



FOURTH
ANNUAL REPORT

2006-2007

(ABRIDGED)

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FACOR

FACOR ALLOYS LIMITED

**IN HOMAGE TO OUR
VISIONARY, INSPIRATION AND GUIDING LIGHT**



Late Shri Umashankar Agrawal
20.06.1933 - 02.02.2007

Board of Directors

R.K. Saraf
Vice-Chairman &
Managing Director

M.D. Saraf
Vice-Chairman &
Whole Time Director

Yogesh Saraf
Joint Managing Director

Ashim Saraf
Joint Managing Director

D. V. S. K. Murthy
Nominee of Bank of India

C.N. Harman
Director (Technical)

Keshaorao Pardhey

K Jayabharath Reddy

P.V.R.K. Prasad

Arye Berest

Vinod Saraf
Alternate Director to
Mr. Arye Berest

S S Sharma
Secretary

Executive

M. S. S. Sarma
Chief Executive

Bankers

Bank of India

Central Bank of India

State Bank of India

Syndicate Bank

**State Bank of Bikaner &
Jaipur**

Solicitors

Mulla & Mulla and
Craige Blunt & Caroe

Auditors

Salve And Co.
Chartered Accountants

Internal Auditors

D.C. Dhupia & Co.
Chartered Accountants

**Registrars & Share Transfer
Agent**

(for Both Physical & Electronic)

Intime Spectrum Registry Limited
C-13 Pannalal Silk Mills Compound,
LBS Road, Bhandup (W),
MUMBAI 400 078
Phone No. 022-2596 3838
Fax No.022-2594 6969
E-mail:
isrl@intimespectrum.com

Report Junction

FACOR ALLOYS LIMITED
Notice to Members**FACOR****4****FOURTH
ANNUAL REPORT
2006-2007**

Notice is hereby given that the **FOURTH ANNUAL GENERAL MEETING** of the Members of the Company will be held at the Registered Office of the Company at "Administrative Building, Shreeramnagar-535101, Garividi, Distt. Vizianagaram, Andhra Pradesh" on **FRIDAY, the 17th August, 2007 at 4.30 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, 2007 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 a Director in the place of Mr Ashim Saraf who retires from office by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in the place of Mr Keshavrao Pardhey who retires from office by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Mr Arye Berest who retires from office by rotation and, being eligible, offers himself for re-appointment.
5. To consider and, if thought fit, to pass the following resolution which will be proposed as a **Special Resolution**:

"RESOLVED THAT pursuant to provisions of section 224A and other applicable provisions, if any, of the Companies Act, 1956, Messrs Salve And Company, Chartered Accountants, the retiring Auditors of the Company, be and they are hereby re-appointed Auditors of the Company 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 incurred by them incidental to their functions as the Board of Directors may fix in that behalf in consultation with the said Auditors."

AS SPECIAL BUSINESS:

6. To consider and, if thought fit, to pass with or without modification, the following resolution as a **Special Resolution**:
"RESOLVED THAT pursuant to section 31 and all other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be altered as follows:

"In Article 161 for the words 'Share Premium Account' the words 'Securities Premium Account' shall be substituted."

7. To consider and, if thought fit, to pass with or without modification, the following resolution as a **Special Resolution**:
"RESOLVED THAT pursuant to the provisions of Section 78, 100 and other applicable provisions, if any, of the Companies Act, 1956, Article 10 of the Articles of Association of the Company and subject to the confirmation by the Hon'ble High Court of Judicature at Hyderabad and/or any other regulatory authority as may be prescribed under the Companies Act, 1956 an amount of Rs. 2667.52 lakhs standing in the Securities Premium Account (known as Share Premium Account in the books of accounts) of the Company as at 31st March 2007 be utilized for setting-off against the accumulated losses of Rs. 14634.83 lakhs (after setting-off General Reserves Rs. 16021.01 lakhs) lying in the books of the Company as on 31st March 2007 leaving a balance accumulated loss of Rs. 11967.31 lakhs.

RESOLVED FURTHER THAT for the purpose of giving effect to this Resolution and for removal of any difficulties or doubts, the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee or any person which the Board may nominate / constitute to exercise its powers, including the powers conferred by this Resolution) be and is hereby authorized to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, expedient, usual or proper and to settle any question or difficulty that may arise with regard to the utilization / adjustment of the Securities Premium Account including passing such accounting entries and / or making such other adjustments in the books of accounts as are considered necessary to give effect to this resolution or to carry out such modifications / directions as may be ordered by the Hon'ble High Court of Judicature at Hyderabad and / or any other regulatory authority as may be applicable for the purpose of giving effect to and the implementation of the aforesaid Resolution.

