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**FORTYFOURTH
ANNUAL REPORT**

1999-2000

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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. S. Kapre
Nominee of ICICI Ltd.

S. V. Nayak
Nominee of Bank of India
(w.e.f. 12-8-2000)

V. J. Trivedi

M. B. Thaker

Govinddas Agrawal

Jamnadhhar Mor

Chandrakant Mor

Manoj Saraf
Executive Director

V. V. Somasundaran
Secretary

Executives

Vineet Saraf
Sr. President

Ashish Saraf
President

Rohit Saraf
President

R. D. Agarwal
Advisor

O. P. Banka
Sr. General Manager

Sudhir Gupta
General Manager (Marketing)

C. N. Harman
Sr. Technical Director

M. S. S. Sarma
General Manager
(Shreeramnagar Works)

B. B. Singh
Technical Director
(Charge Chrome Works)

V. S. S. Rao
General Manager
(Charge Chrome Works)

Ashok Agarwal
Chief Executive (Mines)

M. K. Pujari
General Manager (Mines)

D. B. Mohoril
Chief Executive (Steel Division)

S. K. Tara
Sr. General Manager (Technical)
(Steel Division)

Bankers

Bank of India

Central Bank of India

State Bank of India

Syndicate Bank

State Bank of Bikaner & Jaipur

Solicitors

Mulla & Mulla, and
Craigie Blunt & Caroe

Bhaishanker Kanga
and Girdharlal

Auditor

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

Internal Auditors

D.C. Dhupia & Co.
Chartered Accountants

M.M. Jain
Chartered Accountant

Share Department

Shreeram Bhavan
Tumsar - 441 912
Maharashtra

FERRO ALLOYS CORPORATION LIMITED**44****FORTYFOURTH
ANNUAL REPORT
1999-2000****Notice to Members**

Notice is hereby given that the **FORTYFOURTH ANNUAL GENERAL MEETING** of the Members of the Company will be held at Shri Durgaprasad Saraf Atithi Graha at Tumsar 441 912 (Maharashtra) on Monday, the 25th September, 2000 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, 2000 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 Manoj Saraf, who retires from office by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in the place of Shri R.K. 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 M.B. Thaker 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 Shri K.P. Sahasrabudhe, Chartered Accountant, carrying on his profession in the name of Messrs Salve And Company be and is hereby appointed as the Statutory Auditor of the Company in place of the previous Proprietorship Firm of Shri H.P. Salve (since deceased), to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration and reimbursement of expenses as the Board of Directors may fix in that behalf in consultation with the said Auditor, and in respect of whose appointment, a Special Notice, as required under the provisions of Section 225 of the Companies Act, 1956, has been received by the Company."

AS SPECIAL BUSINESS :

6. To appoint Shri V.J. Trivedi, who was appointed as a Director of the Company under Article 108 of the Articles of Association of the Company and Section 262 of the Companies Act, 1956 to fill up the casual vacancy on the Board caused by the resignation of Shri K. Srinivasamurthy and who holds office under the said article until this Annual General Meeting, as a Director of the Company and in respect of whom the Company has received a notice in writing together with the requisite deposit pursuant to the provisions of Section 257 of the Companies Act, 1956 from a member signifying his intention to propose Shri V.J. Trivedi as a candidate for the office of Director and in that behalf to consider and, if thought fit, to pass the following resolution which will be proposed as an Ordinary Resolution:

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

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

"RESOLVED that pursuant to the provisions of Sections 198, 269, 309, 310, 314 and all other applicable provisions, if any, of the Companies Act, 1956 and all guidelines for managerial remuneration issued by the Central Government from time to time and subject to such further approvals, if any, as may be necessary, the Company hereby approves the re-appointment of Shri Manoj Saraf as Whole-time Executive Director of the Company for a further period of five years with effect from 1st January, 2001 upon the terms and conditions as to remuneration and otherwise as set out in the draft agreement prepared in that behalf and submitted to this meeting and, for the purpose of identification, initialled by the Chairman and which draft agreement is hereby specifically approved, with liberty to the Directors to vary the terms and conditions of the remuneration and re-appointment and/or the Agreement in such manner as may be agreed to between the Directors and Shri Manoj Saraf in the best interests of the Company, within the limitations in that behalf as contained in Schedule XIII to the said Act or any amendments thereof, or otherwise as may be permissible at law."


