

# EIGHTH ANNUAL REPORT 2010-2011



**AN ALLOY OF GROWTH & SUCCESS**



**FACOR ALLOYS LIMITED**

युक्तः कर्मफलं त्यक्त्वा शान्तिमाप्नोति नैष्ठिकीम्।

अयुक्तः कामकारेण फले सक्तो निबध्यते॥

*The Karmayogi who can disregard the fruits of his labour finds peace and is united with the Divine, whereas the one who remains greedy for the results of his activities is entangled and fails to reach Divinity*

*Chapter 5, verse 12 of the Srimad Bhagawat Gita*



**Shri Durgaprasadji Saraf**

25th September, 1911 – 25th July, 1988

“*A Karmayogi Whose Shining Spirit  
Still Guides Us*”

**Homage to our beloved founder on his birth centenary**

**CORPORATE INFORMATION****Board of Directors****R.K. Saraf**

Chairman &amp; Managing Director

**M.D. Saraf**

Vice Chairman

**Yogesh Saraf**

Joint Managing Director

**Ashim Saraf**

Joint Managing Director

**G.L.N. Sastry** (upto 13.07.2011)

Nominee of Bank of India

**C.N. Harman**

Director (Technical)

**K. Jayabharath Reddy****P.V.R.K. Prasad****K.L. Mehrotra** (w.e.f. 18.09.2010)**A. S. Kapre****Gautam Khaitan****Arye Berest****S.S. Sharma**General Manager (Legal) &  
Company 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 &amp; Jaipur

Indian Overseas Bank

**Solicitors**

Mulla &amp; Mulla and Craige Blunt &amp; Caroe

Bhaishankar Kanga and Girdharilal

**Auditors**

Salve &amp; Company

Chartered Accountants

**Internal Auditors**

D.C. Dhupia &amp; Company

Chartered Accountants

**Registrars & Share Transfer Agents**

(for Both Physical &amp; Electronic)

**Link Intime India Pvt. Ltd.**

C-13 Pannalal Silk Mills

Compound, LBS Road,

Bhandup (W),

MUMBAI – 400 078

Phone No. 022-2594 6970

Fax No. 022-2594 2969

E-mail: [rnt.helpdesk@linkintime.co.in](mailto:rnt.helpdesk@linkintime.co.in)**Contents :**

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## NOTICE

**Notice** is hereby given that the **EIGHTH 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 **TUESDAY, the 13<sup>th</sup> September, 2011 at 3.30 p.m.** to transact, with or without modifications as may be permissible, the following business:

### Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2011 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 declare a dividend on equity shares.
3. To appoint a Director in the place of Mr M.D. Saraf who retires from office by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Mr Yogesh Saraf who retires from office by rotation and, being eligible, offers himself for re-appointment.
5. To appoint a Director in the place of Mr P.V.R.K. Prasad who retires from office by rotation and, being eligible, offers himself for re-appointment.
6. To consider and, if thought fit, to pass the following resolution which will be proposed as an Ordinary Resolution:

“RESOLVED THAT pursuant to provisions of section 224 and other applicable provisions, if any, of the Companies Act, 1956, Messrs Salve & 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 :

7. To consider and, if thought fit, to pass the following resolution which will be proposed as a Special Resolution :  
“RESOLVED THAT in partial modification of the resolution approved by members earlier at the Annual General Meeting held on 15<sup>th</sup> September 2008, pursuant to sections 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII thereof as amended upto date and all guidelines for managerial remuneration issued by the Central Government from time to time and subject to the consent of the members of the Company and such other

approvals, if any, as may be necessary, the consent of members of the company be and is hereby accorded to the revision in the remuneration of the Director (Technical) Shri C.N.Harman with effect from 01<sup>st</sup> October, 2010 for the remaining period of his office as set out in the draft Supplemental Agreement prepared in that behalf and submitted to this meeting and initialled by the Secretary for the purpose of identification and which draft Supplemental 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 the authority to the Board of Directors to alter and vary the terms & conditions of the said revision and / or Supplemental Agreement (including authority from time to time, to determine the amount of salary as also the type and amount of perquisites and other benefits payable to Shri C.N. Harman, Director (Technical) in such manner as may be agreed to between the Board of Directors and Shri C.N.Harman in the best interest of the Company, within the limitations in that behalf as contained in the Schedule XIII to the Act or any amendments thereof or otherwise as may be permissible at law and that the draft Supplemental 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.”

