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**FORTYSEVENTH
ANNUAL REPORT**

2002-2003

Report  Junction.com

FACOR

FERRO ALLOYS CORPORATION LIMITED

Board of Directors

Umashankar Agrawal
Chairman & Managing Director

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

Manoj Saraf
Executive Director

S. Ravindranath
Nominee of Bank of India

A. S. Kapre

V. J. Trivedi

M. B. Thaker

Jaminadhar Mor

V. V. Somasundaran
Secretary

Executives

Vineet Saraf
Sr. President

Rohit Saraf
President

R. D. Agrawal
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)

R. V. Dalvi
Chief Executive (Steel Division)

Ashok Agrawal
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

Registrar & Share Transfer Agents
(for Both Physical & Electronic)
M/s IIT Corporate Services Ltd.
Prbtoprima Chambers
3rd Floor, Suren Road,
Near Cinemagic Theatre,
Andheri (East), Mumbai - 400 093.
PH. No. 26835599, 26832609
Fax No. : 26836790 / 791

Notice is hereby given that the **FORTYSEVENTH ANNUAL GENERAL MEETING** of the Members of the Company will be held at Shri Durgaprasad Saraf Atithi Graha at Tumsar 441 912 (Maharashtra) on Thursday, the 25th September, 2003 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, 2003 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 R. K. 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 Manoj Saraf, 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 out of pocket expenses incurred by him incidental to his functions."

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

"RESOLVED that the Board of Directors of the Company (whether acting through the Board, a Committee of the Board or any Director or person authorized by the Board) be and is hereby authorized to decide and apply to such of the non-regional Stock Exchanges for delisting the Company's equity shares listed with them at such time as may be deemed necessary and on the terms and conditions as may be stipulated and mutually agreed to in the interest of the Company after taking into account various factors such as, but not limited to, the incidence, impact or burden of the cost of the listing fees payable to the Stock Exchanges and the volume of trading on the relevant Stock Exchange.

RESOLVED FURTHER that the Board of Directors be and is hereby authorized to take such steps and to make such arrangements as may be necessary or expedient and to do all such acts, deeds, matters and things as may be required to comply with the Securities & Exchange Board of India (Delisting of Securities) Guidelines 2003 and/or the guidelines issued by the concerned non-regional Stock Exchanges and all other applicable laws, rules, guidelines, regulations, provisions, if any, of other authorities and which may become applicable hereafter governing the matter so as to give effect to this resolution and to resolve any question relating thereto and otherwise considered by the Board to be in the best interest of the Company."

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 Friday, the 19th September, 2003 to Thursday, the 25th September, 2003, both days inclusive.
4. Members are requested to notify change of address if any to the Company's Registrar & Transfer Agents M/s IIT Corporate Services Ltd., Protoprma Chambers, 3rd Floor, Suren Road, Near Cinemagic Theatre, Andheri (East), Mumbai 440 093. Requests 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 by the Company/Registrar.
5. Members are requested to send all correspondence relating to the Company's shares including share transfer documents, demat requests etc. to the above Registrar & Transfer Agents quoting Folio Numbers.

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. Members holding shares in physical form and desirous of making a nomination in respect of their shareholding in the Company are requested to submit to the above Registrar & Transfer Agents Form No. 2B duly filled in and signed. The Form can be had from the Share Department at the Registered Office of the Company at Tumsar.

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

By Order of the Board,

V. V. Somasundaran
Secretary

Dated : 11.08.2003.

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

The Company's equity shares are listed on the Regional Stock Exchange at Mumbai and Non-regional Stock Exchanges at Ahmedabad, Bhubaneswar, Kolkata, Delhi and Hyderabad. For the last few years trading in equity shares of the Company on the Non-regional Stock Exchanges has been nil or very negligible. Further, there has been a 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 and when decided by the Board to minimize the expenditure on listing. The Securities & Exchange Board of India (SEBI) has recently issued SEBI (Delisting of Securities) Guidelines 2003 according to which it is necessary for the Company to obtain prior approval of Shareholders by a Special Resolution passed at the general meeting for delisting of securities without providing an exit option to the shareholders of the regions where the aforesaid non-regional Stock Exchanges are situated as the shares are listed on the Mumbai Stock Exchange having nationwide trading terminals and the investors have access to trade and deal in the Company's shares across the country. Accordingly, this Special Resolution is commended for your approval.

