



FIRST
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2003-2004



FACOR ALLOYS LIMITED

Board of Directors

Umashankar Agrawal
Chairman

R. K. Saraf
Vice Chairman &
Managing Director

Yogesh Saraf
Joint Managing Director

Ashim Saraf
Joint Managing Director

Anurag Saraf
Executive Director

C. N. Harman
Director (Technical)

K. Jayabharath Reddy,
IAS (Retd.)

P. V. R. K. Prasad,
IAS (Retd.)

Keshaorao Pardhey

S. S. Sharma
Secretary

Executive

M. S. S. Sarma
General Manager

Bankers

Bank of India

Central Bank of India

State Bank of India

Syndicate Bank

State Bank of Bikaner & Jaipur

Solicitors

Mulla & Mulla, and
Craigie Blunt & Caroe

Auditor

K. P. Sahasrabudhe
Proprietor
Salve And Co.,
Chartered Accountants

Internal Auditors

D. C. Dhupia & Co.
Chartered Accountants

**Registrar & Share Transfer
Agents (for Both Physical &
Electronic)**

M/s IIT Corporate Service Ltd.
Protoprima Chambers
3rd Floor, Suren Road,
Near Cinemagic Theatre,
Andheri (East), Mumbai - 400 05
PH. No. 26835599, 26832609
Fax No. : 26836790 / 791

FACOR ALLOYS LIMITED
Notice to Members

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Notice is hereby given that the **FIRST ANNUAL GENERAL MEETING** of the Members of the Company will be held at the Registered Office of the Company at New Administrative Building, Shreeramnagar -535 101, Garividi, Dist. Vizianagaram, Andhra Pradesh on Wednesday, the 27th October 2004, at 4.00 P.M. to transact with or without modifications as may be permissible, the following business:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2004 and Profit & Loss Account for the year ended on that date and the Reports of the Board of Directors and the Auditors thereon.
2. To appoint M/s Salve And Company, Chartered Accountants, a Partnership Firm, as Auditors of the Company in place of Shri K.P.Sahasrabudhe, Chartered Accountant and Proprietor of M/s Salve & Company, (who was appointed by the Board of Directors under section 224(5) of the Companies Act, 1956 as the first Auditor of the Company and who holds office under the said section until the conclusion of the First Annual General Meeting), due to change in constitution of the firm M/s Salve And Company from Proprietorship to Partnership and in that behalf to consider and, if thought fit, to pass the following resolution which will be proposed as a Special Resolution.

"RESOLVED THAT pursuant to the provisions of Section 224A and other applicable provisions, if any, of the Companies Act, 1956 Messrs Salve And Company, Chartered Accountants, a Partnership firm, be and are hereby appointed as the Auditors of the Company in place of Shri K.P. Sahasrabudhe, Chartered Accountant and Proprietor of the Proprietorship firm M/s Salve And Company consequent upon change in the constitution of the said firm from Proprietorship to Partnership, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration plus service tax as applicable and reimbursement of expenses as the Board of Directors may fix in that behalf in consultation with the said Auditors."

AS SPECIAL BUSINESS:

3. To appoint Shri Kesharao Pardhey (who is named in the Articles of Association of the Company as one of the First Directors and who holds office upto the date of First Annual General Meeting) as a Director of the Company and in respect of whom the Company has received a notice in writing pursuant to the provisions of Section 257 of the Companies Act, 1956 alongwith a deposit of Rs 500/- from a member signifying his intention to propose Shri Kesharao Pardhey as a candidate for the office of Director and in that behalf to consider and, if thought fit, to pass the following resolution which will be proposed as an Ordinary Resolution:

"RESOLVED THAT pursuant to the relevant provisions of the Companies Act, 1956 including Section 257, Shri Kesharao Pardhey be and is hereby elected and appointed as a Director of the Company liable to retire by rotation."

4. To appoint Shri Umashankar Agrawal (who was appointed as an Additional Director by the Board of Directors of the Company under Article 107 of the Articles of Association of the Company and who holds office under the said Article and Section 260 of the Companies Act, 1956 upto the date of this Annual General Meeting) as a Director of the Company, and in respect of whom the Company has received a notice in writing pursuant to the provisions of Section 257 of the Companies Act, 1956 alongwith a deposit of Rs 500/- from a member signifying his intention to propose Shri Umashankar Agrawal as a candidate for the office of Director and in that behalf to consider and, if thought fit, to pass the following resolution which will be proposed as an Ordinary Resolution:

"RESOLVED THAT pursuant to the relevant provisions of the Companies Act, 1956 including Section 257, Shri Umashankar Agrawal be and is hereby elected and appointed as a Director of the Company liable to retire by rotation."