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

“RESOLVED THAT in partial modification of the Ordinary Resolution No. 10 passed by the members of the Company at the 2nd Annual General Meeting held on 19<sup>th</sup> September, 2005 and pursuant to Section 293(1)(e) of the Companies Act, 1956 and other applicable provisions, if any, of the said Act, consent of the Company be and is hereby accorded to the Board of Directors of the Company contributing from time to time by way of donations or otherwise to national, benevolent, charitable, public or general or other funds/institutions, not directly relating to the business of the Company or welfare of its employees, notwithstanding that the moneys to be contributed together with the moneys already contributed by the Company during any financial year will or may in the aggregate exceed a sum of ₹ 50000/- (Rupees fifty thousand) or 5% of the Company's average net profits as determined in accordance with the provisions of Sections 349 and 350 of the said Act, during the three financial years immediately preceding the financial year in which such contributions are made, whichever is greater, provided that the aggregate amounts contributed in excess of the aforesaid limits shall not exceed ₹ 100 Lacs in any financial year.”

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

“RESOLVED THAT in accordance with the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be altered in the manner following :

In Article 105 for the words ‘nor more than 12 (twelve)’ the words ‘nor more than 15 (fifteen)’ shall be substituted.”

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 Section 258 & 259 and all other applicable provisions if any of the Companies Act, 1956 and subject to the consent of the members of the Company and such other approvals, if any, as may be necessary, the number of the existing directors of the Company for the time being in office be increased from twelve to fifteen”.

11. To appoint Mr. K.L. Mehrotra (who was appointed to fill-up the casual vacancy on the Board caused by the death of Mr. V.J. Trivedi under Article 107 of the Articles of Association of the Company and Section 262 of the Companies Act, 1956 and who holds office as a Director upto the date of this Annual General Meeting 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 ₹ 500/- from a member signifying his intention to propose Mr. K.L. Mehrotra as a candidate for the office of Director) as a Director of the Company 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, Mr. K.L. Mehrotra be and is hereby elected and appointed as a Director of the Company liable to retire by rotation.”

#### NOTES:

1. 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.
2. PROXIES IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY AT SHREERAMNAGAR-535101, GARIVIDI, DIST. VIZIANAGARAM (A.P.) NOT LESS THAN 48 HOURS BEFORE HOLDING THE MEETING.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Saturday the 3<sup>rd</sup> September, 2011 to Tuesday, the 13<sup>th</sup> September, 2011, both days inclusive.
4. The dividend recommended by the Board, if declared at the AGM will be paid to those members or their mandates whose name

appear on the Register of Members of the Company on 13<sup>th</sup> September, 2011. In respect of shares held in dematerialized form, the dividend will be paid on the basis of beneficial ownership as per details furnished by the depositories for this purpose at the end of business hours on 2nd September, 2011. No deduction of tax at source will be made from dividend.

5. Pursuant to Section 205C of the Companies Act, 1956, unclaimed dividend is to be transferred to the “Investor Education and Protection Fund” of the Central Government after a period of 7 years from the date of transfer to unpaid dividend A/c. Shareholders who have not en-cashed/misplaced/not received the dividend warrant for the years 2008-09 (interim) & 2009-10 are requested to write to M/s.Link Intime India Pvt.Ltd., (Unit: Facor Alloys Ltd.) C-13, Pannalal Silk Mills Compound, LBS Road, Bhandup (W) Mumbai 400 078, Maharashtra for claiming the dividend. Due dates for the transfer of the unclaimed dividend of the year 2008-09 & 2009-10 to the said fund is 3<sup>rd</sup> September, 2015 & 24<sup>th</sup> October, 2017 respectively and shareholders cannot make a claim after these dates.
6. 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., Link Intime India Pvt. 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.
7. 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.
8. 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.
9. Members are requested to bring their copy of the Annual Report with them to the Annual General Meeting.
10. 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.