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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 7 of the notice set out above 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 Monday, the 18th September, 2000 to Monday, the 25th September, 2000, 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.
7. The Companies (Amendment) Act, 1999 has introduced provisions for nomination by the holders of shares, debentures and fixed deposits. The members may accordingly make nomination, if they so desire, in the prescribed form which can be had from the Share Department at the Registered Office of the Company.
8. The shares of the Company are listed with the Bombay Stock Exchange, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001, The Stock Exchange-Ahmedabad, Kamdhenu Complex, Near Polytechnic, Panjara Pole, Ahmedabad -380 015, The Calcutta Stock Exchange Association Ltd., 7 Lyons Range, Calcutta - 700 001, The Delhi Stock Exchange Association Ltd., DSE House, 3/1, Asaf Ali Road, New Delhi -110 002, The Hyderabad Stock Exchange Ltd., 3-6-275, Himayatnagar, Hyderabad - 500 482 and Bhubaneswar Stock Exchange Association Ltd., A-22, Falcon House, Jharpada, Cuttack Road, Bhubaneswar-751 006. Listing fees have been paid to Stock Exchanges at Mumbai upto 2000-2001, Ahmedabad upto 1998-99, New Delhi, Hyderabad, Calcutta and Bhubaneswar upto 1997-1998.

By Order of the Board,

Registered Office:

 Shreeram Bhavan,
TUMSAR-441 912
(Maharashtra)

V.V. Somasundaran
Secretary

Dated : 16th August, 2000.

Annexure to the Notice

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

Item No.5:

The Board of Directors of the Company at its meeting held on 5th May, 2000 appointed Shri K.P. Sahasrabudhe, Chartered Accountant and the new Proprietor of M/s. Salve And Company, as the Auditor of the Company, in the casual vacancy caused by the death of Shri H.P. Salve, the previous Proprietor of M/s. Salve And Company, to hold office until the conclusion of the forthcoming Annual General Meeting of the Company. Shri Sahasrabudhe has several years of experience in accounts, audit, income tax and other related matters. In fact, he had attended to the audit of accounts of our Company some few years ago when he was one of the partners of the said Firm.

Since Shri K.P. Sahasrabude is not the retiring Auditor, the provisions of section 225 of the Companies Act may be attracted requiring a Special Notice for the appointment of the new Auditor.

Further, 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 necessary to pass a Special Resolution to appoint the Auditor of the Company. A certificate has been received from the Auditor to the effect that his appointment, if made, will be within the limits specified in Section 224(1B) of the Companies Act, 1956.

Accordingly, the resolution under Item 5 of the accompanying notice is commended for your acceptance.

None of the Directors is concerned or interested in this Resolution.

Item No.6:

The Board of Directors of the Company had at its meeting held on 22nd December, 1999 appointed Shri V.J. Trivedi as a Director of the Company to fill up the casual vacancy on the Board caused by the resignation of Shri K. Srinivasamurthy.

As per Article 108 of the Articles of Association of the Company and Section 262 of the Companies Act, 1956 Shri V.J. Trivedi holds office as a Director of the Company only until this Annual General Meeting when Shri K. Srinivasamurthy, in whose place he was appointed, would have retired. Notice has been received from a member pursuant to Section 257 of the Companies Act, 1956 signifying his intention to propose Shri V.J. Trivedi for the office of the Director.

Shri V.J. Trivedi is a businessman having extensive experience in mining and other related activities. In the past, he had held the position of President of Federation of Indian Mineral Industries and was also at one time Director of Hindusthan Copper Ltd. His appointment will be a valuable addition to the Board and the Board should continue to receive the benefit of his experience and guidance. Accordingly, the resolution under this Item of the Notice is commended for your acceptance.