8. To consider and, if thought fit, to pass the following Resolution which will be proposed as an **Ordinary Resolution: (To be voted only by Postal Ballot)**

- (a) "RESOLVED THAT the consent of the Company be and is hereby accorded, pursuant to the provisions of Section 293(1)(a) and all other applicable provisions, if any, of the Companies Act, 1956, to the Board of Directors of the Company ("the Board" which expression shall also include any committee thereof or any sub-delegation to a Director(s) for mortgaging and/or charging subject to such consents, if any, as may be necessary from the existing mortgagees and charge holders, on such terms and conditions and at such time or times and in such form and manner and with such ranking as to priority as the Board may in its absolute discretion think fit, the whole or substantially the whole of the Company's any one or more undertaking(s) or of all the undertakings, including the present and/or future properties, wheresoever situate, whether movable or immovable, belonging or to belong to the Company, comprised in any undertaking or undertakings of the Company, as the case may be, to or in favour of all or any of the Financial Institution (s) or Bank (s) for securing any Loans or Financial

Assistance/Working Capital Facilities granted or to be granted by or any obligation incurred or to be incurred towards such Financial Institution(s) or Bank (s) subject to the limit of Rs.300 Crores as per the resolution passed by the Company under Section 293(1)(d) of the Companies Act, 1956 at its Annual General Meeting held on 27th October, 2004 together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, commitment charges, premia on prepayment, costs, charges, expenses including any increase as a result of devaluation/revaluation/fluctuation in the rates of exchange and any moneys payable to them in connection therewith under their respective heads of agreement(s)/loan agreement(s)/letter(s) of sanction/memorandum of terms and conditions or any other document entered into/to be entered into by the Company in respect of the loans etc. granted/to be granted to the Company and as may be agreed to by the Board and in particular in favour of all or any of:

- 1) Bank of India (BOI)
- 2) Central Bank of India (CBI)
- 3) State Bank of India (SBI)
- 4) State Bank of Bikaner & Jaipur (SBBJ)
- 5) Syndicate Bank (SB)

to secure Working Capital facilities including Term Loans of Rs. 5167.32 lacs from Consortium Banks as under:-

| | |
|-----------------------------------|-------------------------|
| 1) Bank of India | Rs. 1737.96 lacs |
| 2) Central Bank of India | Rs. 2148.42 lacs |
| 3) State Bank of India | Rs. 611.00 lacs |
| 4) State Bank of Bikaner & Jaipur | Rs. 129.14 lacs |
| 5) Syndicate Bank | Rs. 540.80 lacs |
| Total. | Rs. 5167.32 lacs |

and also such further additions to the aforesaid limits as may be made/granted by the said Bank(s) from time to time subject to the condition that the aggregate amount of Working Capital Facilities including Term Loans to be secured in respect of borrowings from all the aforesaid Banks shall not exceed Rs. 5500 lacs with liberty and authority to the Directors to accept the change in the limits of individual Bank consequent to such further additions to above limits within the aforesaid overall maximum limit of Rs. 5500 lacs, together with interest at the respective agreed rates, compound interest and additional interest, wherever applicable, liquidated damages, costs, charges, expenses and all other moneys payable by the Company to BOI, CBI, SBI, SBBJ and SB respectively under their respective loan agreement(s)/letter(s) of sanction or any other document/agreement entered into/to be entered into by the Company in respect of the said Working Capital Facilities including Term Loans as may be agreed to by the Board of Directors.

RESOLVED FURTHER that the Board be and is hereby authorized to finalise, settle and execute with any or all concerned Banks aforesaid, such agreements/deeds/writings/papers and any other documents as may be required in relation to or for creating the mortgages and/or charges aforesaid, including documents for any pari passu or other arrangement and for reserving the aforesaid right and to do all such acts, deeds and things as may be necessary or expedient for giving effect to this Resolution.