11. 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 828G01013.
12. Non-resident Indian Members holding shares in physical form 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.

13. 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:**

Administrative Building,  
Shreeramnagar-535 101,  
Garividi, Dist. Vizianagaram,  
Andhra Pradesh  
Dated: 1st August, 2011

By Order of the Board,

**S.S. Sharma**  
General Manager (Legal)  
& Company Secretary

**ANNEXURE TO THE NOTICE**

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

**ITEM NO.7**

Mr C.N. Harman was re-appointed as Director (Technical) of the Company with effect from 1<sup>st</sup> August, 2009, for a period of five years. His re-appointment and terms of remuneration were approved by the Board in its meeting held on 30<sup>th</sup> July, 2008 and by shareholders in their Annual General Meeting held on 15<sup>th</sup> September, 2008.

During the financial year 2010-11, the overall performance of the Company has improved considerably for which Mr.C.N. Harman has immensely contributed. Further, keeping in view his responsibilities as well as technical knowledge, experience, other relevant factors and the prevailing trend in remunerating managerial personnel in the industry, it is proposed to revise his remuneration with effect from 1<sup>st</sup> October, 2010. The revised remuneration as contained in the draft Supplemental Agreement is as under:

**a) Salary**

Basic Salary ₹ 74,000/- p.m in the scale of ₹ 68,000/- – 5,000/- – 93,000/-

**b) Perquisites:**

In addition to the aforesaid salary, the Director (Technical) shall also be eligible to the perquisites as given hereunder; the monetary value of such perquisites is restricted in the aggregate to ₹ 6,00,000/- per annum.

The perquisites payable to Mr C.N.Harman will include accommodation [furnished or otherwise] or House Rent Allowance in lieu thereof, reimbursement of expenses for utilization of gas, electricity, water, furnishing, medical reimbursement at actual for self and his family, leave travel concession for self and his family, club fees, medical insurance and such other perquisites within the amount specified above as applicable to his cadre as per rules of the Company. The said perquisites shall be evaluated, wherever applicable, as per the Income Tax Act, 1961 or any

rules thereunder [including any statutory modification[s] or re-enactment thereof, for the time being in force]. However, Company's contribution to Provident fund, Superannuation or Annuity Fund, to the extent these singly or together are not taxable under the Income Tax Act, and Gratuity payable and encashment of leave at the end of tenure, as per rules of the Company, shall not be included in the computation of limits for the remuneration. Further the Company shall provide car for use on company's business and telephone at residence for official purpose. Provision of a car for use on company's business and telephone at residence for official purpose are not to be considered as perquisites.

Family means the spouse, the dependent children and the dependent parents of the Director (Technical).

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

The remuneration payable to the Director (Technical) by way of salary, dearness allowance, perquisites and any other allowances shall not, however, exceed the ceiling limit of ₹ 18,00,000/- per annum.

The Board of Directors or any Committee thereof is entitled to determine and revise the salary and perquisites payable to the Director (Technical) of the Company at any time, such that the overall remuneration payable shall not exceed the aggregate limit of ₹ 18,00,000/- per annum as specified above. The next revision in his salary will be effective from 1<sup>st</sup> April, 2011.

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, then also he shall be paid salary allowances and perquisites as specified above in accordance with the applicable provisions of Schedule XIII of the Companies Act, 1956 and subject to the approval of the Central Government, if any, required.

Except Mr C.N. Harman no other Director is interested in this resolution.

The particulars set out above may be treated as an abstract of the Agreement between the said Director (Technical) and the Company pursuant to section 302 of the Companies Act, 1956.

The draft agreement between the Company and the aforesaid appointee is available for inspection by the Members of the Company at the Registered Office between 11 am to 1 pm on any working day upto and inclusive of the date of the Annual General Meeting.

