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**FORTYFIFTH
ANNUAL REPORT**

2000-2001

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FERRO ALLOYS CORPORATION LIMITED

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Board of Directors

Umashankar Agrawal
Chairman & Managing
Director

R. K. Saraf
Vice Chairman &
Jt. Managing Director

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

V. J. Trivedi

M. B. Thaker

Govinddas Agrawal

Jamnadhhar Mor

Manoj Saraf
Executive Director

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
Sr. General Manager (Mines)

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

V. V. Somasundaran
Secretary

FERRO ALLOYS CORPORATION LIMITED**FACOR****45****FORTYFIFTH
ANNUAL REPORT
2000-2001****Notice to Members**

Notice is hereby given that the **FORTYFIFTH ANNUAL GENERAL MEETING** of the Members of the Company will be held at Shri Durgaprasad Saraf Atithi Graha at Tumsar 441 912 (Maharashtra) on Tuesday, the 25th September, 2001 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, 2001 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 Jamnadar Mor, who retires from office by rotation and, being eligible, offers himself for re-appointment.
3. 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.
4. To consider and, if thought fit, to pass the following resolution which will be proposed as a Special Resolution:

"RESOLVED that pursuant to the provisions of Section 224A and other applicable provisions, if any, of the Companies Act, 1956 Shri K.P. Sahasrabudhe, Proprietor, Messrs Salve And Company, Chartered Accountants, the retiring Auditor of the Company, be and is hereby re-appointed as the Auditor 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 said Auditor, plus travelling and other incidental expenses incurred by him incidental to his functions."

AS SPECIAL BUSINESS :

5. 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 and other applicable provisions, if any, of the Companies Act, 1956, the number of existing Directors in office for the time being be and is hereby reduced from fifteen to ten."

NOTES:

1. The relevant explanatory statement pursuant to Section 173 of the Companies Act, 1956 in respect of Item Nos. 4 and 5 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 Saturday, the 22nd September, 2001 to Tuesday, the 25th September, 2001, 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 nominations, 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 Stock Exchange, Mumbai, 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 2001-2002, 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 : 3rd August, 2001

Annexure to the Notice

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

Item No.4:

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 Shri K.P. Sahasrabudhe, Proprietor, Messrs Salve And Company, Chartered Accountants, as the Auditor of the Company. A certificate has been received from him to the effect that his re-appointment, if made, will be in accordance with the limits specified in Section 224(1B) of the said Act.

Item No.5:

Till recently, the strength of the Board for the time being in force was fifteen pursuant to a resolution passed in the year 1995 under Section 258 of the Companies Act, 1956 increasing the number of Directors for the time being in office from fourteen to fifteen. In recent years, three financial institutions, namely Andhra Pradesh State Finance Corporation (APSFC), Industrial Finance Corporation of India (IFCI) and Andhra Pradesh Industrial Development Corporation (APIDC) have withdrawn their respective nominees on the Board reducing the strength for the time being in office to twelve. With the recent resignations of Shri E.B. Desai and Shri Chandrakant Mor, the number of Directors for the time being in office now stands reduced to ten. Section 258 of the Companies Act, 1956 contemplates the passing of an ordinary resolution of the Company in General Meeting for, inter alia, reducing the number of its Directors within the limits fixed in that behalf by its Articles. Although not strictly necessary to pass a specific resolution, in view of a Bombay High Court judgement, it has been deemed necessary to pass such a resolution reducing the strength of the Directors for the time being in office from fifteen to ten, considering the fact that the Company had in the past passed a resolution under this Section increasing the strength of the Board from the then existing level of fourteen to fifteen. The Directors accordingly commend their resolution mentioned in this item of the Notice to your approval.

By Order of the Board,

Registered Office:

Shreeram Bhavan,
TUMSAR - 441 912
(Maharashtra)

V.V. Somasundaran
Secretary

Dated : 3rd August, 2001.

Directors' Report to the Members

The Directors submit the 45th Annual Report on the business and operations of the Company and the Audited Statements of Accounts for the year ended 31st March, 2001.

FINANCIAL RESULTS :

	Year ended 31.3.2001 (Rs.in lacs)	Previous year ended 31.3.2000 (Rs.in lacs)
Gross Profit/(Loss)	(2788.39)	(3850.47)
Depreciation	1307.99	1332.67
Voluntary Retirement Compensation	333.13	-
Provision for taxation (Wealth Tax)	3.00	3.00
Profit/(Loss) for the year	(4432.51)	(5186.14)
Provision for taxation for earlier years	--	0.14
Balance of Profit & Loss Account brought forward from last year	(21922.96)	(16736.68)
Balance carried to Balance Sheet	(26355.47)	(21922.96)

The Ferro Alloys Division of the Company in Andhra Pradesh was under lock out from 19.3.1999 to 11.6.2000 and, therefore, the accounts for the years 1998-1999 and 1999-2000 in respect of this Division were compiled having regard to the available information, assumptions, experience and related standards as already informed in our earlier Annual Reports for the said years. The accounts of the Division for these years have been finalised during the current year and the consequential adjustments in various accounts amounting to Rs.139.26 lacs (credit) after deduction of depreciation is included under the account head "Excess provisions and adjustments relating to earlier years".

