KSG SUBRAMANYAM & CO.**,
Chartered Accountants

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

Place : Coimbatore
Date : 15.10.2007



AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the attached Balance Sheet of **INDSIL ELECTROSMELTS LIMITED, Coimbatore** as at 30th June 2007 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, issued by the Department of Company Affairs in terms of Section 227(4A) of the Companies Act 1956 and on the basis of the information and explanations given to us and the books and records examined by us in the normal course of our audit and to the best of our knowledge and belief, we annex hereto a statement on the matters specified in paragraph 4 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph 1 above, we report that
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit.
 - b) In our opinion, proper books of account, as required by law, have been kept by the Company so far as appears from our examination of such books.
 - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the mandatory Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956, to the extent applicable.
 - e) On the basis of written representations received from the Directors of the Company and taken on record by the Board of Directors, and the information and explanations given to us, we report that none of the Directors is prima facie disqualified as on 30th June, 2007 from being appointed as a Director in terms of Section 274 (1)(g) of the Companies Act, 1956
 - f) In our opinion and to the best of our information and according to the explanations given to us, the Balance sheet, Profit and Loss Account and Cash Flow Statement dealt with by this Report read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, in the case of the:
 - 1) Balance sheet, of the state of affairs of the Company as at 30th June 2007;
 - 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 : 15.10.2007

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

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



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

(Referred to in paragraph 1 of our report of even date to the members of Indsil Electrosmelts 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, the fixed assets of the Company have been physically verified by the management at reasonable intervals during the year and 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 and no material discrepancies were noticed on physical verification.

3)

- (a) The Company has not granted any loans, secured or unsecured, to / from companies, firms or from 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, to / 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, the particulars of contracts or arrangements referred to in Section 301 have been entered into the Register required to be maintained under that section.
- (b) The transactions 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, Customs Duty, Excise Duty, cess and any other statutory dues with the appropriate authorities.
- (b) The following statutory dues have not been deposited on account of dispute:

S.No.	Nature of the Dues	Amount (Rs.Lacs)	Forum where dispute is pending
1.	Sales tax for the years 1994-95 and 1997-98	0.97	Assistant Commissioner of Sales Tax (Appeals)
2.	ESI dues for the years 2001 to 2002	0.53	ESI Court

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 year 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)

Term loans have been applied for the purpose for which the loans were obtained.

13)

Funds raised on short-term basis have not been used for long term investment.

14)

No fraud on or by the Company has been noticed or reported during the year.

15)

The other clauses of the Order are not applicable to the Company.

Place : Coimbatore
Date : 15.10.2007

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

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



INDSIL

BALANCE SHEET AS AT 30TH JUNE 2007

PARTICULARS	SCHEDULE NO	30.6.2007		30.6.2006	
		Amount (Rs.)	Amount (Rs.)	Amount (Rs.)	Amount (Rs.)
SOURCES OF FUNDS					
SHAREHOLDERS FUNDS :					
Share Capital	I		9,44,90,750		9,44,90,750
Reserves & Surplus	II		20,15,59,571		16,91,65,498
LOAN FUNDS :					
Secured Loans	III		22,18,19,295		29,08,05,240
Provision for Deferred Liability	IV		11,09,49,430		11,09,49,430
Deferred Tax Liability (Net)			76,30,436		1,03,78,011
TOTAL			63,64,49,482		67,57,88,928
APPLICATION OF FUNDS					
FIXED ASSETS					
Gross Block	V		82,87,57,612		82,45,79,176
Less : Depreciation Reserve			28,91,44,690		25,45,48,121
			53,96,12,922		57,00,31,055
Investments	VI		17,55,000		17,55,000
CURRENT ASSETS, LOANS & ADVANCES					
Inventories	VII		13,68,21,034		13,80,81,254
Sundry Debtors			1,43,32,005		4,29,54,582
Cash & Bank Balances			94,95,186		1,52,33,839
Loans & Advances			2,94,78,643		2,36,26,490
			19,01,26,868		21,98,96,165
Less : Current Liabilities & Provisions	VIII		9,50,45,308		11,58,93,291
			9,50,81,560		10,40,02,874
TOTAL			63,64,49,482		67,57,88,928