#### ITEM NO. 8

Your Company acknowledges its social responsibilities towards the nation and would therefore keeping up with the Social Corporate Responsibility like to donate funds from time to time to Charitable and other funds/benevolent institutions engaged in deserving causes such as relief work, social welfare activities and other national causes.

Section 293(1)(e) of the Companies Act, 1956, inter alia, provides that the Board of Directors of a public company shall not, except with the consent of the Company in General Meeting, contribute to charitable and other funds not directly relating to the business of the Company or the welfare of its employees, in a financial year any amounts exceeding ₹ 50000/- or 5% of its average net profits of three immediately preceding financial years as determined in accordance with the provisions of Section 349 and 350 of the said Act, whichever is greater.

It is because of this statutory requirement that the consent of the Company in general meeting is necessary in order to enable the Board to make the contributions exceeding the above limits as mentioned in the resolution.

Considering the size of your Company and the extensive areas of its operations, your Directors consider that the amount of expenditure incurred on donations, subject to the limits set out in this resolution, is reasonable, and they accordingly commend the resolution for your acceptance.

#### ITEM NO. 9 & 10

The total number of Directors on the Board of the Company at present is twelve out of which four directors are executive who are normally not liable to retire by rotation and the remaining seven directors (excluding nominee director of banks) are liable to retire by rotation at the Annual General Meeting, Apropos to Section 255 of the Companies Act, 1956 not less than two thirds of the total number of Directors of the Company shall be persons whose period of office is liable to determination by retirement of directors by rotation.

Further, the lending banks which have sanctioned working capital facilities to the Company by exercising their right to appoint a nominee director have nominated a non-rotational director on the Board of the

company. Further more Clause 49 of the Listing Agreement mandates to have at least half of the strength of independent directors on the Board where chairman is executive. Company, in order to derive benefit of rich experience and able guidance of proven professionals who have illustrious career to their credit, may broad base its Board of Directors by inducting such professionals as independent directors. To meet such a situation, it is proposed to increase the limit of maximum number of directors from 12 to 15 and Article 105 is being altered accordingly. Section 259 of the Companies Act, 1956 provides that any increase in number of directors beyond 12 require Central Government's approval. Hence company shall be making required application to Central Government seeking its approval for such increase.

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 10:00 a.m. and 12 noon on any working day (except Saturday) of the Company.

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

#### ITEM NO. 11

Mr. K.L. Mehrotra was appointed as a Director by the Board of Directors of the Company at its meeting held on 18-09-2010 to fill-up the casual vacancy on the Board caused by the death of Mr. V.J. Trivedi with effect from 18.09.2010. Pursuant to Section 262 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 when the said Mr. V.J. Trivedi would have retired, had he continued in office. A Notice has been received from a member pursuant to Section 257 of the Companies Act, 1956 signifying his intention to propose Mr. K.L. Mehrotra as a candidate for the office of Director.

Mr. K.L. Mehrotra is retired Chairman and Managing Director of MOIL, Nagpur. He did his B.Sc. (Engineering) from the Institute of Technology, Banaras Hindu University in 1970 and is having over 39 years rich experience in Private, State and Central Sector Organisations in various positions. His experience, advice and guidance will be of immense benefit to the Company.

Accordingly, the resolution under this item of the Notice is commended for your acceptance.

Except Mr. K.L. Mehrotra, no other Director is concerned or interested in this Resolution.

**Registered Office:**  
Administrative Building,  
Shreeramnagar-535 101,  
Garividi, Dist. Vizianagaram,  
Andhra Pradesh  
Dated: 1st August, 2011

By Order of the Board,  
  
**S. S. Sharma**  
General Manager (Legal)  
& Company Secretary

## DIRECTORS' REPORT TO THE MEMBERS

The Directors submit the **EIGHTH ANNUAL REPORT** on the business and operations of the Company and the Audited Statements of Accounts for the year ended 31st March, 2011.