The Directors holding shares in the Company may be deemed to be concerned or interested in the resolution to the extent of their shareholding.

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

By Order of the Board,

V. V. Somasundaran
Secretary

Dated : 11.08.2003.

Details of the Directors appointed / seeking re-appointment in forthcoming Annual General Meeting

1. Name of Director	Shri R. K. Saraf	Shri Manoj Saraf	Shri S. Ravindranath newly appointed under Article 109A as Nominee Director of Bank of India
2. Date of Birth	02.06.1944	10.12.1953	21.11.1950
3. Date of appointment	29.06.1968	01.01.1986	28.04.2003
4. Expertise in specific functional areas.	Business Administration, including Factory Administration, mining, export trade, shipping, sales, Labour welfare & Management, Banking	Production, Mining, Factory Administration, Labour welfare & Management, Sales / Exports, shipping	Foreign exchange & Investment in Banking
5. Qualifications	Studied upto B.Sc.	B.E. (Metallurgy)	B. Sc. (CAIIB)
6. List of other Public Limited Companies in which Directorship held as on 31.3.2003.	Nil	Nil	N.A.
7. Chairman/Member of the Committee of the Board of other Public Limited Companies on which he was a Director as on 31.3.2003.	Nil	Nil	N.A.

Directors' Report to the Members

The Directors submit the 47th Annual Report on the business and operations of the Company and the Audited Statements of Accounts for the year ended 31st March, 2003.

FINANCIAL RESULTS:

	Year ended 31.03.2003 (Rs. in lacs)	Previous Year ended 31.03.2002 (Rs. in lacs)
Gross Profit / (Loss)	(2108.59)	(4647.25)
Depreciation	1123.54	1233.31
Provision for Taxation (Wealth Tax)	3.00	3.00
Profit / (Loss) for the year	(3235.13)	(5883.56)
Balance of Profit & Loss Account brought forward from last year	(32239.03)	(26355.47)
Balance carried to Balance Sheet	(35474.16)	(32239.03)

OVERALL PERFORMANCE:

Due to cut backs in ferro chrome production effected during the years 2000 and 2001 by the global and domestic manufacturers, decrease in availability of stainless steel scrap and the resurgence in stainless steel production in the EU, USA and Asia, there has been gradual but slow improvement in the demand and prices for chrome products since the middle of the year 2002. However, your Company could not take full advantage of the improved market for its chrome products owing to the suspension of operations at its Garividi Plant in Andhra Pradesh from 1.4.2002 to 5.11.2002, lower capacity utilization during the remaining period of the year 2002-2003 for want of additional power as well as required working capital and the lay off and suspension of operations at its Charge Chrome Plant in Orissa throughout the year 2002-2003 mainly on account of problems relating to power tariff.

Further, in spite of overall upswing in the Steel and Automobile Industries, the Company's Steel Division could not encash this opportunity due to various adverse factors like high cost of production caused by increase in the prices of inputs, labour problems, working capital crunch and anti-dumping duty/embargo on export of stainless steel bars to USA.

The above unfavourable factors continued to haunt the Company, resulting in the adverse working results of the Company again for the year 2002-2003. The turnover of the Company declined sharply to Rs.114.53 crores from Rs.201.24 crores in the previous year. The exports constituted 38.39% of the turnover.

REFERENCE TO BIFR:

As directed by the Hon'ble BIFR, a revised/updated Draft Rehabilitation Scheme (DRS) taking cut off date as 31st March 2002 and based on the audited accounts for the year ended on that date was submitted to them in December 2002 by ICICI Bank Ltd, the Operating Agency (OA) appointed by the Hon'ble BIFR. Subsequently, the Company's case was heard by the Hon'ble BIFR on 31.3.2003 when they directed it to prepare detailed statement of outstanding liabilities as on 31.3.2003. The ICICI Bank Ltd., was also directed by the Hon'ble BIFR to submit a revised DRS after incorporating the statement of outstanding liabilities as an Annexure and making other appropriate changes in the light of the proceedings of the hearing held on 31.3.2003 for circulation to all the concerned parties for their consent/comments as per the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985.