- (b) RESOLVED that pursuant to Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 and subject to such other approvals and permissions as may be required, consent of the Company be and is hereby accorded to the Board of Directors of the Company ("the Board" which expression shall also include any committee thereof or any sub-delegation to a Director(s)) to exercise its powers (including the powers conferred by this Resolution) to sell the Power Plant Unit comprising of 30 MW Diesel based Power Plant consisting of 3 nos D.G. Sets of 10 MW each located at Garividi, Dist. Vizianagaram, Andhra Pradesh on "as is where is basis" to M/s Volta Impex Pvt. Ltd, Hyderabad for a total consideration of Rs. 12.20 crores (Rupees Twelve Crores Twenty Lacs) subject to the receipt of any consents, approvals and permissions as may be required and further to negotiate, sign and execute such other documents / conveyances with such modifications as may be required from time to time and to do all such acts, deeds, matters and things as may be deemed necessary and / or as may be expedient in its discretion for completion of the transaction as aforesaid in the best interest of the Company."

9. To consider and, if thought fit, to pass, with or without modification, the following resolutions, which will be proposed as **Special Resolutions: (To be voted only by Postal Ballot).**

"RESOLVED that subject to the provisions of Section 17 and all other applicable provisions, if any, of the Companies Act, 1956, the Objects Clause III C of the Memorandum of Association of the Company be amended by inserting after the existing sub-clause 8 the following new sub-clauses :

- 8(A) To purchase, acquire, take on lease, sell, deal in, exchange, develop land (agricultural, non-agricultural and forest), buildings and other immovable properties including Real Estates, Tea, Coffee and Rubber Plantations and Plantations of any other kind and any accretion thereto in the form of area or in any other form whatsoever.
- 8(B) To carry on, promote, and/or engage in the business of Builders, Developers, Masonry and General Maintenance, Construction, Contractors and haulers and Real Estate and to Construct, Build, Purchase, Sell, Execute, Develop, Maintain, Operate, Run, Obtain, Grant Lease, Sub-lease, License, Let out and/or Sell Departmental Stores, Offices, Residential Apartments and Complexes, Bungalows, Townships, Godowns, Housing Complexes of all types, Multi Storeyed Buildings/Flats, Warehouses, Pent Houses, Rest Houses, Resorts, Entertainment Complex, Commercial and Industrial Complexes, Malls, Restaurants, Studios, Stores, Shopping Centers/Complexes, Satellite Townships, Industrial / IT Parks, Entertainment and Techno Parks, Hospitals, Seminar Halls, Meditation Centers, Marketing Arcades, Farm Houses, Theatres, Cinema Halls, Radio/TV Towers/Stations, Residential and Non-residential Schools, Colleges and Technical Institutes, Universities, Playgrounds & Gardens, Health Clubs, Water Sports, Bowling Alleys, Recreation Centers/Clubs, Special Economic Zones, Airports, Docks, Harbours, Ports, Wharves, Water Courses, Reservoirs, Embankments, Irrigation Projects, Reclamations, Sewage, Drainage and other Sanitary Works, Gas/Oil/Water pipeline Works, Houses, Buildings and Erections of every kind and to promote, establish, acquire, purchase, sale, construct, develop new Townships of any kind.
- 8(C) To promote, construct, build, acquire, develop, provide, supply, take/give on lease/licence, maintain various infrastructure facilities-and to undertake development of infrastructure projects in all areas of infrastructure including basic infrastructure such as Power including Hydel, Thermal, Nuclear, Solar and Wind Power/Energy, Roads, Bridges, Flyovers, Sub-ways, Tunnels, Airways, Railways, Highways, Water, Water management system, sewerages, residual and industrial infrastructure, Villages, Semi-urban and urban infrastructure and entertainment as well as tourism infrastructure.
- 8(D) To carry on in India or elsewhere the business to generate, receive, produce, improve, buy, sell, resell, acquire, use, transmit, accumulate, employ, distribute, develop, handle, protect, supply and to act as agent, broker, representative, consultant, collaborator, or otherwise to deal in electric power in all its branches including Thermal, Hydel, Atomic, Solar and Wind Power at such place or places as may be permitted by appropriate authorities by establishment of thermal power plants, hydel power plants, atomic power plants, wind power plants, solar power plants and other power plants based on any source of energy as may be developed or invented in future.
- 8(E) To construct, laydown, establish, promote, erect, build, install, commission, carry out and run all necessary power sub-stations, work shops, repair shops, wires, cables, transmission lines, accumulators, street lights for the purpose of conservation, transmission, distribution, and supply of electricity to participating industries, State Electricity-Boards and other Boards for industrial, commercial, domestic, public and other purposes and also to provide regular services for repairing and maintenance of all distribution and supply lines.
- 8(F) To carry on in India or elsewhere the business of trading in power, whether by way of buying, selling, reselling, acquiring, transmitting, accumulating, employing, distributing power supply or otherwise, and to act as agent, broker, representative, consultant, collaborator or otherwise to deal in power in all its branches at such place or places as may be permitted by appropriate authorities.