### FINANCIAL RESULTS

	For the year ended 31-3-2011 (₹ in Lacs)	For the previous Year ended 31-3-2010 (₹ in Lacs)
Gross Profit/(Loss)	5199.69	2414.14
Depreciation	216.35	227.85
Provision for taxation (including MAT/ /Wealth Tax)	1433.06	536.53
Tax for earlier years	0.65	(0.21)
Deferred Tax	237.85	246.86
Net Profit/(Loss) for the year	3311.78	1403.11
APPROPRIATIONS		
Transfer to General Reserve	250.00	75.00
Dividend on Equity Shares	391.09	293.32
Corporate Tax on Dividend	63.45	48.72
	2607.24	986.07
Balance brought forward from last year	(2360.87)	(19680.88)
	246.37	(18694.81)
Less : General Reserve	-	16333.94
Balance Carried to Balance Sheet	246.37	(2360.87)

### OVERALL PERFORMANCE

The world economy has demonstrated continued recovery post the financial meltdown in 2008. The financial year of 2010-11 was a year of steady improvement in our top line and bottom line figures. The domestic ferro alloys capacity has increased considerably in the last couple of years. These additional capacities coupled with high energy cost put pressure on the demand and prices of ferro chrome resulting into lower demand in the domestic market. Despite Low domestic demand of ferro chrome coupled with higher priced ores, company's profitability was not affected due to better price realization from exports as the major global producers South Africa was not yet producing at full capacity.

On account of above and other factors, during the year under consideration the production and sale of Ferro Chrome were higher as compared to that of the previous year 2009-2010. Owing to better market conditions, the overall turnover of the Company increased from ₹ 261.94 crores in 2009-2010 to ₹ 388.59 crores in 2010-2011 recording an impressive increase of 48%. Exports were also higher at ₹ 309.90 crores as compared to ₹ 215.19 crores in the previous year registering a phenomenal growth of 44%. Profit before tax too surged to ₹ 49.83 crores as compared to ₹ 21.86 crores in the previous year recording a spectacular increase of 128%.

### DIVIDEND

Your Directors have recommended payment of dividend of ₹ 0.20 per equity share of ₹ 1/- each (20%) on the equity share capital of

₹ 19,55,47,355/- (2009-10 ₹ 0.15 per equity share of ₹ 1/- each (15%) on the equity share capital of ₹19,55,47,355/-) for the year ended 31st March, 2011 aggregating to ₹ 3,91,09,471/- and to pay dividend tax of ₹ 63,44,534/-. The dividend if approved by the shareholders will be paid to those members or their mandates whose name appear on the Register of Members on 13<sup>th</sup> September, 2011 for those holding shares in physical form and as per the details furnished by the depositories as at the end of business hours on 2nd September, 2011 for those holding shares in dematerialized form.

### PROSPECTS

Ferro Alloys is a crucial intermediates to Steel Industry, hence growth of Ferro Alloys industry is primarily driven by the growth and progress of Steel Industry. Steel market including Stainless Steel (SS) has been passing through difficult times since April 2011. Nervousness is visible in the sector and production has been lower across the world compared to Q1 CY 2011. There is overcapacity of Stainless steel as demand for stainless steel is around 5-6 Million tons against the production capacity of 8-9 Million tons.

Further, the international prices of H C Ferro Chrome started moving downwards. The main reason for the decline is lack of demand by the end users. China still holds about 3.50 million tons of Chrome ore stock. There are fears of oversupply in the market as bearish market sentiment sees a slow reduction in the high stockpiles.

However the government has indicated its commitment for achieving a sustained GDP growth of 8% to 9% which would call for sustained double digit growth in steel consumption. Hence the long term outlook for the industry continues to remain positive as India progresses to achieve stronger economic position in the world scenario. One of the crucial beneficiaries of this includes the ferro alloy industry.