In compliance with the directive of Hon'ble BIFR the Company has already submitted the statement in respect of outstanding liabilities to it as well as to the ICICI Bank Ltd. and the Secured Creditors. The revised DRS is being submitted by ICICI Bank Ltd to Hon'ble BIFR after complying with their directives as mentioned above for circulation/publication.

DIVIDEND:

In view of the heavy loss, the Directors regret their inability to recommend any dividend for the financial year ended 31st March, 2003.

PROSPECTS:

As per Reports, the Global Stainless Steel Industry performed well in 2002 and further growth is expected in 2003. This, coupled with substantial cut backs in the production effected by the ferro chrome producers the world over as mentioned above and the tightening stainless steel scrap supply, has enabled the demand for and prices of chrome products to improve considerably in the last few months. This trend according to reports is expected to continue for some more time. Due to improvement in the international market, the domestic ferro chrome industry has also started looking up.

FERRO ALLOYS DIVISION:

As mentioned in our report last year, the operations were suspended by almost all ferro alloys units in Andhra Pradesh including your Company's Plant at Garividi w.e.f 1.4.2002 in protest against the substantial hike in wheeling charges and introduction of Grid Support Charges by the Andhra Pradesh Electricity Regulatory Commission (APERC). After vigorous follow up by the Andhra Pradesh Ferro Alloys Producers with the concerned authorities of the State Government including APERC and Transmission Corporation of Andhra Pradesh Ltd. (APTransco) the power tariff of Rs.2.12 per unit (without demand and minimum charges) was finally approved by APERC on 26-9-2002 for supply of power to Ferro Alloys Units in the State subject to certain conditions. The State Government was kind enough to waive the electricity duty of 6 paise per unit for Ferro Alloys industry. Subsequently, the operations at the Garividi Plant were resumed w.e.f. 6.11.2002. As in the last two years, only two furnaces out of six furnaces were operated during 2002-2003 for production of ferro chrome with available 22 MVA power from APTransco. Due to this and other factors, the production and sales including exports were considerably lower as compared to the previous year. Recently additional 10 MVA power has been allocated to Garividi Unit and accordingly more furnaces have been put into operation.

No power was generated from Captive Power Plant as its operation continued to be unviable owing to high prices of LSHS/Furnace Oil. However, maintenance work is being carried out to keep the Power Plant in running condition.

CHARGE CHROME DIVISION:

Lay off and suspension of operations at the Charge Chrome Plant in Orissa declared w.e.f. 5th November 2001, as reported last year, continued throughout the year 2002-2003. Therefore, there were no production and sales/exports of Charge Chrome during the year under review.

The constant vigorous follow up with all concerned authorities of the Orissa State Government including Orissa Electricity Regulatory Commission (OERC) and North Eastern Electricity Supply Company of Orissa Ltd. (NESCO) made by the Company and other Ferro Alloys Producers in the State as well as the Utkal Chamber of Commerce & Industry since last several months has ultimately resulted in the State Government recommending to OERC for fixation of a viable tariff for supply of power to Ferro Alloys Producers in the State. The OERC order on power tariff is awaited. The State Government may also reduce the electricity duty for Ferro Alloys Units from 15 paise to 5 paise per KWH. These measures augur well for the Ferro Alloys Units in the State. Accordingly, the operations at Charge Chrome Plant have already been resumed.

STEEL DIVISION:

During the year under review a section of workers resorted to strike which led to stoppage of operations at the mini Steel Plant from August, 2002. However, with the help of willing workers, the Plant was restarted from September, 2002, although the strike is still continuing. Further, the Billet Reheating Furnace of 24" Rolling Mill had to be shut down during the period 14th November to 4th December 2002 for relining when the Chimney was also replaced. Added to this, there was unplanned closure of Plant several times because of severe working capital shortage. Due to these adverse factors coupled with depressed market conditions, the overall production and sales were much lower as compared to the previous year. Efforts are being continuously made to resolve the issues and improve the performance of this Division.

FINANCE:

1. Funds raised by the Company by issue of Debentures for working capital have been utilized for the said purpose.
2. As on 31.3.2003, 48 deposits amounting to Rs.2,44,500/-, which had matured, remained unclaimed. Out of these, 4 deposits amounting to Rs.40,000/- have since been repaid.