5. To appoint Shri K.Jayabharath Reddy (who was appointed as an Additional Director by the Board of Directors of the Company under Article 107 of the Articles of Association of the Company and who holds office under the said Article and Section 260 of the Companies Act, 1956 upto the date of this Annual General Meeting) as a Director of the Company, and in respect of whom the Company has received a notice in writing pursuant to the provisions of Section 257 of the Companies Act, 1956 alongwith a deposit of Rs 500/- from a member signifying his intention to propose Shri K. Jayabharath Reddy as a candidate for the office of Director and in that behalf to consider and, if thought fit, to pass the following resolution which will be proposed as an Ordinary Resolution:

"RESOLVED THAT pursuant to the relevant provisions of the Companies Act, 1956 including Section 257, Shri K.Jayabharath Reddy be and is hereby elected and appointed as a Director of the Company liable to retire by rotation."

6. To appoint Shri P.V.R.K. Prasad (who was appointed as an Additional Director by the Board of Directors of the Company under Article 107 of the Articles of Association of the Company and who holds office under the said Article and Section 260 of the Companies Act, 1956 upto the date of this Annual General Meeting), as a Director of the Company, and in respect of whom the Company has received a notice in writing pursuant to the provisions of Section 257 of the Companies Act, 1956 alongwith a deposit of Rs 500/- from a member signifying his intention to propose Shri P.V.R.K. Prasad as a candidate for the office of Director and in that behalf to consider and, if thought fit, to pass the following resolution which will be proposed as an Ordinary Resolution:

"RESOLVED THAT pursuant to the relevant provisions of the Companies Act, 1956 including Section 257, Shri P.V.R.K. Prasad be and is hereby elected and appointed as a Director of the Company liable to retire by rotation."

7. To appoint Shri R.K. Saraf (who was appointed as an Additional Director by the Board of Directors of the Company under Article 107 of the Articles of Association of the Company and who holds office under the said Article and Section 260 of the Companies Act, 1956 upto the date of this Annual General Meeting) as a Director of the Company, and in respect of whom the Company has received a notice in writing pursuant to the provisions of Section 257 of the Companies Act, 1956 alongwith a deposit of Rs 500/- from a member signifying his intention to propose Shri R.K. Saraf as a candidate for the office of Director and in that behalf to consider and, if thought fit, to pass the following resolution which will be proposed as an Ordinary Resolution:

"RESOLVED THAT pursuant to the relevant provisions of the Companies Act, 1956 including Section 257, Shri R.K Saraf be and is hereby elected and appointed as a Director of the Company liable to retire by rotation."

8. To consider and, if thought fit, to pass the following resolution which will be proposed as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and all other applicable provisions, if any, of the Companies Act, 1956 (the "Act") read with Schedule XIII thereto as amended upto date and all guidelines for managerial remuneration issued by the Central Government from time to time, and subject to such further approvals, if any, as may be necessary, the Company hereby approves of the appointment of Shri R.K. Saraf as Managing Director of the Company for a period of 5 years w.e.f. 1.8.2004 upon the terms and conditions as to remuneration and otherwise as set out in the draft agreement prepared in that behalf and submitted to this meeting and initialled by the Secretary for the purpose of identification and which draft agreement, the broad details of which are given in the Explanatory Statement in respect of this item of the Notice, is hereby specifically approved with liberty to the Directors to vary the terms and conditions of the remuneration and appointment and/or the Agreement in such manner as may be agreed to between the Directors and Shri R.K Saraf in the best interest of the Company, within the limitations in that behalf as contained in Schedule XIII to the Act or any amendments thereof or otherwise as may be permissible at law and that the Agreement, when finalized, be executed by the Company by affixing its Common Seal thereon in accordance with the relevant provisions contained in the Articles of Association of the Company."

9. To appoint Shri Yogesh Saraf (who was appointed as an Additional Director by the Board of Directors of the Company under Article 107 of the Articles of Association of the Company and who holds office under the said Article and Section 260 of the Companies Act, 1956 upto the date of this Annual General Meeting) as a Director of the Company, and in respect of whom the Company has received a notice in writing pursuant to the provisions of Section 257 of the Companies Act, 1956 alongwith a deposit of Rs 500/- from a member signifying his intention to propose Shri Yogesh Saraf as a candidate for the office of Director and in that behalf to consider and, if thought fit, to pass the following resolution which will be proposed as an Ordinary Resolution:

"RESOLVED THAT pursuant to the relevant provisions of the Companies Act, 1956 including Section 257, Shri Yogesh Saraf be and is hereby elected and appointed as a Director of the Company liable to retire by rotation."

10. To consider and, if thought fit, to pass the following resolution which will be proposed as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and all other applicable provisions, if any, of the Companies Act, 1956 (the "Act") read with Schedule XIII thereto as amended upto date and all guidelines for managerial remuneration issued by the Central Government from time to time, and subject to such further approvals, if any, as may be necessary, the Company hereby approves of the appointment of Shri Yogesh Saraf as Joint Managing Director of the Company for a period of 5 years w.e.f. 1.8.2004 upon the terms and conditions as to remuneration and otherwise as set out in the draft agreement prepared in that behalf and submitted to this meeting and initialled by the Secretary for the purpose of identification and which draft agreement, the broad details of which are given in the Explanatory Statement in respect of this item of the Notice, is hereby specifically approved with liberty to the Directors to vary the terms and conditions of the remuneration and appointment and/or the Agreement in such manner as may be agreed to between the Directors and Shri Yogesh Saraf in the best interest of the Company, within the limitations in that behalf as contained in Schedule XIII to the Act or any amendments thereof or otherwise as may be permissible at law and that the Agreement, when finalized, be executed by the Company by affixing its Common Seal thereon in accordance with the relevant provisions contained in the Articles of Association of the Company."