RESOLVED FURTHER that the aforesaid Special Resolutions for alteration of the Objects Clause of the Memorandum of Association of the Company, upon being duly passed and becoming effective, the approval of the members be and is hereby accorded to the Company pursuant to Section 149(2A) and other applicable provisions, if any, of the Companies Act, 1956, for commencing or undertaking or carrying on all or any of the new businesses and activities, including in particular Real Estate and Infrastructure development and setting up Wind Power Plant for the generation, distribution and transmission of Wind Power, covered by Sub-clauses 8(A) to 8(F) of Clause III C of the Memorandum of Association of the Company as referred to above, as well as for commencing or undertaking or carrying on the new business and activities of Coal Mining and Stainless Steel manufacturing in pursuance of the existing objects covered by sub-clauses 4, 5 and 6 of Clause III C of the Memorandum of Association of the Company, either alone or in joint venture with any other company/bodies corporate, at such time(s) as may be deemed fit by the Board of Directors who be and is hereby also authorized and empowered to do all acts, deeds, matters and things necessary for the said purpose*.

10. To consider and, if thought fit, to pass, the following Resolutions, which will be proposed as **Special Resolutions (To be voted only by Postal Ballot)**

*RESOLVED that pursuant to the provisions of Section 372A and all other applicable provisions of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof for the time being in force) and subject to such other approvals,

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sanctions and permissions as may be necessary and subject to such conditions as may be prescribed while granting such approvals, permissions and sanctions, consent of the Company be and is hereby given to the Board of Directors;

to give guarantee and/or to continue the guarantee already given to the following consortium banks for Term Loans and other fund based and non-fund based Working Capital Facilities availed/ to be availed from them by Ferro Alloys Corp. Ltd. (FACOR) and Facor Steels Ltd. (FSL) as per details in respect of the facilities given below:

(Rs./lacs)

Amount of Fund based and Non-fund based Working Capital/
facilities availed/to be availed from Consortium Banks by:

| | FACOR | FSL |
|--------------------------------|--------------|-------------|
| Bank of India | 3274 | 3167 |
| Central Bank of India | 3676 | 3302 |
| State Bank of India | 1291 | 1100 |
| Syndicate Bank | 900 | 813 |
| State Bank of Bikaner & Jaipur | 276 | 253 |
| Total. | <u>9417</u> | <u>8635</u> |

subject to a maximum limit of Rs. 150 crores in respect of FACOR and Rs. 100 crores in respect of FSL for all the above Banks taken together with liberty and authority to Board of Directors to provide guarantee for such further limits as and when granted by individual Bank over and above their respective aforesaid limits within the overall limit of Rs. 150 crores and Rs. 100 crores in respect of FACOR and FSL respectively and such guarantees as mentioned above will be over and above the limits, if any, available to the Board of Directors of the Company u/s 372A of the Companies Act, 1956.

RESOLVED FURTHER that the Board of Directors of the Company be and are hereby authorized to determine the actual sum upto which loans and guarantees may be given and also to determine the time and manner for giving such loans and guarantees and to do all such acts, deeds, matters and things as the Board, in its absolute discretion, may consider necessary, expedient or desirable and to settle any question or doubt that may arise in relation thereto in order to give effect to this Resolution or otherwise considered by the Board to be in the best interest of the Company."

NOTES:

- The relevant Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of Item Nos. 5 to 10 of the Notice set out above is annexed hereto.
- With respect to resolutions at item No. 8, 9 & 10 of the Notice, Members are requested to vote only by Postal Ballot in terms of Section 192-A of the Companies Act, 1956. A Postal Ballot Form and pre-paid postage envelope are enclosed. Votes cast otherwise than in the said Postal Ballot Form will be rejected. Please read the instructions in the Postal Ballot Form carefully.
- Depending upon the result of the Postal Ballot the said Resolutions will be confirmed/declared to have been passed on the date of the Annual General Meeting.
- 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 **Saturday the 11th August, 2007 to Friday, the 17th August, 2007, both days inclusive.**
- Members are requested to notify immediately any change in their address/bank mandate to their respective Depository Participants (DPs) in respect of their electronic share accounts and to the Registrar and Share Transfer Agent of the Company viz., Intime Spectrum Registry Limited, (Unit: Facor Alloys Ltd.) C-13, Pannalal Silk Mills Compound, LBS Road, Bhandup (W) Mumbai 400 078, Maharashtra in respect of their physical share holding, if any. While intimating change of address to Depositories and Registrar and Share Transfer Agents please indicate your client ID No. / Folio No., as may be applicable. The address should be complete with Pin Code No.
- Members holding shares in physical form and desirous of making a nomination in respect of their shareholding in the Company are requested to submit Form No.2B duly filled in and signed to the above Registrar & Transfer Agent. The Form can be had from the Share Department at the Registered Office of the Company at Shreeramnagar-535101 Distt. Vizianagaram, Andhra Pradesh.
- 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.