As per our Report of even date

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

Chartered Accountants

Sd/-

T.C. KERALA VARMA RAJA

Partner

Membership No.6932

Place : Coimbatore

Date : 15.10.2007

Sd/-

S.N. VARADARAJAN

Chairman & Managing Director

Sd/-

S. INDERCHAND

Director

Sd/-

VINOD NARSIMAN

Chief Executive Officer

Sd/-

S. MAHADEVAN

Company Secretary



INDSIL

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2007

PARTICULARS	SCHEDULE NO	30.6.2007		30.6.2006	
		Amount (Rs.)	Amount (Rs.)	Amount (Rs.)	Amount (Rs.)
INCOME					
<i>Gross Sales</i>					
<i>Smelter</i>					
Export		12,18,50,199		3,84,87,132	
Domestic		46,65,62,804		36,03,11,255	
		<u>58,84,13,003</u>		<u>39,87,98,387</u>	
<i>Power</i>		14,08,77,294		17,91,33,065	
		<u>72,92,90,297</u>		<u>57,79,31,452</u>	
Less : Excise Duty		6,41,42,861		5,10,06,822	
Net Sales		<u>66,51,47,436</u>		<u>52,69,24,630</u>	
Less: Interdivisional sale of power		14,08,77,294		17,91,33,065	
		<u>52,42,70,142</u>		<u>34,77,91,565</u>	
Profit on Sale of Import Licences		32,44,718		12,32,992	
Other income		17,61,284		22,394	
Increase / (Decrease) in Stock of Finished Goods	IX	(-) 91,11,527		(-) 1,69,62,622	
		<u>52,01,64,617</u>		<u>33,20,84,329</u>	
EXPENDITURE					
Consumption of Raw Materials	X	21,24,22,901		14,08,07,374	
Manufacturing Expenses (Net of interdivisional purchase of power)	XI	12,28,98,313		3,66,74,782	
Selling Expenses	XII	3,47,81,512		1,82,64,988	
Administrative Expenses	XIII	2,91,79,194		2,75,02,276	
		<u>39,92,81,920</u>		<u>22,32,49,420</u>	
Profit before Depreciation, Financial charges & Interest		12,08,82,697		10,88,34,909	
Financial Charges & Interest	XIV	3,48,56,666		3,82,70,643	
Profit before Depreciation & Taxes		8,60,26,031		7,05,64,266	
Depreciation		3,46,27,114		3,45,75,815	
Profit before Taxes		5,13,98,917		3,59,88,451	
Add : Deferred Tax Asset		27,47,575		25,55,072	
Less : Provision for taxation - Current		(-) 46,00,000		(-) 19,00,000	
Less : Provision for taxation - Prior years		-		(-) 2,96,743	
Less : Provision for Fringe Benefit tax		(-) 5,70,000		(-) 5,50,000	
		<u>4,89,76,492</u>		<u>3,57,96,780</u>	
Profit after Taxes		4,89,76,492		3,57,96,780	
Add : Balance of Profit b/f		8,31,58,514		5,81,36,042	
		<u>13,21,35,006</u>		<u>9,39,32,822</u>	
Amount available for Appropriation		<u>13,21,35,006</u>		<u>9,39,32,822</u>	
Appropriations :					
Transfer to General Reserve		25,00,000		-	
Proposed Dividend		1,41,73,612		94,49,075	
Tax on Proposed Dividend		24,08,806		13,25,233	
Nett balance carried to Balance Sheet		<u>11,30,52,587</u>		<u>8,31,58,514</u>	
		<u>13,21,35,006</u>		<u>9,39,32,822</u>	

As per our Report of even date

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

Chartered Accountants

Sd/-

T.C. KERALA VARMA RAJA

Partner

Membership No.6932

Place : Coimbatore

Date : 15.10.2007

Sd/-

S.N. VARADARAJAN

Chairman & Managing Director

Sd/-

S. INDERCHAND

Director

Sd/-

VINOD NARSIMAN

Chief Executive Officer

Sd/-

S. MAHADEVAN

Company Secretary

**SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 30TH JUNE 2007**

SCH. NO	PARTICULARS	30.6.2007		30.6.2006	
		Amount (Rs.)	Amount (Rs.)	Amount (Rs.)	Amount (Rs.)
I	SHARE CAPITAL				
	Authorized:				
	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
			<u>25,00,00,000</u>		<u>25,00,00,000</u>
	Issued, Subscribed and paid up				
	94,49,075 Equity shares of Rs.10/- each fully paid up		9,44,90,750		9,44,90,750
			<u>9,44,90,750</u>		<u>9,44,90,750</u>
II	RESERVES & SURPLUS				
	State Subsidy		15,00,000		15,00,000
	Share Premium		76,99,811		76,99,811
	General Reserve Balance as on 1.7.06	7,68,07,173			
	Add : Transfer from Profit & Loss Appropriation Account	25,00,000			
			7,93,07,173		7,68,07,173
	Surplus in Profit & Loss Account		11,30,52,587		8,31,58,514
			<u>20,15,59,571</u>		<u>16,91,65,498</u>
III	SECURED LOANS				
	Term Loans from				
	Industrial Development Bank of India Ltd	5,67,12,237		7,40,61,837	
	The Federal Bank Limited	8,40,24,569		10,19,99,810	
	State Bank of India	6,80,34,268		8,00,00,000	
			<u>20,87,71,074</u>		<u>25,60,61,647</u>
	Cash Credit from				
	Industrial Development Bank of India Ltd	51,01,509		2,00,00,000	
	State Bank of Travancore	79,46,712		37,58,153	
	The Federal Bank Limited	-		1,09,85,440	
			1,30,48,221		3,47,43,593
			<u>22,18,19,295</u>		<u>29,08,05,240</u>
IV	PROVISION FOR DEFERRED LIABILITY				
	Electricity charges		11,09,49,430		11,09,49,430



SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 30TH JUNE, 2007
SCHEDULE V - FIXED ASSETS

