



MD	✓		BKC	✓
CS	✓		DPY	NA
RO	✓		DIV	NA
TRA	NA		AC	✓
AGM	✓	✓	SHI	✓
YE	✓	✓		✓

FORTYFIRST
ANNUAL REPORT
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FACOR

FERRO ALLOYS CORPORATION LIMITED

FERRO ALLOYS CORPORATION LIMITED**Board of Directors****Umashankar Agrawal**

Chairman & Managing Director

R.K. Saraf

Vice-Chairman & Jt. Managing Director

Eruch B. Desai**Shravan Kumar, I.A.S.(Retd.)**Nominee of A.P. Industrial
Development Corporation Limited**M.D. Vaidya**Nominee of Life Insurance
Corporation of India**A. Karati**Nominee of Industrial Credit &
Investment Corporation of India Limited**R.K. Chhabra**

Nominee of Bank of India

J.S. Mehrotra**K. Srinivasamurthy****M.B. Thaker****Govinddas Agrawal****Jamnadhhar Mor****Chandrakant Mor**

Executive Director

Manoj Saraf

Executive Director

Secretary

V.V. Somasundaran

Executives**Vineet Saraf**

Sr. President

Ashish Saraf

President

Rohit Saraf

President

R.D. Agarwal

Advisor

D.S. Agarwal

Principal Advisor

O.P. Banka

Sr. General Manager

K.S. Mallia

General Manager (Marketing)

C.N. Harman

Sr. Technical Director

A.V.L. NarasimhamGeneral Manager
(Shreeramnagar Works)**B.B. Singh**Technical Director
(Charge Chrome Works)**R.L. Khandelwa**General Manager
(Charge Chrome Works)**Ashok Agarwal**

Chief Executive (Mines)

M.K. Pujari

General Manager (Mines)

D.B. Mohoril

Chief Executive (Steel Division)

P.D. LeleGeneral Manager (Co-ordination)
(Steel Division)**P.V. John**General Manager (R.M.S.)
(Steel Division)**Bankers**

Bank of India

Central Bank of India

State Bank of India

Bank of America N.T. & S.A.

Syndicate Bank

State Bank of Bikaner & Jaipur

SolicitorsMulla & Mulla, and
Craigie Blunt & CaroeBhaishanker Kanga
and Girdharlal**Auditors**Salve And Co.
Chartered Accountants**Internal Auditors**D.C. Dhupia & Co.
Chartered AccountantsM.M. Jain
Chartered Accountant**Share Department**Shreeram Bhavan,
Tumsar - 441.912
Maharashtra.

FERRO ALLOYS CORPORATION LIMITED

Registered Office : Shreeram Bhawan, Thumsar 441 912 (Maharashtra)

FACOR**41**FORTYFIRST
ANNUAL REPORT
1996-97**Notice to Members**

NOTICE is hereby given that an **EXTRA ORDINARY GENERAL MEETING** of the Members of the Company will be held at Shri Durgaprasad Saraf Atithi Grah, Tumsar - 441 912 (Maharashtra) on Thursday, the 25th day of September, 1997 at 12.00 noon to transact the following business :-

SPECIAL BUSINESS

To consider the report of the Board of Directors hereby circulated to the Members relating to the erosion of 50% or more of the peak network during the four financial years immediately preceding the last financial year of the Company ended as on 31st March, 1997 and the causes for such erosion and, if thought fit, to pass the following resolution which will be proposed as an Ordinary Resolution :

"RESOLVED that the report of the Board of Directors under Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985 relating to erosion and causes for such erosion of more than 50% of the peak network of the Company during the immediately preceding four financial years as circulated to the Members and now placed before the meeting be and is considered and noted".

By Order of the Board,

Regd. Office:
Shreeram Bhawan,
TUMSAR - 441 912
Maharashtra.

V.V. SOMASUNDARAN
SECRETARY

Dated : 11th August, 1997.

Notes :

1. The relevant explanatory statement pursuant to Section 173 of the Companies Act, 1956 is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
3. The Report of the Board of Directors referred to above is annexed hereto.

Annexure to the Notice**Explanatory statement as required by Section 173 of the Companies Act, 1956**

In terms of Section 23 (1) of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA), if the accumulated losses of an Industrial Company as at the end of any financial year have resulted in erosion of 50% or more of its peak network during the immediately preceding four financial years, the Company has to within a period of sixty days from the date of finalisation of the duly audited accounts of the Company for the relevant financial year report the fact of such erosion to the Board for Industrial and Financial Reconstruction (BIFR) and hold a General Meeting of the Shareholders of the Company for considering such erosion.