Except Shri V.J. Trivedi, no other Director is concerned or interested in this Resolution.

Item No.7:

The present tenure of office of Shri Manoj Saraf as Whole-time Executive Director of the Company expires on 31st December, 2000. In view of his long association with the Company, the Board of Directors considers it desirable in the interest of the Company that the Company should continue to avail of the benefit of his services. Accordingly, the Directors have, subject to the approval of the shareholders in General Meeting, decided to re-appoint him as Whole-time Executive Director for a further period of 5 years with effect from 1st January, 2001 on the terms and conditions as to remuneration and otherwise as contained in the draft agreement to be placed before the meeting, which are the same as at present.

Shri Manoj Saraf is an engineer having passed B.E. Metallurgy Degree from the Nagpur University in First Class. He has been associated with the Company since 1977 and has been the Executive Director since 1986. Shri Saraf looks after the Charge Chrome Division of the Company. He has not only acquired considerable experience in the business of the Company but is also quite conversant about its day-to-day affairs, requirements and problems. His continued association with the Company will be of benefit to the Company particularly in the existing circumstances when the Company is passing through the most difficult period in its history.

The material terms and conditions of the re-appointment of the Whole-time Executive Director and his remuneration by way of salary, dearness allowance, perquisites and benefits (which are in conformity with the Schedule XIII to the Act) and as contained in the draft agreement, are the same as those on which he was re-appointed at the 39th Annual General Meeting held on 25th September, 1995. The same are as under :-

1. **Term of Office** : Five years with effect from 1st January, 2001.

2. **Remuneration** :

(i) Salary including dearness allowance Rs.15,000/- per month.

(ii) Perquisites :

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

CATEGORY A :

1. Housing : (i) The expenditure by the Company on hiring/leasing furnished accommodation to be subject to 60% of the salary over and above 10% payable by the Whole-time Executive Director.

Housing : (ii) In case accommodation is owned by the Company, 10% of the salary to be deducted by the Company.

Housing : (iii) In case no accommodation is provided by the Company, he will be entitled to House rent allowance subject to the ceilings laid down in Housing (i).

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

2. Medical Reimbursement - Expenses incurred for self and family subject to a ceiling of 1 months' salary per year or 3 months' salary in a period of 3 years.

3. Leave Travel Concession - For self and family once in a year in accordance with the Rules of the Company.

4. Club Fees - Fees of Clubs subject to a maximum of 2 Clubs, admission and life membership fees not being allowed.

5. Personal Accident Insurance - Premium not to exceed Rs.4000/- p.a.

Note: Family means the spouse, the dependent children and dependent parents of the Whole-time Executive Director.

CATEGORY B:

Contributions to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961, Gratuity payable at the rate not exceeding half a month's salary for each completed year of service and encashment of leave at the end of the tenure shall not be included in the computation of the ceiling on perquisites mentioned in 2(ii) above.

CATEGORY C:

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

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

3. Minimum Remuneration:

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

4. The Whole-time Executive Director shall not be paid any sitting fees for attending the meetings of the Board of Directors or Committee thereof.

The draft agreement between the Company and Shri Manoj Saraf is available for inspection by the Members of the Company at the Registered Office of the Company between 11.00 a.m. to 1.00 p.m. on any working day upto and inclusive of the date of the ensuing Annual General Meeting. Shri Umashankar Agrawal and Shri Manoj Saraf are related to each other and hence both of them are deemed to be interested in the resolution pertaining to his re-appointment which is proposed as a special resolution by way of abundant caution.

The particulars set out above may be treated as an abstract of the agreement between the said Whole-time Executive Director and the Company pursuant to Section 302(2) of the Companies Act, 1956.

Registered Office:

Shreeram Bhavan,
TUMSAR - 441 912
(Maharashtra)

Dated : 16th August, 2000.