11. To appoint Shri Ashim Saraf (who was appointed as an Additional Director by the Board of Directors of the Company under Article 107 of the Articles of Association of the Company and who holds office under the said Article and Section 260 of the Companies Act, 1956 upto the date of this Annual General Meeting) as a Director of the Company, and in respect of whom the Company has received a notice in writing pursuant to the provisions of Section 257 of the Companies Act, 1956 alongwith a deposit of Rs 500/- from a member signifying his intention to propose Shri Ashim Saraf as a candidate for the office of Director and in that behalf to consider and, if thought fit, to pass the following resolution which will be proposed as an Ordinary Resolution:

"RESOLVED THAT pursuant to the relevant provisions of the Companies Act, 1956 including Section 257, Shri Ashim Saraf be and is hereby elected and appointed as a Director of the Company liable to retire by rotation."

12. To consider and, if thought fit, to pass the following resolution which will be proposed as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and all other applicable provisions, if any, of the Companies Act, 1956 (the "Act") read with Schedule XIII thereto as amended upto date and all guidelines for managerial remuneration issued by the Central Government from time to time, and subject to such further approvals, if any, as may be necessary, the Company hereby approves of the appointment of Shri Ashim Saraf as Joint Managing Director of the Company for a period of 5 years w.e.f. 1.8.2004 upon the terms and conditions as to remuneration and otherwise as set out in the draft agreement prepared in that behalf and submitted to this meeting and initialled by the Secretary for the purpose of identification and which draft agreement, the broad details of which are given in the Explanatory Statement in respect of this item of the Notice, is hereby specifically approved with liberty to the Directors to vary the terms and conditions of the remuneration and appointment and/or the Agreement in such manner as may be agreed to between the Directors and Shri Ashim Saraf in the best interest of the Company, within the limitations in that behalf as contained in Schedule XIII to the Act or any amendments thereof or otherwise as may be permissible at law and that the Agreement, when finalized, be executed by the Company by affixing its Common Seal thereon in accordance with the relevant provisions contained in the Articles of Association of the Company."

13. To appoint Shri Anurag Saraf (who was appointed as an Additional Director by the Board of Directors of the Company under Article 107 of the Articles of Association of the Company and who holds office under the said Article and Section 260 of the Companies Act, 1956 upto the date of this

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Annual General Meeting) as a Director of the Company, and in respect of whom the Company has received a notice in writing pursuant to the provisions of Section 257 of the Companies Act, 1956 alongwith a deposit of Rs 500/- from a member signifying his intention to propose Shri Anurag Saraf as a candidate for the office of Director and in that behalf to consider and, if thought fit, to pass the following resolution which will be proposed as an Ordinary Resolution:

"RESOLVED THAT pursuant to the relevant provisions of the Companies Act, 1956 including Section 257, Shri Anurag Saraf be and is hereby elected and appointed as a Director of the Company liable to retire by rotation."

14. To consider and, if thought fit, to pass the following resolution which will be proposed as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and all other applicable provisions, if any, of the Companies Act, 1956 (the "Act") read with Schedule XIII thereto as amended upto date and all guidelines for managerial remuneration issued by the Central Government from time to time, and subject to such further approvals, if any, as may be necessary, the Company hereby approves of the appointment of Shri Anurag Saraf as an Executive Director of the Company for a period of 5 years w.e.f. 1.8.2004 upon the terms and conditions as to remuneration and otherwise as set out in the draft agreement prepared in that behalf and submitted to this meeting and initialled by the Secretary for the purpose of identification and which draft agreement, the broad details of which are given in the Explanatory Statement in respect of this item of the Notice, is hereby specifically approved with liberty to the Directors to vary the terms and conditions of the remuneration and appointment and/or the Agreement in such manner as may be agreed to between the Directors and Shri Anurag Saraf in the best interest of the Company, within the limitations in that behalf as contained in Schedule XIII to the Act or any amendments thereof or otherwise as may be permissible at law and that the Agreement, when finalized, be executed by the Company by affixing its Common Seal thereon in accordance with the relevant provisions contained in the Articles of Association of the Company."

15. To appoint Shri C.N.Harman (who was appointed as an Additional Director by the Board of Directors of the Company under Article 107 of the Articles of Association of the Company and who holds office under the said Article and Section 260 of the Companies Act, 1956 upto the date of this Annual General Meeting) as a Director of the Company, and in respect of whom the Company has received a notice in writing pursuant to the provisions of Section 257 of the Companies Act, 1956 alongwith a deposit of Rs 500/- from a member signifying his intention to propose Shri C.N.Harman as a candidate for the office of Director and in that behalf to consider and, if thought fit, to pass the following resolution which will be proposed as an Ordinary Resolution:

"RESOLVED THAT pursuant to the relevant provisions of the Companies Act, 1956 including Section 257, Shri C.N.Harman be and is hereby elected and appointed as a Director of the Company liable to retire by rotation."