Further the stainless steel industry is expected to continue witnessing good growth going ahead which will largely be driven by demand emanating from China and India. Apart from being the largest consumers, these countries are also emerging as the largest stainless steel producers. Stainless steel demand in India is likely to be very high going ahead given rising per capita income. With steel production set to grow in coming years, domestic consumption of ferro alloys is also expected to increase. India has the potential to become a major player in the global ferro alloy industry in the coming years. The industry will play a significant role in exports, considering the low profile on exports by China. China will be importing more bulk ferro alloys, particularly ferro chrome, which will give India an advantage, due to closer proximity, as compared to other major ferro alloy producing countries like South Africa, Zimbabwe and so on.

Ferro alloy production cost is principally constituted of ore, reductants and power accounting in the aggregate for about 90% of the cost. As such, integrated producers with captive mines and power generation facility are well placed and insulated against volatile market trends.



Indian ferro alloy industry has very few integrated players and most of the producers depend on public sector mining companies for their requirement of ore and on local power utilities for their energy requirement.

Further as mentioned above electrical energy is one of the major inputs in production of ferro alloys and high power tariff is a threat for the industry. Over and above the high power tariff, the frequent power cuts in Andhra Pradesh are also affecting the industry performance. Apart from electrical energy, the industry faces challenges of acquiring good quality raw materials like chrome ore and coke along with delay in getting rakes for transporting the material from the mines to the plants. The bigger challenge is the soaring costs, especially the cost of fuel and petroleum prices, which has a bearing on the cost of production, cost of power as well as on the logistic costs. It is hoped that the Government would recognise these challenges which hamper growth in this industry and need to be addressed urgently to enable the Ferro Alloys Producers to compete in the domestic as well as international markets.

## FINANCE

The Company has not invited any deposit from public during the year.

## SUBSIDIARY

The Report and Accounts of Best Minerals Limited, a subsidiary of the Company, for the year 1<sup>st</sup> April, 2010 to 31<sup>st</sup> March, 2011 are annexed alongwith statement pursuant to Section 212 of the Companies Act, 1956.

## INDUSTRIAL RELATIONS

The overall industrial relations in the Company were generally satisfactory.

## DIRECTORS

During the year Bank of India vide their letter ref. VMCB/PTS/11-12/112 dated 13-07-2011 has informed that Mr. G.L.N. Sastry has ceased as a nominee Director of the bank on the Board of the company w.e.f. 13-07-2011 due to his retirement from the services of the bank. The Directors place on record their appreciation for the valuable services rendered by him.

Mr. K.L. Mehrotra was appointed as Director on the Board w.e.f. 18<sup>th</sup> September, 2010 to fill the casual vacancy. Mr. M.D. Saraf, Mr. Yogesh Saraf and Mr. P.V.R.K. Prasad, Directors of the Company, retire by rotation and, being eligible offer themselves for re-election.

The Company has formulated a code of conduct for all members of the Board and Senior Management Personnel. All concerned members/ executives have affirmed compliance with the said code.

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217 (2AA) of Companies Act, 1956, your Directors confirm that -

- i) in the preparation of the annual accounts, the applicable

accounting standards have been followed alongwith proper explanations; (Refer Note No. 11 of Schedule K).

- ii) they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- iii) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) they have prepared the annual accounts on a going concern basis.

## AUDIT COMMITTEE

The Audit Committee formed by the Board of Directors of the Company consists of Mr. K. Jayabharath Reddy, Mr. P.V.R.K. Prasad & Mr. A.S. Kapre who are Non-Executive Independent Directors of the Company and Mr. R.K. Saraf. Mr. K. Jayabharath Reddy is its Chairman. The Committee's role, terms of reference and the authority and powers are in conformity with the requirement of the Companies Act, 1956 and the Listing Agreement.

## AUDITORS

You are requested to appoint Auditors for the current year and to fix their remuneration. M/s Salve & Company, Chartered Accountants hold office upto the conclusion of the ensuing 8<sup>th</sup> Annual General Meeting. The Company has received a requisite Certificate pursuant to Section 224 (1B) of the Companies Act 1956 regarding their eligibility for re-appointment as Auditors of the Company.

## AUDITORS' REPORT

With reference to the comments made by the Auditors in their Report, the Directors wish to state that the relevant notes forming part of the Company's Accounts are self-explanatory and hence do not require any explanation from the Board.

## CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The statement giving details of conservation of energy, technology absorption, foreign exchange earnings and outgo, in accordance with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed and marked Annexure 'A' which forms part of this Report.

## PARTICULARS OF EMPLOYEES

During the year under review there were no employees receiving remuneration of or in excess of ₹ 60,00,000/- per annum or ₹ 5,00,000/- per month requiring disclosure as per the provisions of Section 217(2A) read with the Companies (Particulars of Employees) Rules, 1975.

**CORPORATE GOVERNANCE**

Management Discussion and Analysis, Corporate Governance Report and Auditors' Certificate regarding compliance of conditions of Corporate Governance are made a part of the Annual Report.

**ACKNOWLEDGEMENT AND APPRECIATION**

Your Directors place on record their gratitude for the support and co-operation received from Central and State Governments, Financial

Institutions & Banks, Customers, Suppliers and Shareholders and for their continued support. The Board also expresses its sincere appreciation to the dedicated and committed team of employees and workmen.

On behalf of Board of Directors,

Place : New Delhi  
Dated: 1st August, 2011

**R.K. SARAF**  
Chairman & Managing Director

**ANNEXURE 'A' TO THE DIRECTORS' REPORT**

*Additional information as required under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.*

**A. CONSERVATION OF ENERGY**

- |  |   |  |
|--|---|--|
| a) Measures taken :  | : | 1) 65 sets of energy efficient Metal Halide High bay fittings were fixed in place of MV lamps in plant area. |
|  |   | 2) 15 no. of energy efficient 5 star rating Split ACs were fixed in place of window ACs in offices.          |
|  |   | 3) In-efficient old Pumps/Motors were replaced with energy efficient Pumps/Motors.                           |
| b) Additional investment and proposals, if any, being implemented : for reduction of consumption of energy.                          | : | Nil  |
| c) Impact of measures at (a) and (b) for reduction of energy : consumption and consequent impact on the cost of production of goods. | : | Moderate savings in power consumption  |
| d) Total energy consumption and energy consumption per unit of : production in prescribed form 'A'                                   | : | Form "A" is inapplicable to Ferro Alloys Industry  |

**B. TECHNOLOGY ABSORPTION**

- |   |   |   |
|---|---|---|
| Research and development:   | : |   |
| a. Specific areas in which R & D carried out by the Company.                        | : | Nil   |
| b. Benefits derived as a result of above R & D                                      | : | Nil   |
| c. Future plan of action  | : | Nil   |
| d. Expenditure on Research & Development.   | : | Nil   |
| e. Technology absorption, adaptation and innovation :                               | : |   |
| i) Efforts, in brief, made towards Technology absorption, adaptation and innovation | : | Ratio enrichment of low-grade chromites fines by acid leaching: Lab scale studies were carried out on Magnetized OCM fines having high iron content and low ratio with 30% sulphuric acid and the ratio enriched from 0.8 to 2.4/2.5 and pilot scale studies are in progress. |
|   | : | Rod type gunners of driers in Briquetting Plant were replaced with package type gunners to bring down the oil consumption.  |
| ii) Benefits derived as a result of above efforts.                                  | : | Nil   |
| iii) Information regarding technology imported during the last : five years.        | : | Nil   |

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO:**

- |   |   |   |
|---|---|---|
| 1) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans. | : | During the year 2010-11 47238 MT Ferro Chrome was exported. Directors undertake extensive foreign traveling to explore new avenues of exports and to understand latest developments in the international markets. |
| 2) Total Foreign Exchange used and earned (2010-2011):  | : | <b>(₹ in Lacs)</b>  |
| i) CIF value of imports   | : | <b>3127.04</b>  |
| ii) Expenditure in Foreign Currency   | : | <b>1096.28</b>  |
| iii) Foreign Exchange earned  | : | <b>30000.21</b>   |

On behalf of Board of Directors,

Place : New Delhi  
Dated: 1st August, 2011

**R.K. SARAF**  
Chairman & Managing Director