OVERALL PERFORMANCE :

During the year 2000-2001 the working of the Company was once again adversely affected by a combination of unfavourable factors. Slackness in demand and decline in prices of chrome products in the international market due to excessive stocks and cut-backs in stainless steel production coupled with availability of stainless steel scrap and fall in nickel price not only dampened exports but also resulted in lower price. Domestic market for ferro alloys too suffered set-backs owing, inter alia, to over capacity continuing availability of cheaper imported materials and drop in prices. Alloy steel market was also adversely affected by the slow down in the automobile and forging industries. Further, as a consequence of depressed market conditions and shortage of working capital, the production has to be lowered.

Notwithstanding the above, your Company achieved a reasonable turnover of Rs.248.04 crores for the year ended 31st March, 2001. Exports constituted 41.53% of the turnover. The figures are not comparable with the previous year's figures in view of the lock out at the Company's Ferro Alloys Division.

REFERENCE TO BIFR :

The Draft Rehabilitation Scheme (DRS) submitted by the Company to ICICI Limited, the Operating Agency (OA) appointed by BIFR, was discussed among the concerned Financial Institutions, Consortium Banks etc. who have broadly approved the Scheme "in principle" with certain modifications and the same was submitted to BIFR in March 2001 by the OA with a request to circulate the same. The DRS is yet to be circulated by BIFR. Meanwhile, a hearing has been fixed by them.

DIVIDEND :

In view of the heavy loss, the Directors regret their inability to recommend any dividend for the financial year ended 31st March, 2001.

PROSPECTS :

The prolonged down turn witnessed by the domestic ferro alloys industry, after the short-lived boom of 1995-96, still continues. High power tariff, over capacity and low import duty are the main factors afflicting this industry. Government support for providing a "level playing field" to this industry in line with the liberalised policy, by supplying power and other inputs at internationally comparable cost is imperative for the survival of this industry. Efforts are incessantly being made by the Industry to convince the Government in this regard. In the meantime, the Company has already initiated cost reduction measures as far as possible at all units/offices and, through VRS etc., it has already reduced the manpower at its plant at Shreeramnagar in Andhra Pradesh.

The global ferro chrome market is characterised by large inventory and weak demand followed by sharp decline in prices due to slow down in stainless steel industry. Several overseas manufacturers of chrome products have shut down furnaces/lowered production to soak up stocks in a bid to prop up the market. Once the destocking process is completed and the stainless steel production picks up, demand and prices for chrome products may improve giving fillip to exports.

FERRO ALLOYS DIVISION :

After lock out of more than 14 months this Unit was reopened in June 2000. During the remaining period of the year 2000-2001 it operated only 2 furnaces out of 6 furnaces with available 16 MW NTPC power since operating furnaces with power drawn from State Grid is unviable due to high power tariff. Further, since generation of power from Company's captive power plant has also become quite costly due to high cost of fuel, operating furnaces with captive power has proved unremunerative particularly under the present market condition. Representation has been made to the Central Government for allocation of additional 16 MW NTPC power which is still pending. In the 2 furnaces the Company produced only high carbon ferro chrome. During the year there was reduction in manpower under VRS etc. as mentioned above.

CHARGE CHROME DIVISION :

Due to the depressed conditions prevalent in the overseas and domestic markets for chrome products and other factors, production of charge chrome during the year 2000-2001 had to be curtailed. While exports were higher, the domestic sales were lower as compared to the previous year.

The generation of power by our Captive Power Plant (CPP) was kept at a lower level due, inter alia, to high cost of furnace oil. The CPP was operated for less than a month and hence the power generated during the year was only 8.46 million KWH units as against 65.13 million KWH units generated in the previous year.

STEEL DIVISION :

The overall production and sales were lower than the previous year mainly due to slow down in the automobile and forging industries. Production was also affected by shortage of working capital.

Exports of stainless steel bars increased considerably and this trend is expected to continue in the year 2001-2002 also.

During the year under review some new grades of steel such as AISI 440C, 214N etc. were added to the production programme and their production process has been stabilised.

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, 2001, 57 deposits amounting to Rs.2,95,500/- which had matured, remained unclaimed. Since then no deposits out of the same have been repaid.

COST AUDITOR :

The Directors have appointed Mr Shridhar K. Phatak, a practising Cost Accountant, as Cost Auditor for the financial year 2001-2002 for Company's Mini Steel Plant at Nagpur for which Central Government approval has been received.