By Order of the Board,

V.V. Somasundaran
Secretary

Directors' Report to the Members

The Directors submit the 44th Annual Report on the business and operations of the Company and the Audited Statements of Accounts for the year ended 31st March, 2000.

FINANCIAL RESULTS :

	Year ended 31.3.2000	Previous year ended 31.3.1999
	(Rs.in lacs)	(Rs. in lacs)
Gross Profit/(Loss).....	(3850.47)	(3992.09)
Depreciation.....	1332.67	1372.79
Provision for taxation (Wealth Tax)	3.00	3.00
Profit/(Loss) for the year.....	(5186.14)	(5367.88)
Provision for taxation for earlier years	0.14	---
Balance of Profit & Loss Account brought forward from last year	(16736.68)	(11368.80)
Balance carried to Balance Sheet.....	(21922.96)	(16736.68)

OVERALL PERFORMANCE :

In our last year's report we had informed you about the lock out at the Ferro Alloys Division of the Company with effect from 19th March, 1999. The lock out continued throughout the financial year 1999-2000. The outstanding issues with the Workers' Union were, however, amicably settled after several months of persuasion and an agreement was also signed with the Workers' Union on 5th April, 2000. Subsequently, the lock out was completely lifted on 12th June, 2000. The accounts of this Division for the year 1999-2000 are prepared on the basis of available information and records with maximum possible accuracy as was done in the previous year and final adjustments, as may be required, will be carried out later on after the complete information and records are received and audited.

Now turning to the working of the Company for the year under review, the Directors report with great concern that for the fourth year in succession the Company has suffered huge loss. The principal factors which have led to the adverse working results are unremunerative prices, increase in cost of certain inputs and heavy interest charges. The turnover of the Company declined sharply to Rs.207.95 crores from Rs.342.59 crores in 1998-99 mainly due to lock out at the Ferro Alloys Division, the super cyclone in Orissa in October 1999 which had affected mining activities and the operations at our Charge Chrome Plant located in Orissa as also depressed domestic and international markets. The aforesaid factors had their impact on exports also which constituted 32.45% of the turnover as against 42.45% in the previous year.

REFERENCE TO BIFR :

We had mentioned last year that a revised rehabilitation proposal shall be submitted to ICICI Ltd., the Operating Agency, appointed by BIFR taking into consideration the delay in lifting of the lock out at our Ferro Alloys Division in Andhra Pradesh. Accordingly, a revised rehabilitation/restructuring proposal for the Company was submitted in January 2000 to ICICI Ltd. The proposal has been discussed at the meeting of Financial Institutions, Consortium Banks etc. convened by the Operating Agency and is under their consideration. The Company is following up this matter with the concerned parties to evolve a suitable

comprehensive rehabilitation/restructuring proposal for its early revival. Meantime, the BIFR at the hearing held on 10th July, 2000 reviewed the position and directed the Company to finalise the rehabilitation/restructuring proposal.

DIVIDEND :

In view of the heavy loss, the Directors regret their inability to recommend any dividend for the financial year ended 31st March, 2000.

PROSPECTS :

The domestic ferro alloys industry has huge capacity to produce various types of ferro alloys but the capacity utilisation has been very low in the last few years mainly due to high cost of production as a result of high cost of power, unremunerative prices in the domestic and international markets, stiff competition from cheaper imported materials and sluggish demand. As per reports, the domestic demand for bulk ferro alloys is expected to improve since the domestic demand for steels, where ferro alloys are used, is likely to surge during the next few years.

In the international market there has been sharp fall in the prices of chrome products since 1996, due, inter alia, to over supplies, cut back in global stainless steel production, low cost of production enjoyed by major overseas producers on account of lower cost of power and chrome ore in addition to devaluation of their currencies. Exports from India have become unremunerative due to high cost of production. The prices of chrome products did improve marginally in the second half of 1999 but remained almost stagnant thereafter. Recently, there has been some improvement in the US Dollar - Rupee parity favouring exporters. According to report, the global demand for steel is expected to grow during the year 2000 which may boost export of ferro alloys including chrome products.