Particulars	Gross Block			Depreciation		Nett Block			
	Cost as on 1.7.2006	Additions	Deletions	Cost as on 30.6.2007	Upto 30.6.2006 For the year	Withdrawn on deletions	Upto 30.6.2007	WDV As on 30.6.2007	WDV As on 30.6.2006
Land	2,09,04,943	-	-	2,09,04,943	-	-	-	2,09,04,943	2,09,04,943
Buildings	27,62,64,169	49,44,630	-	28,12,08,799	6,13,19,383	-	7,05,97,728	21,06,11,071	21,49,44,786
Plant & Machinery	38,75,32,261	36,39,891	-	39,11,72,152	14,80,63,294	-	16,85,60,798	22,26,11,354	23,94,68,967
Electrical Installation	2,05,76,135	29,750	-	2,06,05,885	1,52,72,516	-	1,67,28,038	38,77,847	53,03,619
Pollution Control Equipments	1,77,86,788	-	-	1,77,86,788	96,56,791	-	105,95,933	71,90,855	81,29,997
Water Treatment Plant	61,82,332	-	-	61,82,332	34,00,295	-	37,26,722	24,55,610	27,82,037
Workshop Equipments	7,18,353	-	-	7,18,353	5,40,572	-	5,91,360	1,26,993	1,77,781
Laboratory Equipments	4,88,876	-	-	4,88,876	3,29,104	-	3,54,917	1,33,959	1,59,772
Fire Fighting Equipments	50,616	-	-	50,616	35,281	-	38,859	11,757	15,335
Air Conditioner	12,04,667	83,500	-	12,88,167	6,34,796	-	6,92,040	5,96,127	5,69,871
Air Cooler	8,950	-	-	8,950	7,225	-	7,858	1,092	1,725
Electrical Fittings	2,76,264	-	-	2,76,264	2,38,092	-	2,57,624	18,640	38,172
Office Equipments	22,42,962	1,34,763	-	23,77,725	9,16,517	-	10,26,185	13,51,540	13,26,445
Generator	17,33,386	-	-	17,33,386	12,07,054	-	13,29,605	4,03,781	5,26,332
Weighing Scale	74,189	-	-	74,189	39,356	-	42,880	31,309	34,833
Computer	26,54,823	3,26,585	-	29,81,408	21,66,679	-	23,28,663	6,52,745	4,88,144
Vehicles	55,05,983	-	30,545	54,75,438	32,97,477	-	36,46,207	18,29,231	22,08,506
Tractor & Trailer	12,10,128	-	-	12,10,128	9,69,665	-	10,73,815	1,36,313	2,40,463
Furnitures & Fixtures	31,42,784	3,14,786	-	34,57,570	19,29,161	-	21,30,458	13,27,112	12,13,623
Transmission Lines	2,67,04,115	-	-	2,67,04,115	45,24,863	-	54,15,000	2,12,89,115	2,21,79,252
Capital W.I.P	77,52,62,724	94,73,905	30,545	78,47,06,084	25,45,48,121	30,545	28,91,44,690	49,55,61,394	52,07,14,603
	4,93,16,452	-	52,64,924	4,40,51,528	-	-	-	4,40,51,528	4,93,16,452
TOTAL	82,45,79,176	94,73,905	52,95,469	82,87,57,612	25,45,48,121	30,545	28,91,44,690	53,96,12,922	57,00,31,055
Figures for Previous Year	79,29,99,097	3,21,38,141	5,58,062	82,45,79,176	22,03,10,267	3,45,75,815	25,45,48,121	57,00,31,055	57,26,88,830

**SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 30TH JUNE 2007**

SCH. NO	PARTICULARS	30.6.2007		30.6.2006	
		Amount (Rs.)	Amount (Rs.)	Amount (Rs.)	Amount (Rs.)
VI	INVESTMENTS				
	<i>Unquoted (At Cost)</i>				
	1,50,000 equity shares of Rs.10/- each in Malayalam Communications Ltd.,		15,00,000		15,00,000
	25,500 equity shares of Rs.10/- each in Indsil Energy & Electrochemicals Ltd.,		2,55,000		2,55,000
			17,55,000		17,55,000
VII	CURRENT ASSETS, LOANS & ADVANCES				
	1. INVENTORIES				
	Raw Materials		9,56,66,178		8,79,66,051
	Finished Goods		2,93,68,461		3,84,79,988
	Consumables		1,53,792		2,44,714
	Stores & Spares		99,44,533		97,98,986
	Work in Progress		15,36,210		15,25,874
	Packing Materials		1,51,861		65,641
			13,68,21,034		13,80,81,254
	2. SUNDRY DEBTORS				
	(Unsecured, Considered Good)				
	Debts exceeding 6 months		-		-
	Other Debts		1,43,32,005		4,29,54,582
			1,43,32,005		4,29,54,582
	3. CASH & BANK BALANCES				
	Cash on Hand		61,973		1,59,639
	Balances with Banks				
	- in Current Accounts	22,55,754		58,24,320	
	- in Fixed Deposits	65,82,969		87,31,190	
	- in Unpaid Dividend Accounts	5,94,490		5,18,690	
			94,33,213		1,50,74,200
			94,95,186		1,52,33,839
	4. LOANS & ADVANCES				
	Advances for Equipments & Purchases		92,94,615		35,18,217
	Cenvat Claim Receivable		10,89,060		26,21,698
	Deposits / Other Amounts Recoverable		1,47,47,827		1,17,49,816
	Prepaid Expenses		39,96,357		54,35,785
	Staff Advances		3,50,784		3,00,974
			2,94,78,643		2,36,26,490

**SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 30TH JUNE 2007**

SCH. NO	PARTICULARS	30.6.2007		30.6.2006	
		Amount (Rs.)	Amount (Rs.)	Amount (Rs.)	Amount (Rs.)
VIII	CURRENT LIABILITIES & PROVISIONS				
	A. CURRENT LIABILITIES :				
	Sundry Creditors				
	Creditors for Purchases (Includes dues to small Scale undertakings Rs. NIL)	2,52,01,387		3,55,95,129	
	Creditors for Equipments & Capital goods	14,44,323		16,62,378	
	Creditors for Expenses	1,27,63,060		1,79,31,690	
			3,94,08,770		5,51,89,197
	Other statutory liabilities		21,44,772		28,97,881
	Advance against supplies		1,86,141		4,43,013
	Outstanding expenses		2,55,66,685		3,67,31,869
	Investor Protection & Education Fund Items - Not due		5,93,490		5,16,690
	-- Unpaid dividends				
	TOTAL (A)		6,78,99,858		9,57,78,650
	B. PROVISIONS :				
	Provision for Gratuity		47,85,000		42,75,000
	Provision for taxation (net of advance taxes)		57,78,031		50,65,333
	Proposed Dividend		1,41,73,613		94,49,075
	Tax on Proposed Dividend		24,08,806		13,25,233
	TOTAL (B)		2,71,45,450		2,01,14,641
	TOTAL (A+B).....		9,50,45,308		11,58,93,291

As per our Report of even date

For **K.S.G. SUBRAMANYAM & CO**
Chartered AccountantsSd/-
T.C. KERALA VARMA RAJA
Partner
Membership No.6932Place : Coimbatore
Date : 15.10.2007Sd/-
S.N. VARADARAJAN
Chairman & Managing DirectorSd/-
S. INDERCHAND
DirectorSd/-
VINOD NARSIMAN
Chief Executive OfficerSd/-
S. MAHADEVAN
Company Secretary

**SCHEDULES ANNEXED TO AND FORMING PART OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 2007.**

SCH. NO	PARTICULARS	30.6.2007		30.6.2006	
		Amount (Rs)	Amount (Rs)	Amount (Rs)	Amount (Rs)
IX	INCREASE / DECREASE IN STOCK OF FINISHED GOODS				
	Closing Stock		2,93,68,461		3,84,79,988
	Opening Stock		3,84,79,988		5,54,42,610
			<u>(-) 91,11,527</u>		<u>(-) 1,69,62,622</u>
X	CONSUMPTION OF RAW MATERIALS				
	Opening Stock				
	Raw Materials	8,79,66,051		10,91,15,160	
	Consumables	2,44,714		80,159	
	Work-in-Progress	15,25,874		12,70,462	
			<u>8,97,36,639</u>		<u>11,04,65,781</u>
	Add : Purchases				
	Raw Materials & Consumables	16,55,08,534		7,56,24,863	
	Carriage Inwards	5,45,33,908		4,44,53,370	
			<u>22,00,42,442</u>		<u>12,00,78,232</u>
	Less : Closing Stock				
	Raw Materials	9,56,66,178		8,79,66,051	
	Consumables	1,53,792		2,44,714	
	Work-in-Progress	15,36,210		15,25,874	
			<u>9,73,56,180</u>		<u>8,97,36,639</u>
			<u>21,24,22,901</u>		<u>14,08,07,374</u>
XI	MANUFACTURING EXPENSES				
	Salary, Wages & Bonus - Factory		1,53,10,132		1,50,18,514
	Provision for Gratuity		4,30,000		2,20,000
	Electricity Charges (Net of interdivisional purchase of power)		9,89,46,265		1,68,00,538
	Repairs & Maintenance - Buildings		4,70,555		2,56,405
	Repairs & Maintenance - Plant		69,89,204		38,64,222
	Repairs & Maintenance - Electricals		2,05,300		1,03,787
	Repairs & Maintenance - Others		5,46,857		4,11,316
			<u>12,28,98,313</u>		<u>3,66,74,782</u>
XII	SELLING EXPENSES				
	Packing Materials		23,61,902		21,30,002
	Freight outward & Forwarding Expenses		2,41,86,150		1,11,89,310
	Royalty on Sales		49,96,658		33,84,785
	Advertisement		12,92,212		6,72,792
	Sales commission		18,43,160		7,55,911
	Other Sales Promotion Expenses		1,01,430		1,32,188
			<u>3,47,81,512</u>		<u>1,82,64,988</u>



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SCHEDULES ANNEXED TO AND FORMING PART OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 2007.