16. To consider and, if thought fit, to pass the following resolution which will be proposed as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 314 and all other applicable provisions, if any, of the Companies Act, 1956 (the "Act") read with Schedule XIII thereto as amended upto date and all guidelines for managerial remuneration issued by the Central Government from time to time, and subject to such further approvals, if any, as may be necessary, the Company hereby approves of the appointment of Shri C.N.Harman as Director in Charge (Technical) of the Company for a period of 5 years w.e.f. 1.8.2004 upon the terms and conditions as to remuneration and otherwise as set out in the draft agreement, prepared in that behalf and submitted to this meeting and initialled by the Secretary for the purpose of identification and which draft agreement, the broad details of which are given in the Explanatory Statement in respect of this item of the Notice, is hereby specifically approved with liberty to the Directors to vary the terms and conditions of the remuneration and appointment and/or the Agreement in such manner as may be agreed to between the Directors and Shri C.N.Harman in the best interest of the Company, within the limitations in that behalf as contained in Schedule XIII to the Act or any amendments thereof or otherwise as may be permissible at law and that the Agreement, when finalized, be executed by the Company by affixing its Common Seal thereon in accordance with the relevant provisions contained in the Articles of Association of the Company."

17. To consider and, if thought fit, to pass the following resolution which will be proposed as an Ordinary Resolution:

"RESOLVED THAT pursuant to Section 293 (1) [d] and other applicable provisions, if any, of the Companies Act, 1956 approval be and is hereby accorded to the Board of Directors borrowing moneys for and on behalf of the Company, from time to time, as they may consider fit, in any manner and without prejudice to the generality thereof, by way of loans, advances, credits, acceptance of deposits, or otherwise, from any Bank or Banks or any Financial Institutions, or other person or persons and whether the same be unsecured or secured, and, if secured, whether by way of mortgage, charge, hypothecation, pledge or otherwise in any way whatsoever, over all or any of the Company's assets, effects and properties, including uncalled capital, stock in trade [including raw materials, stores, spare parts and components in stock or in transit] notwithstanding that the moneys so borrowed, together with the moneys, if any, already borrowed, by the Company [apart from the temporary loans obtained from the Company's bankers in the ordinary course of business] may exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the sum or sums so borrowed and remaining outstanding at any one time on account of principal shall not exceed in the aggregate Rupees Three Hundred Crores."

NOTES:

- The relevant Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of Item Nos.2 to 17 of the Notice set out above is annexed hereto.
- A MEMBER ENTITLED TO ATTEND AND VOTE 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 Register of Members and Share Transfer Books of the Company will remain closed from Friday, the 22nd October, 2004 to Wednesday, the 27th October, 2004 both days inclusive.

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4. Members are requested to send all correspondence relating to the Company's shares including share transfer documents, demat requests, change of address etc. to the Company's Registrar & Transfer Agents M/s IIT Corporate Services Ltd., Protoprma Chambers, 3rd Floor, Suren Road, Near Cinemagic Theatre, Andheri (East), Mumbai 400 093. Requests for change of address will be entertained only when shareholders' signatures on the letter intimating change of address tally with the specimen signatures recorded with the Company. While notifying change in address please ensure that the address is complete and the pin code number is clearly mentioned. Incorrect/incomplete address may lead to non-delivery of documents/communications sent by the Company/Registrar.
5. Shareholders intending to require information about accounts to be explained at the meeting are requested to furnish the queries to the Company at least 10 (ten) days in advance of the Annual General Meeting.
6. Members holding shares in physical form and desirous of making a nomination in respect of their shareholding in the Company are requested to submit to the above Registrar & Transfer Agents, Form No.2B duly filled in and signed. The Form can be had from the Share Department at the Registered Office of the Company at Garividi [Vizianagaram] or at the Corporate and Head Office at Tumasar.

Registered Office :
Shreeramnagar, Garividi,
VIZIANAGARAM - 535 101
Andhra Pradesh

By Order of the Board,

S. S. SHARMA
Secretary

Dated : 23rd September, 2004.

ANNEXURE TO THE NOTICE.

Explanatory Statement as required by Section 173 of the Companies Act, 1956:

ITEM NO.2

Shri K.P. Sahasrabudhe, Chartered Accountant and Proprietor of M/s Salve And Company, the retiring Auditors, has informed the Company that there will be a change in the constitution of the firm M/s Salve And Company from the present Proprietorship to Partnership. Accordingly, he has requested the Company to consider re-appointment of his firm as the Auditor in the name of the Partnership firm viz. M/s Salve And Company, Chartered Accountants, instead of effecting such re-appointment in the individual name of Shri K.P. Sahasrabudhe as Proprietor of M/s Salve And Company since the said Proprietorship firm will cease to be in existence after the intended change in the constitution of the firm as mentioned above.