The accumulated losses of the Company as at the end of financial year 1996-97 are Rs.69.16 crores. The peak network of the Company during the four financial years immediately preceding the financial year 1996-97 was Rs.84.49 crores. Thus, the accumulated losses at the end of the financial year 1996-97 have resulted in erosion of more than 50% of the peak network of the Company during the immediately preceding four financial years.

Accordingly, the provisions of Section 23 of SICA have become applicable to the Company and in order to comply with the same this Extra Ordinary General Meeting is being convened.

A report of the Board of Directors of the Company regarding erosion of the Company's peak network and the causes for such erosion is being circulated herewith to the Members to consider such erosion.

By Order of the Board

Regd. Office
Shreeram Bhawan,
TUMSAR - 441 912
Maharashtra.

V.V. SOMASUNDARAN
SECRETARY

Dated : 11th August, 1997.

REPORT OF BOARD OF DIRECTORS UNDER SECTION 23 OF THE SICK INDUSTRIAL COMPANIES (SPECIAL PROVISIONS) ACT, 1985 REGARDING EROSION OF THE COMPANY'S PEAK NETWORK BY MORE THAN 50% AND THE CAUSES FOR SUCH EROSION.

The accumulated losses of the Company as at the end of the financial year ended 31st March, 1997 aggregate to Rs.69.16 crores. The peak network of the Company during the four financial years immediately preceding the financial year 1996-97 stood at Rs.84.49 crores which pertains to the financial year 1995-96. Thus, the accumulated losses at the end of the financial year 1996-97 have resulted in erosion of the peak network by more than 50%.

The main causes attributable to erosion of network are heavy losses suffered by the Company during the year 1996-97 and losses suffered in the past few years on account of the following main reasons:

- 1) Steep decline in the prices of Ferro Alloys particularly High Carbon Ferro Chrome and Charge Chrome both in the international and domestic markets. Excessive supplies of these products have resulted in substantial fall in the prices in international market. Sluggish condition prevalent in the allied stainless steel industry and drastic reduction in import duty on Ferro Alloys from 1993-94 to 1996-97 and liberal import entitlement to steel exporters under advance licence scheme have enabled Indian consumers of ferro alloys to make imports thus adversely affecting the domestic market.
- 2) Increased cost of production due to increase in the prices of raw materials and other inputs, particularly electric power (which is a basic raw-material and constitutes about 35% to 40% of the cost of production) due to successive increases in power tariffs by State Electricity Boards. Power tariff in India is substantially higher than in the competing countries in the world.
- 3) The high cost of generation of power from Company's own captive power plants because of increase in prices of petroleum products.
- 4) Power cuts and load shedding imposed by State Electricity Boards.
- 5) To part finance the cost of captive power plants installed at Company's Ferro Alloys Unit in Andhra Pradesh and 100% export oriented Charge Chrome Unit in Orissa in 1991/1992 and to meet its requirements of working capital, Company had borrowed large amounts from Financial Institutions/ Banks. Due to this and as a result of heavy losses suffered by the Company, interest burden on the Company has increased beyond expectations.
- 6) As the Company had to keep in tune with the market prices which were to a great extent affected by severe competition from small scale sector enjoying sales tax concessions etc. and price cutting resorted by them, it not only could not pass on the increase in the cost of production to the customers but on the contrary had to offer heavy discount to them.

Some of the steps taken/being taken to overcome this difficult situation are as under :

- 1) Installation of captive power plants at Shreeramnagar Works in Andhra Pradesh and Charge Chrome Plant in Orissa with a view to reduce dependence on State Electricity Boards for power supply.
- 2) After continued persuasion by the Company, Central Government agreed to supply NTPC power at NTPC rate plus wheeling charges and electricity duty for 100% EOUs and for production for export, but to a limited extent.
- 3) The Company has carried out certain technological improvements in the furnaces and other equipments for improving productivity and reducing power consumption and other variable costs to some extent.
- 4) Necessary steps are being taken to improve the working by close monitoring of the production/sales as well as control over costs/ overheads.
- 5) The Company is considering to approach Financial Institutions and Banks for further reliefs.