SCH. NO	PARTICULARS	30.6.2007 Amount (Rs.)	30.6.2006 Amount (Rs.)
XIII	ADMINISTRATIVE EXPENSES		
	Rent	14,90,882	14,38,618
	Salaries & Bonus - Admn. Office	41,53,604	41,14,448
	Contribution to Provident Fund	11,06,871	10,55,645
	Contribution to ESI	7,59,051	5,19,720
	Provision for Gratuity	80,000	80,000
	Staff & Labour Welfare Expenses	30,28,281	26,07,534
	Sitting Fees	42,000	42,500
	Chairman & Managing Director's Remuneration	24,10,401	19,27,458
	Chief Executive Officer's Remuneration	2,24,434	2,19,924
	Insurance	12,90,593	14,10,600
	Security Service Charges	10,71,431	11,22,355
	Building Maintenance	5,25,145	3,89,314
	Garden Maintenance	2,36,229	2,14,435
	Printing & Stationery	5,40,058	4,07,847
	Postage, Telephone & Telegram	15,20,657	17,05,934
	Travelling & Conveyance	32,95,993	34,58,049
	Petrol & Vehicle Maintenance	10,54,174	12,21,350
	Rates & Taxes	6,45,619	6,44,541
	Legal Fees	6,91,200	5,58,000
	Auditor's Remuneration	80,000	80,000
	Professional & Consultancy Fees	13,31,655	22,32,180
	Subscriptions	17,65,858	17,09,032
	Miscellaneous Expenses	18,35,058	3,42,792
		2,91,79,194	2,75,02,276
XIV	FINANCIALCHARGES		
	Bank Charges	38,06,540	30,92,295
	Interest on Bills Discounted	43,96,973	26,88,336
	Interest on Cash Credit/WCDL		
	- The Federal Bank Limited	2,61,222	1,46,416
	- State Bank of Travancore	7,85,428	3,65,756
	- Industrial Development Bank of India Ltd.	13,87,083	12,43,700
	Interest on Term Loans		
	- State Bank of India	76,72,548	93,36,505
	- The Federal Bank Limited	85,12,777	1,06,91,575
	- Industrial Development Bank of India Ltd.	83,87,415	99,53,089
	Interest on Infrastructure Bonds	-	2,43,493
	Interest to State Bank of India on buyers' credit facility	-	8,64,765
	Exchange fluctuation	(22,733)	33,057
		3,51,87,253	3,86,58,987
	Less : Interest receipts	3,30,587	3,88,344
		3,48,56,666	3,82,70,643

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

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

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

Sd/-
VINOD NARSIMAN
Chief Executive Officer

Place : Coimbatore
Date : 15.10.2007

Sd/-
S. INDERCHAND
Director

Sd/-
S. MAHADEVAN
Company Secretary



NOTES FORMING PART OF PROFIT AND LOSS ACCOUNT AND BALANCE SHEET AS ON 30th JUNE 2007

1. SIGNIFICANT ACCOUNTING POLICIES

a) Accounting Convention :

- i) The Financial statements have been prepared under the historical cost convention on the basis of a going concern and in accordance with applicable accounting standards referred to in Section 211 (3c) of the Companies Act, 1956.

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 of the Companies Act, 1956. It is provided on prorata basis on additions made during the year.

c) Investments

The investments held by the Company are long term investments and are stated at cost. Provision for diminution in value of long-term investments is made, if the diminution is other than temporary

d) Inventories

Raw Materials and Stores & Spares are valued at cost, finished goods at lower of cost or net realisable value 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 transaction.
- 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) Revenue Recognition

- 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.

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 and loss enacted or substantively enacted as on the Balance Sheet date. Deferred tax assets are recognised and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

h) Retirement Benefits

- i) Contribution to Provident Fund is made monthly and charged to Profit & Loss account.
- ii) The Company has provided for the liability towards Gratuity as on 30.6.2007 on accrual basis.

i) 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 Financial institutions are secured by first equitable mortgage on all Company's immovable properties, both present and future and a second charge by way of hypothecation of all Company's movable properties including book debts and subject to prior charges created or to be created in favour of Company's bankers on Company's stocks of raw materials, consumables and such other movables for securing Company's working capital requirements. The term loans are further guaranteed by personal guarantees of Sri S.N.Varadarajan, Chairman & Managing Director. Aggregate of such personal guarantees is Rs.3,510 Lakhs. A portion of the term loans to the extent of Rs.2,310 Lakhs have also been guaranteed by Mr. Vinod Narsiman, Chief Executive Officer.
- b) Working capital facilities from State Bank of Travancore, The Federal Bank Ltd and Industrial Development Bank of India Ltd. 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
- i) personal guarantee of Sri.S.N.Varadarajan, Chairman & Managing Director to the extent of Rs.945 lakhs
 - ii) personal guarantee of Sri Vinod Narsiman, Chief Executive Officer to the extent of Rs.1510 lakhs

2. CONTINGENT LIABILITIES

	As at 30.6.2007	As at 30.6.2006
a) Claims against the Company not acknowledged as debts Disputed sales tax and ESI liabilities	Rs. 1.50 Lakhs	Rs. 10.87 Lakhs
b) Contingent liabilities in respect of Bills discounted (fully secured by LCs)	Rs. 512.60 Lakhs	Rs. 691.17 Lakhs
c) Letters of Credit issued by banks on behalf of the Company	Rs. 291.95 Lakhs	Rs. 579.33 Lakhs
d) Guarantees issued by banks on behalf of the Company	Rs. 355.79 Lakhs	Rs. 283.79 Lakhs



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NOTES FORMING PART OF PROFIT AND LOSS ACCOUNT AND BALANCE SHEET AS ON 30th JUNE, 2007.