Further, in terms of Section 224A of the Companies Act, 1956, if not less than 25% of the subscribed capital of the Company is held either singly or in combination, by public financial institutions, Government Companies, Central or State Governments, Nationalized Banks or Insurance Companies carrying on general insurance business then the appointment or re-appointment of an Auditor of the Company has to be made by a Special Resolution.

In the case of our Company, the aforesaid categories of shareholders together at present hold and are likely to continue to hold more than 25% of the subscribed capital at the date of ensuing Annual General Meeting of the Company. Hence, it is desirable to pass a Special Resolution to re-appoint M/s Salve And Company (Partnership firm), Chartered Accountants, as the Auditor of the Company. M/s Salve And Company have furnished a Certificate to the Company that the proposed re-appointment, if made, will be in accordance with the limits specified in Section 224(1B) of the Companies Act, 1956.

ITEM NO.3

Shri Kesharao Pardhey was appointed as First Director of the Company and holds office until the forthcoming Annual General Meeting of the Company. A notice has been received from a member pursuant to Section 257 of the Companies Act, 1956 signifying his intention to propose Shri Kesharao Pardhey for the office of Director.

Shri Kesharao Pardhey, aged around 75 years, is an Ex Member of Parliament having sound experience of Business Administration. It is, therefore, considered desirable that the Company should continue to avail the benefit of his versatile business experience. Accordingly, the resolution in item no.3 of this Notice is commended for your approval.

None of the Directors is interested in the appointment of Shri Kesharao Pardhey excepting the said appointee.

ITEM NO.4

Shri Umashankar Agrawal was appointed as an Additional Director by the Board of Directors of the Company at its meeting held on 31.07.2004 with effect from 1st August, 04. Pursuant to the Section 260 of the Companies Act, 1956 read with Article 107 of Articles of Association of the Company, he holds office as a Director only until the forthcoming Annual General Meeting of the Company. A notice has been received from a member pursuant to Section 257 of the Companies Act, 1956 signifying his intention to propose Shri Umashankar Agrawal for the office of Director.

Shri Umashankar Agrawal, aged around 73 years, is the promoter Director of Ferro Alloys Corporation Ltd (FACOR). He has been associated with the said Company as Director since its inception and as Managing Director since April-1970. Pursuant to BIFR Order, FACOR has been trifurcated into three independent entities under a scheme of Demerger according to which the Ferro Alloys Division of FACOR stands transferred to this Company. It is therefore considered desirable that the Company should continue to avail the benefit of his vast and varied experience in the Ferro Alloys industry and ably guidance. Accordingly, the resolution in item no.4 of this Notice is commended for your approval.

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Shri R.K. Saraf and Shri Yogesh Saraf are related to Shri Umashankar Agrawal and hence they are interested in this resolution.

ITEM NO.5

Shri K. Jayabharath Reddy was appointed as an Additional Director by the Board of Directors of the Company with effect from 1st September 04. Pursuant to the Section 260 of the Companies Act, 1956 read with Article 107 of Articles of Association of the Company, he holds office as a Director only until the forthcoming Annual General Meeting of the Company. A notice has been received from a member pursuant to Section 257 of the Companies Act, 1956 signifying his intention to propose Shri K. Jayabharath Reddy for the office of Director.

Shri K. Jayabharath Reddy, aged about 67 years, is a Post Graduate in Economic Statistics from Delhi School of Economics and a Post Graduate in Economics from Madras University. He is a retired IAS Officer having 34 years versatile experience in General and Public Administration as well as Financial and Industrial Management. During the tenure of his services he had held various positions with immediate and direct responsibility for policy formulation and decision making in the Central and State Governments. He has also been Chairman, M.D. and Director of large number of Industrial Companies, besides associated on the Board of Directors of Financial Institutions and Banks. It is considered desirable that the Company should take the benefit of his vast and versatile experience in the General and Public Administration as well as Financial and Industrial Management. Accordingly, the resolution in item no. 5 of this Notice is commended for your approval.

None of the Directors is interested in the appointment of Shri K. Jayabharath Reddy excepting the said appointee.

ITEM NO.6

Shri P.V.R.K. Prasad was appointed as an Additional Director by the Board of Directors of the Company with effect from 1st September 04. Pursuant to the Section 260 of the Companies Act, 1956 read with Article 107 of Articles of Association of the Company, he holds office as a Director only until the forthcoming Annual General Meeting of the Company. A notice has been received from a member pursuant to Section 257 of the Companies Act, 1956 signifying his intention to propose Shri P.V.R.K. Prasad for the office of Director.

Shri P.V.R.K. Prasad, aged about 63 years, is a Post Graduate in English Literature (Gold Medallist) and Law Graduate from Nagpur University. He is also a retired IAS officer having more than 35 years versatile, rich and long experience to his credit. During the tenure of his services he had held various senior positions such as Collector, Commissioner- Excise, Relief, Chairman - Vizag Port Trust, Advisor / Additional Secretary to Chief Minister / Prime Minister and Principal Secretary Higher Education etc. He has also received Rashtra Ratna Award conferred by people of Karnataka for the services rendered by him as Executive Officer, TTD. It is considered desirable that the Company should take the benefit of his vast and versatile experience. Accordingly, the resolution in item no. 6 of this Notice is commended for your approval.