8. As required by the Listing Agreement with the Stock Exchange, the relevant details in respect of the Directors proposed to be appointed/re-appointed are set out in the Report on Corporate Governance forming part of the Annual Report.
9. The Company's securities are admitted in the National Securities Depository Ltd. and Central Depository Services Ltd. and the ISIN No. allotted to the Company by them in respect of Equity Shares is INE 828GO1013 and in respect of Preference Shares is INE 828GO4017.
10. Non-resident Indian Members are requested to inform the Registrar and Transfer Agent of the Company about:
 - a) The change in their residential status on return to India for permanent settlement.
 - b) The details of the bank account in India with complete name, branch, account type, account no. and address of the bank.
11. All documents referred-to in the accompanying notice are open for inspection at the **Registered Office of the Company on all working days between 11.00 a.m. and 1.00 p.m. up to the date of Annual General Meeting.**

Registered Office:

Shreeramnagar-535 101,
Garividi, Dist. Vizianagaram,
Andhra Pradesh
Dated: 29TH June, 2007

By Order of the Board,

S.S. Sharma
Secretary

ANNEXURE TO THE NOTICE

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

ITEM NO.5

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 your Company, the aforesaid categories of shareholders together are likely to hold more than 25% of the Subscribed Capital at the date of ensuing Annual General Meeting of the Company. Hence, it is necessary to pass a Special Resolution to re-appoint M/s Salve And Company as Auditors of the Company. M/s Salve And Company have furnished a Certificate to the Company to the effect that their re-appointment, if made, will be in accordance with the limits specified in Section 224(1B) of the Companies Act, 1956.

ITEM NOS. 6 & 7

In terms of the Rehabilitation Scheme sanctioned to Ferro Alloys Corporation Ltd. (FACOR) by Hon'ble BIFR, the Ferro Alloys Division of Facor at Shreeramnagar in Garividi, Andhra Pradesh was transferred to this Company. Accordingly all assets and liabilities as on 31-03-2003 pertaining to said Ferro Alloys Division in A.P. including Facor's accumulated losses to the extent of Rs.333.43 crores were transferred to it under a Scheme of Arrangement forming part of the said Rehabilitation Scheme. The management of the Company put in place a revival plan comprising, inter alia, rationalization of manpower and improvements in operations. Due to improved market conditions and significant improvement in the operations consequent upon the implementation of revival plan, the Company has been able to post nominal book profits for the third year in succession. The Balance Sheet as on 31.03.2007 still carries accumulated losses of Rs.306.56 crores and it is felt to recast the Balance Sheet in this respect.

An amount of Rs.26.68 crores is standing to the credit of Share Premium Account and Rs.160.21 crores is standing to the credit of General Reserve Account in the books as on 31.03.2007. In accordance with the provisions of Section 78 read with Section 100 of the Companies Act, 1956, and subject to the confirmation of the Hon'ble High Court of Judicature at Hyderabad and/or approval of such other Regulatory Authority as may be required according to the laws in force, it is proposed to set off these balances against the heavy accumulated losses. After this adjustment, the accumulated losses would stand reduced to Rs.119.67 crores.

The restructuring will not be prejudicial to the interest of creditors of the Company. For the sake of clarity, it is specified that the reduction of capital does not involve either the diminution of any liability in respect of unpaid capital or the payment to any shareholder of any paid-up capital. The creditors of the Company are in no way affected by the proposed restructuring of the Share Capital as there is no reduction in the amount payable to any of the creditors, no compromise or arrangement is contemplated with the creditors. Further, the proposed adjustment would not in any way adversely affect the ordinary operations of the Company or the ability of the Company to honour its commitments or to pay its debts in the ordinary course of business.