3. SEGMENT REPORT	As at 30.6.2007 Rs. In Lakhs	As at 30.6.2006 Rs. In Lakhs
Primary Segments (Business Segments)		
1. Segment Revenue		
a. Smelter	5,275.15	3,490.25
b. Hydro Power	1,408.77	1,791.33
	6,683.92	5,281.58
Less : Intersegment Revenue	1,408.77	1,791.33
Net Revenue	5,275.15	3,490.25
2. Segment Results (Profit / Loss before Financial charges & Tax)		
a. Smelter	(280.73)	(783.20)
b. Hydro Power	1,143.29	1,525.57
	862.56	742.37
Add / Less : Unallocable Income/Expenses	-	0.22
Operating Profit	862.56	742.59
Less : Financial Charges	348.57	382.71
Total Profit / (Loss) before Tax	513.99	359.88
3. Capital Employed (Segment Assets - Segment Liabilities)		
a. Smelter	(870.22)	(303.47)
b. Hydro Power	6,328.76	6,090.20
	5,458.54	5,786.73
4. RELATED PARTY DISCLOSURES:		
a) Associates	: Sun Metals & Alloys Pvt. Ltd.	
b) Key Management Personnel	: Sri S.N.Varadarajan Sri Vinod Narsiman	
c) Relatives of Key Management Personnel	: Smt.D.Pushpa Varadarajan (W/o Sri.S.N.Varadarajan)	

Particulars	Associates	Key Management Personnel	Relatives of Key Management Personnel
	Rs.	Rs.	Rs.
Current Year			
Services rendered	49,96,658	-	-
Rent	1,68,000	3,90,000	90,000
Sitting fees	-	4,500	10,000
Managerial remuneration	-	26,34,835	-
Previous Year			
Services rendered	33,84,785	-	-
Rent	-	3,90,000	90,000
Sitting fees	-	5,000	11,000
Managerial remuneration	-	21,47,382	-



NOTES FORMING PART OF PROFIT AND LOSS ACCOUNT AND BALANCE SHEET AS ON 30th JUNE, 2007.

5. CHAIRMAN & MANAGING DIRECTOR'S REMUNERATION

	2006-07 Rs.	2005-06 Rs.
Salary	6,00,000	6,00,000
Company Leased Residential accommodation	90,000	90,000
Contribution to PF	72,000	72,000
Commission	16,21,013	11,44,075
Reimbursement of Medical Expenses	27,388	21,383
	<u>24,10,401</u>	<u>19,27,458</u>

6. CHIEF EXECUTIVE OFFICER'S REMUNERATION

Salary	1,92,000	1,92,000
Contribution to PF	23,040	23,040
Reimbursement of Medical Expenses	9,394	4,884
	<u>2,24,434</u>	<u>2,19,924</u>

7. REMUNERATION TO STATUTORY AUDITORS

For audit (Excluding Service Tax)	50,000	50,000
For other Services	30,000	30,000
	<u>80,000</u>	<u>80,000</u>

8. EARNINGS PER SHARE

Profit after Tax (Rs.)	4,89,76,492	3,57,96,780
Number of Equity Shares (Face value of Rs. 10 each)	94,49,075	94,49,075
Basic EPS (Rs.)	5.18	3.79

9. COMPUTATION OF COMMISSION PAYABLE TO CHAIRMAN & MANAGING DIRECTOR:

Net Profit before Tax as per Profit & Loss Account	5,13,98,917	3,59,88,451
Add: Chairman and Managing Director's Remuneration	24,10,401	19,27,458
Chief Executive Officer's Remuneration	2,24,434	2,19,924
	<u>5,40,33,752</u>	<u>3,81,35,833</u>
Net Profit as per Sec. 349 of the Companies Act	<u>5,40,33,752</u>	<u>3,81,35,833</u>
Commission @ 3% on the above	16,21,013	11,44,075

**NOTES FORMING PART OF PROFIT AND LOSS ACCOUNT AND BALANCE SHEET AS ON 30th JUNE, 2007.****10. STATISTICAL INFORMATION**