Representations have been made to the Government suggesting, inter alia, the following measures to improve the position of ferro alloys industry :-

- To make the policy of giving NTPC power from Central Government's 15% unallocated quota available with State Electricity Boards (SEBs) to the exporting ferro alloy units absolute and mandatory and to prescribe uniform wheeling charges by Central Power Ministry to be claimed from consumers by the State Electricity Boards.
- At present the entire products manufactured by DTA (Domestic Tariff Area) Units with NTPC power has to be exported. The industry has, however, requested that the DTA Units should be allowed to sell 50% of the products manufactured with NTPC power in the domestic market.
- Imposition of counter-vailing duty on goods imported from neighbouring countries with whom Government has free trade treaty/agreement.
- To supply Low Sulphur Heavy Stock (LSHS) produced in the country to ferro alloy units having own captive power plants at international prices against their Advance Licence.
- Allowing import of manganese ore of any grade to enable blending as requisite quality of ore in the country is scanty.

As per reports of analysts, huge increases in capacity in stainless steel industry are expected to be commissioned over the next few years in different countries of the world and it is expected that with this seeing the light of the day, over supplies of ferro chrome in the market should get balanced and the prices should start looking up giving some relief to the Company and improving its financial position.

On behalf of the Board of Directors,

TUMSAR
Dated : 8th August, 1997.

UMASHANKAR AGRAWAL
CHAIRMAN & MANAGING DIRECTOR

FERRO ALLOYS CORPORATION LIMITED

Notice to Members



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FORTYFIRST
ANNUAL REPORT
1996-97

Notice is hereby given that the **FORTYFIRST ANNUAL GENERAL MEETING** of the Members of the Company will be held at Shri Durgaprasad Saraf Atithi Grah at Tumsar 441 912 (Maharashtra) on Thursday, the 25th September, 1997 at 11.00 A.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, 1997 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 Shri Govinddas Agrawal, who retires from office by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in the place of Shri Manoj Saraf, who retires from office by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Shri K. Srinivasamurthy, 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 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 as may be fixed by the Board of Directors in consultation with the Auditors plus travelling and other incidental expenses incurred by them."

AS SPECIAL BUSINESS :

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

"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") mortgaging and/or charging, subject to such consents, if any, as may be necessary from the existing mortgagees and chargeholders, on such terms and conditions and at such time or times and in such form and manner and with such ranking as the Board may in its absolute discretion think fit, the whole or substantially the whole of the Company's any one or more of the 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, together with the power to take over the management of the business and concern of the Company in certain events, to or in favour of the respective lenders advancing finance to the Company, including in particular the Trustees for the holders of the 2,81,352 - 20% Secured Redeemable Non-convertible Debentures of Rs.100/- each privately placed with the Industrial Credit & Investment Corporation of India Limited (ICICI) for securing the said Non-convertible Debentures of the aggregate nominal value of Rs.2,81,35,200/- together with interest, compound interest, additional interest, liquidated damages, costs, charges, expenses, remuneration of Trustees and all other moneys payable by the Company to the Lenders/ Debentureholders and the Trustees under the letters of sanction and/or memorandum of terms & conditions and/or debenture issue/subscription/loan agreement entered into/to be entered into by the Company in respect of the said Debentures/Loans and as may be agreed to by the Board.

RESOLVED FURTHER that the Board be and is hereby authorised to finalise, settle and execute with any or all concerned parties 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."

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

"RESOLVED that the Board of Directors of the Company be and is hereby authorised to decide and apply to such of the non-regional stock exchanges for delisting the Company's equity shares listed with them, as may be deemed necessary by it in the interest of the Company".

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

"RESOLVED that subject to (a) the approval of the Reserve Bank of India and/or Central Government under Foreign Exchange Regulation Act, 1973, (b) such other approvals, permissions and sanctions as may be considered necessary, (c) the applicable provisions, if any, of the Companies Act, 1956 and (d) such conditions as may be prescribed by any of the authorities whilst according such approvals/permissions/sanctions which the Board of Directors of the Company (hereinafter referred to as the "Board") be and is hereby authorised to accept, the consent of the Company be and is hereby accorded to the Board to permit Foreign Institutional Investors (FIIs), Non-Resident Indians (NRIs) and Overseas Corporate Bodies (OCBs) substantially owned by NRIs as per the regulations in that behalf of the Governmental Authorities, to acquire shares/debentures of the Company on repatriation and/or non-repatriation basis through stock exchanges in India under portfolio investment or any other scheme as may be permissible upto an aggregate limit of 30% or such other limit of the issued and paid up Equity/other capital of the Company, as may for the time being be permitted provided, however, that the holding of equity shares/debentures of a single FII or a sub-account of an FII or a NRI or OCB in the Company shall not at any time exceed the limit(s) for the time being prescribed in that behalf by the Central Government and/or the Reserve Bank of India and/or any Governmental Authorities from time to time.

RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things and execute all such documents or writings as may be necessary, proper or expedient for the purpose of giving effect to this resolution or for matters connected therewith or incidental thereto."

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NOTES :

1. The relevant explanatory statement pursuant to Section 173 of the Companies Act, 1956 in respect of Items 5 to 8 is annexed hereto.
2. 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.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 19th September, 1997 to 25th September, 1997, both days inclusive.
4. All requests received from Members 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 to you from the Company.
5. Members are requested to quote Folio Numbers in all correspondence.
6. Shareholders intending to require information about accounts to be explained at the meeting are required to furnish the queries to the Company at least 10 (ten) days in advance of the Annual General Meeting.

By Order of the Board,

Registered Office :
Shreeram Bhavan,
TUMSAR-441 912
(Maharashtra)

V.V. Somasundaran
Secretary

Dated : 11th August, 1997.

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 a Company is held either singly or in combination by public financial institutions, government companies, the Central or State Governments, nationalised banks or Insurance companies carrying on general insurance business, then the appointment or re-appointment of an auditor of that 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 Messrs Salve and Company as Auditors of the Company. A certificate has been received from Messrs Salve and Company to the effect that their re-appointment, if made, will be in accordance with the limits specified in Section 224(1B) of the said Act.

ITEM NO.6

The Company had purchased certain equipments on lease from the Industrial Credit & Investment Corporation of India Limited (ICICI). Due to losses suffered by the Company it was not possible to make regular payment of lease rent etc. to ICICI and therefore a sum of Rs.2,81,35,200/- had accumulated towards leasing arrears as on 30th September, 1996. At the request of the Company, ICICI agreed to convert the aforesaid amount of leasing arrears into Non-convertible Debentures. Accordingly, the Company had issued and allotted to ICICI on 28th March, 1997, on private placement basis, 2,81,352 - 20% Secured Non-convertible Debentures of Rs.100/- each of the aggregate nominal value of Rs.2,81,35,200/- redeemable in 32 quarterly instalments commencing from 15.2.1998 to 15.11.2005. These debentures are to be secured by mortgaging/charging the immovable and movable properties of the Company.

Since the mortgaging and/or charging by the Company of its immovable and movable properties to secure the above Debentures may be regarded as disposal of the Company's properties/undertakings, it is desirable to pass a resolution in General Meeting of the Company under Section 293 (1)(a) of the Companies Act, 1956 which also takes care of other possible instances of loan facilities which might be availed of by the Company if necessary. A resolution in this behalf is being proposed as in this item of the Notice. The resolution is accordingly commended for your approval.

ITEM NO.7

The Company's equity shares are listed on the regional stock exchange at Mumbai and non-regional stock exchanges at Ahmedabad, Bhubaneshwar, Calcutta, Delhi and Hyderabad. It has been found that in the non-regional stock exchanges the trading in Company's equity shares is negligible. Further, there has been considerable increase in the listing fee payable to them. In view of the above factors and as a measure of economy, it is considered appropriate to have the equity shares of the Company delisted from such of the non-regional stock exchanges, as may be decided by the Board to minimise the expenditure on listing. Accordingly, this resolution is commended for your approval.

ITEM NO.8

The Government of India, Ministry of Finance, Department of Economic Affairs (Investment Division) vide Circular F.No.14/11/96/NRI dated 4.4.1997 have permitted the Companies to raise the aggregate portfolio investment limits by all Foreign Institutional Investors (FIIs), Non-Resident Indians (NRIs) and Overseas Corporate Bodies (OCBs) predominantly owned by NRIs, upto 30% of the Issued and paid up Equity capital of a Company subject to :

- (a) approval by the Board of Directors of the Company to the enhanced limit upto 30% ;
- (b) a special resolution passed by the general body of the Company approving the enhanced limit upto 30%.