In order to implement the above financial restructuring proposal the Company proposes to amend Article 161 of the Articles of Association as set out in the Resolution at Item No. 6. The proposed adjustment of accumulated losses against the Securities Premium Account will be deemed as reduction of capital pursuant to Section 78 read with Section 100 of the Act. Article 10 of the Articles of Association of the company read with Article 161 (as amended) provide for the reduction in the Capital of the Company and the Securities Premium Account in accordance with the provisions of the Act.

The Resolution at item No. 7 is subject to the confirmation of the Hon'ble High Court of Judicature at Hyderabad and / or approval of such other regulatory authority as may be required according to the laws in force.

A copy of the Articles of Association of the Company together with the proposed alteration is available for inspection at the **Registered Office of the Company between 11:00 a.m. and 1:00 p.m. on any working day (except Saturday) of the Company.**

None of the Directors of the Company is interested in this resolution.

The Resolutions as in item nos. 6 & 7 of the notice are accordingly commended for your approval.

ITEM NO. 8 (a) and (b)

- (a) As per the Rehabilitation Scheme sanctioned to the Company by the Board for Industrial and Financial Reconstruction (BIFR), all bank borrowings including Term Loan, WCTL and FITL are required to be additionally secured by a first charge on fixed assets of the Company. Accordingly, the Company has to mortgage / charge the fixed assets of the Company in favour of the consortium banks viz. Bank of India, Central Bank of India, State Bank of India, State Bank of Bikaner & Jaipur and Syndicate Bank on pari passu basis or such ranking as may be agreed upon.
- (b) Company imported 3 nos D.G. Set Engines of 10 MW each having furnace oil/LDO/LSHS as fuel from MAN B&W, Germany in 1989 for installation of captive power plant at Garividi. Due to unprecedented increase in the prices of fuel i.e. LSHS, the operation of these engines became unviable. As mentioned above, due to higher cost of generation of power through these engines as compared with the cost of power supplied by NTPC/APTRANSCO, these engines have not been put to use since 1999 and only timely maintenance has been carried out to keep them in good working condition. In the Rehabilitation Scheme sanctioned by BIFR for revival of the trifurcated companies including this Company, they have permitted the Company to sell these three DG Sets as the same constituted one of the means of financing the scheme and accordingly advised the Company to find out a suitable buyer. After putting continuous efforts, the company located a buyer viz. Volta Impex Pvt. Ltd., Hyderabad who have offered to buy all the 3 nos. DG Sets on "as is where is basis" and accordingly, the Company has accepted the same for a total consideration of Rs.12.20 crores.

Since this Resolution is for sale of an undertaking as provided by section 293(1)(a) of the Companies Act, 1956 and the Postal Ballot Rules require it to be passed by means of a Postal Ballot, this Resolution has to be passed through Postal Ballot and accordingly the same is commended for your acceptance.

ITEM NO. 9

Your Company is considering venturing into the business of Real Estate and Infrastructure Development as well as Power and Stainless Steel which offer good opportunities for the Company to diversify into other areas of business.

The Real Estate and Infrastructure sector is growing at about 10% per annum. Investment in this sector is driven by growing requirements of transportation, power, urban infrastructure, housing and irrigation. Mega golden quadrilateral and other highway projects, opening up of infrastructure to private players, allowing 100% FDI in real estate are some of the factors which have prompted your Company to foray into the above new areas of business.

In India demand for power is projected to reach over 2,40,000 MW by 2012. With increasing demand for power on the one hand and slow-paced conventional capacity additions on the other, rapidly deployable power technology such as Wind Energy assumes importance. As per information, the estimated power generation capacity of India through wind is about 45000 MW. Against this, only 4200 MW was tapped till September 2005 leaving a big gap. Hence your Company wishes to enter into the business of wind power generation, distribution and transmission.

As you are aware, the Ferro Chrome produced by your Company is being used in the manufacture of Stainless Steel. To reduce heavy dependence on domestic and global Stainless Steel Producers, it is proposed to set up a Stainless Steel plant of a suitable capacity, by way of forward integration, where the Ferro Chrome produced by the Company can be utilized. Depending upon the circumstances, the Company may also think of setting up a new Company, as a subsidiary or joint venture, for production of Stainless Steel.

The above new areas of business will also enable the Company to spread its risks as its existing ferro alloys business is of cyclical nature and of late it has been found that the frequency and length of the adverse cycle is increasing for various reasons including its dependence on Stainless Steel Industry. Therefore, the Company has plans to commence the aforesaid additional businesses, which can be conveniently and advantageously combined with the existing business.