Particulars	30.6.2007			30.6.2006		
	Quantity (M.T)	Value (Rs.)	Value (Rs.)	Quantity (M.T)	Value (Rs.)	Value (Rs.)
a. TURNOVER (Net):						
Silico Manganese	13,182.345		52,42,70,142	10,171.700		34,77,91,565
b. CONSUMPTION OF RAW MATERIALS:						
Quartz	6,478.144	51,17,890		5,436.500	38,09,954	
Carbon Reducers	9,814.143	8,56,70,240		7,406.287	5,54,11,282	
Carbon Paste	354.069	89,96,522		289.951	54,86,556	
Manganese Ore	23,136.235	9,69,63,532		19,147.974	6,47,41,604	
Flux	1,804.853	27,14,958		989.572	28,20,588	
Slag	2,788.600	89,48,315		1,580.456	48,33,267	
Tor Steel (Nos.)	1,092	12,49,077		1,880	11,96,944	
Lancing Pipe (Nos.)	1,710	1,45,077		1,180	1,13,423	
C.R.Sheet (Nos.)	548	10,41,553		480	7,70,803	
Other Items	Different units	15,75,737		Different units	16,22,953	
		-----	21,24,22,901		-----	14,08,07,374
c. STOCK OF FINISHED GOODS:						
Opening Stock						
Silico Manganese	1,018.056	3,84,79,988		1,255.615	5,54,42,610	
		-----	3,84,79,988		-----	5,54,42,610
Closing Stock						
Silico Manganese	472.223	2,93,68,461		1,018.056	3,84,79,988	
		-----	2,93,68,461		-----	3,84,79,988
d. LICENCED CAPACITY		Not applicable			Not applicable	
e. INSTALLED CAPACITY:						
Silico Manganese		14000 M.T.			14000 M.T.	
Power		21 MW			21 MW	
f. ACTUAL PRODUCTION:						
Silico Manganese		12,673.117 M.T.			10,050.650 M.T.	
		(Incl. 31.505 M.T. for captive consumption & 5.100 MT handling loss)			(Incl. 114.859 M.T. for captive Consumption & 1.650 MT handling loss)	
Power		3,96,73,915 KWH			5,20,48,174 KWH	
g. Value of imports (on CIF basis)						
Raw Materials		Rs. 1,55,02,951			Rs. 1,84,70,652	
h. Percentage consumption of raw materials:						
Imported		9.19%	1,95,26,968		11.43%	1,60,88,026
Indigenous		90.81%	19,28,95,933		88.57%	12,47,19,348
		<u>100.00%</u>	<u>21,24,22,901</u>		<u>100.00%</u>	<u>14,08,07,374</u>

**NOTES FORMING PART OF PROFIT AND LOSS ACCOUNT AND BALANCE SHEET AS ON 30th JUNE, 2007.**

Particulars	30.6.2007 (Rs.)	30.6.2006 (Rs.)
i. Expenditure in foreign currency: Subscription & others	Rs. 4,03,396	Rs. 11,07,389
j. Dividend in Foreign currency:	Rs. 2,31,493	Rs. 2,17,502
k. Earnings in foreign exchange	Rs. 12,03,80,620	Rs. 3,84,87,132

11. 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.
12. There are no amounts due to Small Scale undertakings for more than 30 days. These have been determined to the extent such parties have been identified on the basis of information available with the Company.
13. Deferred tax liability of Rs.76.30 lakhs as on 30.6.2007 is on account of timing difference relating to depreciation.
14. Amounts have been rounded off to the nearest rupee and previous year figures regrouped wherever necessary.

As per our Report of even date

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

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

Place : Coimbatore
Date : 15.10.2007

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

Sd/-
S. INDERCHAND
Director

Sd/-
VINOD NARSIMAN
Chief Executive Officer

Sd/-
S. MAHADEVAN
Company Secretary



PART IV - SCHEDULE VI OF COMPANIES ACT, 1956

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

A. REGISTRATION DETAILS:

Registration No. : L27101TZ1990PLC002849
State Code : 18
Balance Sheet Date : 30.6.2007

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

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

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

Total Liabilities :	6,36,449	Total Assets :	6,36,449
Paid-Up capital	94,491	Net Fixed Assets	5,39,613
Reserves & Surplus	2,01,560	Investments	1,755
Deferred Tax Liability	7,630	Net Current Assets	95,081
Secured Loans	2,21,819	Misc. Expenditure	-
Deferred Liability	1,10,949		

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

Turnover (Net) : 5,24,270
Increase/Decrease in Stock : (9,111)
Other Income : 5,006
Total expenditure : 4,68,766
Profit(+)/Loss(-) Before Tax : 51,397
Profit(+)/Loss(-) After tax : 48,976
Earning Per share : Rs. 5.18
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**