However, the present investment limits for an individual FII, NRI or OCB would remain unaltered.

As per the portfolio investment scheme, the earlier ceiling of 24% has now been raised to 30% as above.

This resolution will enable FIIs/NRIs/OCBs to acquire shares/debentures of the Company through stock exchanges under portfolio investment scheme as stated in the resolution. Your Directors accordingly commend the same for your approval.

By Order of the Board,

Registered Office:
Shreeram Bhavan,
TUMSAR-441 912
(Maharashtra)

V.V. Somasundaran
Secretary

Dated : 11th August, 1997.

Directors' Report to the Members

FACOR **41**

FORTYFIRST
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1996-97

The Directors submit the 41st Annual Report on the business and operations of the Company and the Audited Statements of Accounts for the year ended 31st March, 1997.

FINANCIAL RESULTS :

	Year ended 31.3.97	Previous year ended 31.3.96
	(Rs.in lacs)	(Rs. in lacs)
Gross Profit/(Loss)	(3759.09)	3522.57
Depreciation	1340.48	1289.63
Provision for taxation(Wealth Tax)	3.00	3.10
Profit/(Loss) for the year	(5102.57)	2229.84
Refund of taxation for earlier years/ provision for taxation written back	79.98	2.29
Balance of Profit & Loss Account brought forward from last year	(1893.43)	(4125.56)
Balance carried to Balance Sheet	(6916.02)	(1893.43)

OVERALL PERFORMANCE :

The further downturn in the demand and prices of ferro chrome/charge chrome in the international market mentioned in our Report for the year 1995-96 continued through out the year 1996-97 mainly due to over capacity, excess supplies and poor demand from stainless steel industry. The domestic market for ferro alloys, particularly high carbon ferro chrome which witnessed steep fall in its prices, also remained sluggish. These factors coupled with rise in the cost of production due to increase in the cost of inputs including electricity charges, fuel cost and interest charges have adversely affected the working results of the Company for the year ended 31.3.1997. Despite reasonably satisfactory turnover of Rs.382.33 crores as against Rs.406.15 crores in the year 1995-96, the Company could not escape the considerable loss of Rs.51.03 crores for the year 1996-97 as against the net profit of Rs.22.30 crores in the previous year due to above adverse factors faced by the Company in particular and the ferro alloys industry in general. Even exports at Rs.153.98 crores constituting 40.28% of the turnover as compared to 37.50% in the previous year, could not soften the blow to the Company.

DIVIDEND :

In view of the heavy loss, the Directors regret their inability to recommend any dividend for the financial year ended 31.3.1997.

PROSPECTS :

Ferro Alloys Industry which is closely connected with Steel and Stainless Steel Industries who are also in the same boat, has been passing through recession since 1991 except for a breather in the year 1995.

However, as per reports of analysts, substantial increases in capacity in stainless steel industry are planned

in different countries over the next few years. If the commissioning of these capacities should materialise the over supplies of ferro chrome in the market should get balanced, and the prices should start looking up. Representations have also been made by the ferro alloys industry to the Central Government highlighting its plight due to various problems and difficulties faced by it and suggesting certain measures to be taken to protect the Industry and save the ruination of this national asset.

FERRO ALLOYS DIVISION :

The overall production of ferro alloys during 1996-97 was lower than in the previous year owing to unfavourable conditions prevalent in the domestic and international markets coupled with power cuts, load shedding and furnace shut-downs. Further, the competitiveness of our products was affected by high cost of production due to increased cost of power and other inputs. The Company has carried out certain technological improvements in the furnaces and other equipments and these are expected to improve productivity and reduce power consumption and other variable costs to some extent.

The Captive Power Plant generated 144.10 million KWH Units of power during 1996-97 as compared to 143.48 million KWH Units in the previous year.

CHARGE CHROME DIVISION :

During the year 1996-97 the production of Charge Chrome was 6.52% lower than in the previous year mainly due to cut in production on account of unremunerative prices for this product prevalent in the international market which remained sluggish throughout the year, as also difficulties faced in procuring adequate quantity of Chrome Ore of proper quality. Production of briquettes was also lower than in 1995-96 by 22.47% . Consumption of briquettes constituted as much as 36.59% of the total charge. During 1996-97 the Captive Power Plant generated 106.52 million KWH Units of power as against 102.56 million KWH Units in the previous year.