None of the Directors is interested in the appointment of Shri P.V.R.K. Prasad excepting the said appointee.

ITEM NOS. 7 and 8

Shri R.K. Saraf was appointed as an Additional Director by the Board of Directors of the Company at its meeting held on 31.07.2004. Pursuant to the Section 260 of the Companies Act, 1956 read with Article 107 of Articles of Association of the Company, he holds office as a Director only until the forthcoming Annual General Meeting of the Company. A notice has been received from a member pursuant to Section 257 of the Companies Act, 1956 signifying his intention to propose Shri R.K. Saraf for the office of Director.

Shri R.K. Saraf, aged around 60 years, is the promoter Director of Ferro Alloys Corporation Ltd (FACOR). He has been associated with the said Company since its inception and as Executive Director from April-1975 and as Joint Managing Director from December 1986. Pursuant to BIFR Order, FACOR has been bifurcated into three independent entities under a scheme of Demerger according to which the Ferro Alloys Division of FACOR stands transferred to this Company. It is therefore considered desirable that the Company should continue to avail the benefit of his vast and varied experience in the Ferro Alloys industry and able guidance. Accordingly, the resolutions in Item nos. 7 and 8 of this Notice are commended for your approval.

The Board of Directors of the Company at its meeting appointed Shri R.K. Saraf as Managing Director of the Company for a period of 5 years w.e.f. 1.8.2004. The material terms & conditions of his appointment and remuneration, which are in conformity with the Schedule XIII to the Act, are as contained in the draft Agreement and as given in the attached Annexure A.

Shri Umashankar Agrawal and Shri Ashim Saraf, Directors of the Company, are related to Shri R.K. Saraf and hence they are interested in this resolution.

ITEM NOS. 9 and 10

Shri Yogesh Saraf was appointed as an Additional Director by the Board of Directors of the Company at its meeting held on 31.07.2004. Pursuant to the Section 260 of the Companies Act, 1956 read with Article 107 of Articles of Association of the Company, he holds office as a Director only until the forthcoming Annual General Meeting of the Company. A notice has been received from a member pursuant to Section 257 of the Companies Act, 1956 signifying his intention to propose Shri Yogesh Saraf for the office of Director.

Shri Yogesh Saraf, aged 46 years, is an Engineer and is also MBA. Shri Yogesh Saraf is also having several years of rich and vast executive experience in business administration and management. In order to take the benefit of his experience and professional qualification, it is desirable that he should continue as Joint Managing Director of the Company. Accordingly, the resolutions in item nos. 9 and 10 of this Notice are commended for your approval.

The Board of Directors of the Company at its meeting appointed Shri Yogesh Saraf as Joint Managing Director of the Company for a period of 5 years w.e.f. 1.8.2004. The material terms & conditions of his appointment and remuneration which are in conformity with the Schedule XIII to the Act, are as contained in the draft Agreement and as given in the attached Annexure A.

Shri Umashankar Agrawal, Director, is related to Shri Yogesh Saraf and as such Shri Agrawal is interested in this resolution.

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Shri Ashim Saraf was appointed as an Additional Director by the Board of Directors of the Company at its meeting held on 31.07.2004. Pursuant to the Section 260 of the Companies Act, 1956 read with Article 107 of Articles of Association of the Company, he holds office as a Director only until the forthcoming Annual General Meeting of the Company. A notice has been received from a member pursuant to Section 257 of the Companies Act, 1956 signifying his intention to propose Shri Ashim Saraf for the office of Director.

Shri Ashim Saraf, aged 37 years, is M.Sc (Tech) S.T.D. from the Birla Institute of Tech. & Science, Pilani. He has more than 14 years experience in business and administration to his credit. In order to take the benefit of his rich experience, it is desirable that he should continue as Joint Managing Director of the Company. Accordingly, the resolution in item nos. 11 and 12 of this Notice are commended for your approval.

The Board of Directors of the Company at its meeting appointed Shri Ashim Saraf as Joint Managing Director for a period of 5 years w.e.f. 1.8.2004. The material terms & conditions of his appointment and remuneration, which are in conformity with the Schedule XIII to the Act, are as contained in the draft Agreement and as given in the attached **Annexure A**.

Shri R.K.Saraf, Managing Director, is related to Shri Ashim Saraf and hence he is interested in Shri Ashim Saraf's appointment.

ITEM NOS.13 and 14

Shri Anurag Saraf was appointed as an Additional Director by the Board of Directors of the Company at its meeting held on 31.07.2004. Pursuant to the Section 260 of the Companies Act, 1956 read with Article 107 of Articles of Association of the Company, he holds office as a Director only until the forthcoming Annual General Meeting of the Company. A notice has been received from a member pursuant to Section 257 of the Companies Act, 1956 signifying his intention to propose Shri Anurag Saraf for the office of Director.