SUBSIDIARY :

The report and accounts of Best Minerals Ltd., a subsidiary of the Company, for the period 1st April, 2000 to 31st March, 2001 are annexed alongwith statement pursuant to Section 212 of the Companies Act, 1956.

INDUSTRIAL RELATIONS :

The overall industrial relations in all the Units of the Company were cordial.

DIRECTORS :

During the year Shri E.B. Desai has resigned from the Board due to recent amendments in the Companies Act involving far reaching consequences. After 31.3.2001, there were following two changes in the Board. The Nomination of Shri Shravan Kumar as a Director on the Board has been withdrawn by Andhra Pradesh Industrial Development Corporation Ltd. w.e.f. 3.5.2001. Shri Chandrakant Mor has resigned from the Board w.e.f. 25.5.2001. The Directors place on record their high appreciation of the long years of valuable services rendered by Shri E.B. Desai, Shri Shravan Kumar and Shri Chandrakant Mor.

Shri Jamnadhhar Mor and Shri Govinddas Agrawal, Directors of the Company, retire by rotation and, being eligible, offer themselves for re-election.

DIRECTORS' RESPONSIBILITY STATEMENT :

Pursuant to the provisions of Section 217 (2AA) of Companies Act, 1956, your Directors state as under :

- i) that in the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanations; (Refer Note Nos.18 and 19 of Schedule K)
- ii) that the Directors 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 loss of the Company for that period;
- iii) that the Directors 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) that the Directors have prepared the annual accounts on a going concern basis.

AUDIT COMMITTEE :

The Board of Directors of the Company had formed an Audit Committee comprising of Shri M.D. Vaidya, Shri M.B. Thaker and Shri V.J. Trivedi who are non-executive independent directors of the Company. Shri M.D. Vaidya 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. The retiring Auditor Shri K.P. Sahasrabudhe, Chartered Accountant and Proprietor of Messrs Salve And Company, being eligible, offers himself for re-appointment. He has furnished a certificate to the Company that the proposed re-appointment, if made, will be in accordance with sub-section (1B) of Section 224 of the Companies Act, 1956.

AUDITOR'S REPORT :

With reference to the comments made by the Auditor in his 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 further explanation.

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 Rs.12,00,000/ per annum or Rs.1,00,000/- per month requiring disclosure as per the provisions of Section 217 (2A) read with the Companies (Particulars of Employees) Rules, 1975.

DEMATERIALISATION :

As per directives of SEBI/Stock Exchange, steps are being taken to sign agreements with both the Depositories namely National Securities Depository Ltd.(NSDL) and Central Depository Services (India) Ltd. (CDSL) and to establish electronic connectivity for dematerialisation of equity shares to enable the members to hold their shares in the Company in demat form.

CORPORATE GOVERNANCE :

As per schedule of implementation, Clause 49 of the Listing Agreement relating to Corporate Governance is to be implemented by your Company within the financial year 2001-2002. Accordingly, necessary steps are being taken to comply with the same. The Company will commence reporting on compliance with Clause 49 of the Listing Agreement from the Annual Report for the financial year ending 31st March, 2002.

On Behalf of Board of Directors,

TUMSAR
Dated :1st August, 2001.

UMASHANKAR AGRAWAL
CHAIRMAN

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 :

- | | |
|--|--|
| 1) Measures taken. | <ul style="list-style-type: none"> - Introduction of Paste Lined Ladle Casting System etc. - Close monitoring of the operations. - Taken steps to keep raw materials away from water/rainfall etc. to reduce the moisture content in the raw materials. |
| 2) Additional Investment and proposals, if any, being implemented for reduction of consumption of energy. | : N I L |
| 3) Impact of measures at (a) and (b) for reduction of energy consumption and consequent impact on the cost of production of goods. | : The above measures have resulted in reduction in power consumption and consequent reduction in cost of production to some extent. |
| 4) Total energy consumption and energy consumption per unit of production in prescribed Form 'A'. | : As per Form 'A' attached. |

B. TECHNOLOGY ABSORPTION :

Research and development :

- | | |
|--|--|
| 1. Specific areas in which R & D carried out by the Company. | <ul style="list-style-type: none"> a) Use of hard lump alongwith briquettes made with quick lime instead of hydrated lime. b) Utilization of excess heat generated in the furnace by re-circulating the total generated remelts. c) Use of paste lined ladles and dressing of metal casting pans. d) Incorporation of anti-friction bearings to briquetting press and usage of quick lime instead of hydrated lime in briquetting process. |
| 2. Benefits derived as a result of above R & D. | <ul style="list-style-type: none"> a) Reduction in sulphur content in HC Ferro Chrome. b) Better Chromium recovery and metal yield. c) Skulling of metal in the ladles is arrested and recovery of pure metal without any off-grade generation has been made possible. |