STEEL DIVISION :

The overall production and sales during the year 1996-97 were marginally lower than in the previous year due to shut down of furnace for major repair of tapping pit and change over of transformer coupled with dull market conditions witnessed in the second half particularly in the automobile industry. Exports were higher at Rs.844.46 lacs as against Rs.625.79 lacs in the previous year.

With the uprating of furnace transformer from 9 MVA to 12 MVA, productivity of SMS has increased. Further, introduction of continuous feeding of DRI into the furnace has facilitated increased use of sponge iron and hot briquetted iron as inputs as against scrap resulting in cost reduction.

FINANCE :

1. The Company has issued and allotted 2,81,352 - 20% Secured Redeemable Non-convertible Debentures of Rs.100/- each on 28th March, 1997 to The Industrial Credit & Investment Corporation of India Limited (ICICI) as and by way of conversion of leasing arrears of Rs.2,81,35,200/- payable to them by the Company.
2. Funds raised by the Company by issue of Debentures for working capital have been utilised for the said purpose.
3. As on 31.3.1997, 70 deposits amounting to Rs.3,51,500/- which had matured, remained unclaimed. Out of these, 14 deposits amounting to Rs.76,500/- have since been repaid/renewed.
4. Due to severe liquidity constraint faced by the Company because of substantial loss of Rs.51.03 crores suffered during the year 1996-97, it could not pay certain dues to the Financial Institutions and Debentureholders etc. Matter is being pursued with them for necessary reschedulement/extension.

COST AUDITOR :

The Central Government vide its Order dated 17th March, 1993 has directed that a cost audit be carried out for the Company's Mini Steel Plant at Nagpur every financial year until further orders. The Directors have accordingly appointed Mr. Shridhar K. Phatak, a practicing Cost Accountant, as Cost Auditor for the financial year 1997-98 for which Central Government approval has been received.

ISO 9002 - 1994/EN ISO 9002-1994 :

Certificate of Approval has been granted/renewed by the Indian Register Quality Systems (A Department of Indian Register of Shipping) accredited by the Dutch Council for Certification, in respect of the Company's following units for maintenance/continued satisfactory maintenance of Quality Management System in accordance with the requirements of above ISO standards :

- i) Charge Chrome Plant at Randia in Orissa with respect to manufacture of High Carbon Ferro Chrome/ Charge Chrome.
- ii) Ferro Alloys Division at Shreeramnagar in Andhra Pradesh with respect to manufacture and supply of Ferro Alloys.
- iii) Steel Division at Nagpur in Maharashtra with respect to manufacture of Carbon Steel, Alloy Steel and Stainless Steel Rounds, Squares and Flats.

AWARDS :

The Government of India has awarded Certificate of Merit to your Company for outstanding export performance in Ferro Alloys, Charge Chrome & quality Steel during the period 1995-96. Your Company has also received award for export excellence 1995-96 amongst the non-SSI exporters in the panel "Metals - all types (Ferrous & Non-ferrous) including ferro alloys" from Engineering Export Promotion Council.

SUBSIDIARY :

The Report and Accounts of Best Minerals Limited, a subsidiary of your Company, for the period 1st April, 1996 to 31st March, 1997 are annexed alongwith statement pursuant to Section 212 of the Companies Act, 1956.

SOCIAL WELFARE AND INDUSTRIAL RELATIONS :

The Company continued its various community development programmes during the year as its commitment to social responsibility. The industrial relations in the Company remained cordial and harmonious during 1996-97. The Directors place on record their appreciation of the devoted services rendered by the employees at all levels.

INFORMATION UNDER LISTING AGREEMENT WITH STOCK EXCHANGES :

The Company issued Letter of Offer dated 12-3-1993, to market Rights issue of 52,40,750 Equity Shares of Rs.10/- each for cash at a premium of Rs.25/- per share aggregating to Rs.1834.26 lacs on rights basis for strengthening long term resources for working capital needs of the Company. Against this rights issue, the Company had allotted 52,31,776 Equity Shares at the issue price of Rs.35/- per share aggregating to Rs.1831.12 lacs. Out of the above, the Company received a sum of Rs.1828.20 lacs till 31st March, 1997 and the balance amount is expected to be received in due course. The Company has used the funds for the purpose stated above.

As against the profit after tax of Rs.4.94 crores projected for the year 1996-97 in the Letter of Offer, the Company