Shri Anurag Saraf, aged 33 years, is an Engineer by profession and is having rich experience in business administration. In order to take the benefit of Shri Anurag Saraf's experience and professional qualification it is desirable that he should continue as an Executive Director of the Company. Accordingly, the resolution in item nos. 13 and 14 of this Notice are commended for your approval.

The Board of Directors of the Company appointed Shri Anurag Saraf as Executive Director of the Company for a period of 5 years w.e.f. 1.8.2004. The material terms & conditions of his appointment and remuneration, which are in conformity with the Schedule XIII to the Act, are as contained in the draft Agreement and as given in the attached **Annexure A**.

None of the Directors is interested in this Resolution excepting the said appointee.

ITEM NOS.15 and 16

Shri C.N.Harman was appointed as an Additional Director by the Board of Directors of the Company at its meeting held on 31.07.2004. Pursuant to the Section 260 of the Companies Act, 1956 read with Article 107 of Articles of Association of the Company, he holds office as a Director only until the forthcoming Annual General Meeting of the Company. A notice has been received from a member pursuant to Section 257 of the Companies Act, 1956 signifying his intention to propose Shri C.N.Harman for the office of Director.

Shri C. N. Harman, aged around 73 years, is basically a Science graduate and was associated with FACOR since 1957. He was looking after all technical matters of the Ferro Alloys Division of FACOR. In view of his more than 47 years long association with FACOR and looking into his wide and vast technical experience particularly in development of iron ore, Manganese Ore, Chrome Ore Mines and Ferro Alloys production, it is desirable that he should continue as Director [Technical] of the Company. Accordingly, the resolutions in item nos. 15 and 16 of this Notice are commended for your approval.

The Board of Directors of the Company appointed Shri C.N. Harman as Director (Technical) of the Company for a period of 5 years w.e.f. 1.8.2004. The material terms and conditions of his appointment and remuneration, which are in conformity with the Schedule XIII to the Companies Act, 1956, are as contained in the draft agreement and as given in the attached **Annexure-B**.

ITEM NO.17

Keeping in view the future requirements of funds for its business activities, Company is required to borrow funds from time to time. The shareholders' consent pursuant to the provisions of Section 293(1)(d) of the Companies Act, 1956 authorising the Board of Directors to borrow moneys, not exceeding Rupees Three Hundred Crores on account of principal [apart from temporary loans obtained from the Company's Bankers in the ordinary course of business] is required. The resolution in item no. 17 of this Notice is accordingly commended for your approval.

None of the Directors of the Company is concerned or interested in the resolution.

Registered Office :
Shreeramnagar, Garividi,
VIZIANAGARAM - 535 101
Andhra Pradesh

By Order of the Board,

S. S. SHARMA
Secretary

Dated : 23rd September, 2004.

FACOR ALLOYS LIMITED**FACOR****1****FIRST
ANNUAL REPORT
2003-2004****ANNEXURE A TO THE NOTICE****MATERIAL TERMS AND CONDITIONS OF THE APPOINTMENT OF MANAGING DIRECTOR, JOINT MANAGING DIRECTORS AND EXECUTIVE DIRECTOR**

The material terms and conditions of the appointment of the Managing Director, Joint Managing Directors and Executive Director and their remuneration by way of salary, dearness allowance, perquisites and benefits (which are in conformity with the Schedule XII to the Companies Act, 1956) and as contained in the draft agreement, are as under:

1. Term of Office:

- | | | |
|----|--|-------------------------------------|
| 1] | Shri R.K. Saraf, Managing Director | : 5 years with effect from 1.8.2004 |
| 2] | Shri Yogesh Saraf, Joint Managing Director | : 5 years with effect from 1.8.2004 |
| 3] | Shri Ashim Saraf, Joint Managing Director | : 5 years with effect from 1.8.2004 |
| 4] | Shri Anurag Saraf, Executive Director | : 5 years with effect from 1.8.2004 |

2. Remuneration:

- (i) Salary including dearness allowance Rs.15000/- per month, for the Managing Director, each of the Joint Managing Directors and the Executive Director.
- (ii) Perquisites:

In addition to the aforesaid salary, the Managing Director, Joint Managing Directors and Executive Director shall also be eligible to the following perquisites which are classified into 3 categories A, B and C. However, the perquisites are restricted in the aggregate to Rs.1,50,000/- per annum.

CATEGORY A:

- (1) Housing: (i) The expenditure by the Company on hiring/leasing furnished accommodation to be subject to 60% of the salary over and above 10% payable by the respective Managing Director, Joint Managing Directors and Executive Director.
- Housing: (ii) In case accommodation is owned by the Company, 10% of the salary to be deducted by the Company.
- Housing: (iii) In case no accommodation is provided by the Company, they will be entitled to house rent allowance subject to the ceilings laid down in Housing (i).

The expenditure incurred by the Company on Gas, Electricity, Water and Furnishings is to be valued as per the Income Tax Rules, 1962. This is, however, subject to a ceiling of 10% of the salary.