Chartered Accountants

Sd/-

T.C. KERALA VARMA RAJA

Partner

Membership No.6932

Place : Coimbatore

Date : 15.10.2007

Sd/-

S.N. VARADARAJAN

Chairman & Managing Director

Sd/-

S. INDERCHAND

Director

Sd/-

VINOD NARSIMAN

Chief Executive Officer

Sd/-

S. MAHADEVAN

Company Secretary



CASH FLOW STATEMENT FOR THE YEAR ENDED 30th JUNE 2007

Particulars	Year ended 30.6.07 Rs.	Year ended 30.6.06 Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net profit before tax	5,13,98,917	3,59,88,451
Adjustments for		
1. Depreciation	3,46,27,114	3,45,75,815
2. Financial charges	3,48,56,666	3,82,70,643
3. Profit/Loss on sale of assets	(-) 1,980	(-) 22,394
4. Provision for gratuity	5,10,000	3,00,000
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	12,13,90,717	10,91,12,515
Adjustments for changes in		
1. Inventories	12,60,219	3,77,96,349
2. Debtors	2,86,22,577	(-) 46,64,337
3. Other advances	(-) 58,52,153	(-) 20,71,926
4. Current liabilities	(-) 2,78,78,792	1,46,33,172
Cash generated from operations	11,75,42,568	15,48,05,774
Income Tax Payments	(-) 44,57,301	(-) 96,97,663
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	11,30,85,267	14,51,08,111
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(-) 94,73,905	(-) 3,21,38,141
Sale of Fixed Assets	52,66,904	2,42,495
NET CASH FLOW FROM INVESTING ACTIVITIES (B)	(-) 42,07,001	(-) 3,18,95,646
C. CASH FLOW FROM FINANCING ACTIVITIES		
Unsecured Loans (Net)	--	(-) 5,65,51,311
Repayment of borrowings	(-) 6,89,85,945	(-) 1,26,06,197
Financial Charges & Interest	(-) 3,48,56,666	(-) 3,82,70,643
Payment of Dividend & Tax	(-) 1,07,74,308	(-) 80,80,731
NET CASH FLOW FROM FINANCING ACTIVITIES (C)	(-) 11,46,16,919	(-) 11,55,08,883
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	(-) 57,38,653	(-) 22,96,418



INDSIL

CASH FLOW STATEMENT FOR THE YEAR ENDED 30th JUNE 2007 (Contd.)

Particulars	Year ended 30.6.07	Year ended 30.6.06
	Rs.	Rs.
Cash and Cash Equivalents as on 1.7.2006 (Opening Balance)	1,52,33,839	1,75,30,257
Cash and Cash Equivalents as on 30.6.2007 (Closing Balance)	94,95,186	1,52,33,839

As per our Report of even date

For **K.S.G. SUBRAMANYAM & CO**
Chartered Accountants
Sd/-

T.C. KERALA VARMA RAJA
Partner
Membership No.6932

Place : Coimbatore
Date : 15.10.2007

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

Sd/-
S. INDERCHAND
Director

Sd/-
VINOD NARSIMAN
Chief Executive Officer

Sd/-
S. MAHADEVAN
Company Secretary



INDSIL

INDSIL ELECTROSMELTS LIMITED

Regd. & Admn. Office : "INDSIL HOUSE", T.V. Samy Road (West),
R.S.Puram, Coimbatore - 641 002. Tamil Nadu, India
Phone : (+91/0) (422) 2554922, 23, 24
Fax : (+91/0) (422) 2554925
e-mail : indsilho@indsil.com

Dear Shareholder,

RE: PAYMENT OF DIVIDEND THROUGH ELECTRONIC CLEARING SERVICE (ECS)

The Securities and Exchange Board of India (SEBI) has advised companies to mandatorily use ECS facility wherever available for distributing dividends to the investors. This facility provides instant credit of dividend amount to your bank account electronically at no extra cost. ECS also eliminates the delay in postal transit and fraudulent encashment of warrants.

Under this facility, the amount of dividend payable to you would be directly credited to your bank account. Your bank's branch will credit your account and indicate the credit entry as 'ECS' in your pass book /statement of account. We would be issuing an advice to you directly after the transaction is effected.

In respect of shareholders holding shares in dematerialized form, the Company will make payment through ECS if the bank account details are furnished by the shareholder to the concerned depository participant with whom the shareholder is maintaining his demat account. In case you are holding shares in demat form and the bank details have so far not been furnished to the depository participant or the bank details furnished to the depository participant are desired to be altered, we would request you to kindly submit the same to the **depository participant immediately**.

In case you are holding the Company's shares in physical form, you may kindly return the ECS Mandate form given overleaf duly completed and signed by you immediately to SKDC CONSULTANTS LTD., No.11, Street No.1, S.N. Layout, West Power House Road, Tatabad, COIMBATORE 641 012, Phone : 0422 - 6549995, e-mail :skdccbe@gmail.com

In locations where ECS facility is not available, the Company will print the bank account details on the Payment Instrument, on receipt of the same.

Thanking you,

Yours faithfully,
For **INDSIL ELECTROSMELTS LTD.,**

Place: Coimbatore
Date: 15-10-2007

Sd/-
S.MAHADEVAN
Company Secretary



**Electronic Clearing Service (Credit Clearing) ECS Mandate form
for payment of dividend on equity Shares**

1. First Shareholder's Name (In Block Letters) _____

2. Shareholders Folio No. _____

3. Particulars of Bank Account

A. Bank Name _____

B. Branch Name, Address & Phone number _____

C. Account No. (as appearing on the cheque book) _____

D. Account Type

(SB Account/Current A/c or Cash Credit) with codes 10/11/13 (tick the correct box)

10.S.B		11. Current		13. Cash Credit	
--------	--	-------------	--	-----------------	--

E. Ledger Folio No. of the Bank A/c. (if appearing on the cheque book) _____

F. 9 Digit Code No. of the Bank & Branch appearing on the MICR Cheque issued by the bank

--	--	--	--	--	--	--	--	--

Important : Please attach the photocopy of a cheque or a blank cancelled cheque issued by your Bank relating to your above account for verifying the accuracy of the code number

I, hereby declare that the particulars given above are correct and complete. If the transaction is delayed or not effected at all for reasons of incomplete information, I would not hold the Company responsible.

Date:

Signature of the First Shareholder