Owing to the persistence of unfavourable conditions both in the domestic and international markets and other adverse factors for a considerably longer period than expected, the Company suffered huge losses and has become a sick industrial Company. However, the Company and its promoters are making untiring efforts to work out a suitable rehabilitation/restructuring package in consultation with ICICI, the Operating Agency appointed by BIFR, and other Financial Institutions, Consortium Banks etc. for the early revival of the Company. It is imperative that till the domestic and international markets improve, the ferro alloys industry in general and sick units in particular need unstinted support from the Central as well as concerned State Governments in the form of supply of power as well as other inputs at international prices and concessions in sales tax, excise duty etc. to face the stiff competition from the overseas low cost producers to enable the industry, in which huge investments have already been made and which provides livelihood to large number of people, to survive and grow. Meanwhile, the Company has started export of surplus chrome ore through the canalizing agent appointed by the Government and is also trying its best to reduce the cost of production as far as feasible by implementing various austerity measures including reduction in manpower through VRS/non-engagement of workers etc. so as to contain the recurring loss.

FERRO ALLOYS DIVISION :

As mentioned above, this Division remained under lock out throughout the financial year 1999-2000. Therefore, there was no production and sales except sale of small quantities of materials lying in stock at the Sales Depot at different places. The lock out having been lifted, production has now commenced in this Unit.

CHARGE CHROME DIVISION :

The production during the year was marginally higher as compared to the previous year despite disruption in mining and production activities due to super cyclone in Orissa in October 1999. However, there was decline in overall sales as compared to the previous year. While exports were lower mainly due to un-

remunerative prices, domestic sales were made within permissible limit.

The Captive Power Plant generated 65.13 million Kwh units as against 84.81 million Kwh units in the previous year due to shut down for preventive maintenance/break down of DG set and lower utilization of capacity owing to unprecedented hike in the price of furnace oil which made power generation costlier.

STEEL DIVISION :

During 1999-2000 there was improvement in the market condition for our steel products in comparison to 1998-1999 but full advantage of the same could not be taken as the production was severely affected due to financial difficulties. Despite this, the overall production and sales were slightly higher as compared to the previous year.

During the year, rolling of Stainless Steel Angles and Nitrogen based Automotive Valve Steels were successfully developed. Stainless Steel Angle, which was exported to the USA, is an established product now for the Company.

FINANCE :

1. Funds raised by the Company by issue of Debentures for working capital have been utilised for the said purpose.
2. As on 31st March, 2000, 73 deposits amounting to Rs.3,51,000/- which had matured, remained unclaimed. Out of these, 21 deposits amounting to Rs.1,01,500/- have since been repaid.

COST AUDITOR :

The Directors have appointed Mr Shridhar K. Phatak, a practising Cost Accountant, as Cost Auditor for the financial year 2000-2001 for Company's Mini Steel Plant at Nagpur for which Central Government approval has been received.

AWARDS :

The Company has received EEPC All India Trophy for highest exporters for the year 1998-99 in the category of "Prime Metal - Ferrous and Non-ferrous Exporters - Non-SSI".

SUBSIDIARY :

The report and accounts of Best Minerals Ltd., a subsidiary of the Company, for the period 1st April, 1999 to 31st March, 2000 are annexed alongwith statement pursuant to Section 212 of the Companies Act, 1956.

INDUSTRIAL RELATIONS :

The Ferro Alloys Plant of the Company in Andhra Pradesh was re-opened after the outstanding issues were amicably settled with the Workers and an agreement was signed with the Workers' Union as stated above. Thus the long awaited normalcy was restored at this Plant. The overall industrial relations in other Units were cordial.

DIRECTORS :

During the year Shri K. Srinivasamurthy resigned from the Board. Bank of India has nominated Shri S.V. Nayak as a Director of the Company in the place of Shri R.N. Buch. The Directors place on record their sincere and warm appreciation of the valuable services rendered by Shri K. Srinivasamurthy and Shri R.N. Buch.