- (2) Medical Reimbursement - Expenses incurred for self and family subject to a ceiling of 1 month's salary per year or 3 month's salary in a period of 3 years.
- (3) Leave Travel Concessions - For self and family once in a year in accordance with the Rules of the Company.
- (4) Club Fees - Fees of Clubs subject to a maximum of 2 Clubs, admission and life membership fees not being allowed.
- (5) Personal Accident Insurance - Premium not to exceed Rs.4000/- p.a.

Note: Family means the spouse, the dependant children and dependent parents of the Managing Director, Joint Managing Directors and Executive Director.

CATEGORY B:

Contributions 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. Gratuity payable at the rate not exceeding half a month's salary for each completed year of service and encashment of leave at the end of the tenure shall not be included in the computation of the ceiling on perquisites mentioned in 2(ii) above.

CATEGORY C:

The Company shall provide Car and Telephone at residence. Provision of a Car for use on Company's business and telephone at residence are not to be considered as perquisites. Personal long distance calls on telephone and use of Car for private purposes are to be billed by the Company to the respective Managing Director, Joint Managing Directors and Executive Director.

Note: The perquisites shall be evaluated as per Income Tax Rules wherever applicable. In the absence of such Rules, perquisites shall be evaluated at actual cost.

3. Minimum Remuneration:

Notwithstanding anything to the contrary herein contained where in any financial year during the currency of the tenure of the respective Managing Director, Joint Managing Directors and Executive Director, the Company has no profits or its profits are inadequate, they shall be paid salary and perquisites as specified above.

4. They shall not be paid any sitting fees for attending the meetings of the Board of Directors or Committee thereof.

FACOR ALLOYS LIMITED**FACOR****1****FIRST
ANNUAL REPORT
2003-2004****ANNEXURE-B TO THE NOTICE****MATERIAL TERMS AND CONDITIONS OF THE APPOINTMENT OF DIRECTOR (TECHNICAL)****1. Term of Office:**

Shri. C.N. Hamman, Director (Technical) 5 years with effect from 1.8.2004

2. Remuneration:

(i) Salary including dearness allowance Rs.33,000/- per month.

(ii) Perquisites:

In addition to the aforesaid salary, the Director (Technical) shall also be eligible to the various perquisites as applicable to his cadre as per Rules of the Company.

Note: The perquisites shall be evaluated as per Income Tax Rules, wherever applicable. In the absence of such Rules, perquisites shall be evaluated at actual cost.

3. Minimum Remuneration :

Notwithstanding anything to the contrary herein contained where in any financial year during the currency of the tenure of the Director (Technical), the Company has no profits or its profits are inadequate, he shall be paid salary and perquisites as specified above.

4. The Director (Technical) shall not be paid any sitting fees for attending the meetings of the Board of Directors or Committee thereof.

None of the Directors is interested in this Resolution excepting the said appointee.

The particulars set out above may be treated as an abstract of the agreement between the said Managing Director, Joint Managing Directors, Executive Director and Director (Technical) pursuant to Section 302 (2) of the Companies Act, 1956.

The draft agreements between the Company and the aforesaid appointees are available for inspection by the members of the Company at the Regd. Office between 11.00 a.m. to 1.00 p.m. on any working day upto and inclusive of the date of the annual general meeting.

Registered Office :

Shreeramnagar, Garividi,
VIZIANAGARAM - 535 101
Andhra Pradesh

By Order of the Board,

S. S. SHARMA
Secretary

Dated : 23rd September, 2004.

DIRECTORS' REPORT TO THE MEMBERS

The Directors submit the **FIRST ANNUAL REPORT** on the business and operations of the Company and the Audited Statements of Accounts for the year ended 31st March, 2004.

INCORPORATION OF COMPANY

This Company was incorporated on 14th May 2004 in the State of Andhra Pradesh pursuant to a Scheme of Arrangement annexed to and forming part of the Rehabilitation Scheme sanctioned to Ferro Alloys Corporation Limited [FACOR] for its revival. According to the Sanctioned Scheme, FACOR has been trifurcated into three separate entities whereby the Ferro Alloys Division of FACOR at Garividi in Andhra Pradesh and Steel Division of FACOR at Nagpur in Maharashtra shall in its entirety, and on "going concern" basis, be mutated and stand transferred to and vested in or be deemed to have been mutated/ transferred to and vested in FACOR Alloys Ltd [FAL] and FACOR Steels Ltd [FSL] respectively with effect from the Appointed Date viz 1st April 2003, FACOR retaining the business relating to Charge Chrome Plant and Mining Division at Bhadrak in Orissa. Further, FAL and FSL would be deemed to have carried on the respective businesses of the said Ferro Alloys Division and Steel Division of FACOR with effect from the aforesaid Appointed Date.

As mentioned above, although the Company was incorporated only on 14-5-2004, on the basis of the "deemed" mutation/transfer of the undertaking of Ferro Alloys Division of FACOR to this Company and the consequent "deemed" commencement of business by this new entity w.e.f. 1-4-2003 as per the Sanctioned Scheme, the Balance Sheet and Profit and Loss Account of the Company for the year 2003-2004 have been prepared wherein the effect of the Rehabilitation Scheme has been explained wherever required.