COST AUDITOR:

The Directors have appointed Mr. Shridhar K. Phatak, a practicing Cost Accountant, as Cost Auditor for the financial year 2003-2004 for Company's Mini Steel Plant at Nagpur for which Central Government approval has been received.

SUBSIDIARY:

The Report and Accounts of Best Minerals Limited, a subsidiary of the Company, for the period 1st April 2002 to 31st March 2003 are annexed along with statement pursuant to Section 212 of the Companies Act, 1956.

INDUSTRIAL RELATIONS:

The overall industrial relations in the Company were generally satisfactory except the labour problem in the Steel Division referred to above.

DIRECTORS:

Shri S. Ravindranath nominated by Bank of India, joined the Board w.e.f. 28.4.2003. Further, the nomination of Shri M.D. Vaidya as a Director on the Board was withdrawn by Life Insurance Corporation of India Ltd. (LIC) w.e.f. 30.4.2003. The Directors place on record their appreciation of the valuable services rendered by Shri M.D. Vaidya.

Shri R.K. Saraf and Shri Manoj Saraf, 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 along with proper explanations; (Refer Note Nos. 17, 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 Audit Committee formed by the Board of Directors of the Company consists of Shri A.S. Kapre, Shri M.B. Thaker and Shri V.J. Trivedi who are non-executive Independent Directors of the Company. Shri A.S. Kapre is its Chairman. The committee's role, terms of reference and the authority and power 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.24,00,000/- per annum or Rs.2,00,000/- per month requiring disclosure as per the provisions of Section 217(2A) read with the Companies (Particulars of Employees) Rules, 1975.

CORPORATE GOVERNANCE:

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a 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.

On behalf of Board of Directors,

TUMSAR

Dated : 6th August, 2003.

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 :**

- a) Measures taken.
- b) Additional investment and proposals, if any, being implemented for reduction of consumption of energy.
- c) Impact of measures at (a) and (b) for reduction of energy consumption and consequent impact on the cost of production of goods.
- d) Total energy consumption and energy consumption per unit of production in prescribed form 'A'

The energy conservation measures like increasing agglomerate proportion in the charge mix to facilitate faster reducibility; utilization of waste heat in pre-heating the charge in the storage hoppers; storing raw materials in closed sheds to avoid moisture absorption during rainy season; improvement in casting techniques to reduce off grade generation of metal and improve productivity and re-engineering the total system and standardizing the drive equipment to reduce auxiliary power consumption, adopted earlier were continued during the year under review. Although no additional investments were made for reduction of consumption of energy due to financial difficulties, improvements are being made in the existing system to bring down energy consumption. However, it is difficult to quantify the same and its impact on cost of production.

: As per Form 'A' attached.

B. TECHNOLOGY ABSORPTION :

Research and Development :

- a. Specific areas in which R & D carried out by the Company.

Chrome Ore beneficiation by simple washing techniques, Identification of alternative binder to substitute molasses and hydrated lime for making Chrome Ore briquettes and direct estimation of Calcium hydroxide in hydrated lime by Ethyl Diamine Tetra Acetate (EDTA) and Acid base Titration are the R&D activities carried out to improve upon the existing process and product.

- b. Benefits derived as a result of above R & D.

- Saving in cost of production of briquettes.
- Helped in procurement of quality lime and brought down the consumption of hydrated lime.

- c. Future plan of action.

: To continue the R&D efforts so as to bring down the specific power consumption of all the ferro alloys produced by the Company to the maximum extent possible by incorporating changes in the process and using agglomerates in the reduced state.

- d. Expenditure on Research & Development.

: There was no capital expenditure during the year. The other expenses have been shown under appropriate heads of expenditure in the Profit & Loss Account.

- e. Technology absorption, adaptation and innovation.

- i) Efforts, in brief, made towards technology absorption, adaptation and innovation.
- ii) Benefits derived as a result of above efforts.
- iii) Information regarding technology imported during the last five years.

: Not applicable.

: Not applicable.

: No technology has been imported during last five years.

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 2002-2003, exports of High Carbon Ferro Chrome, Chrome Ore and Steel products were made to different countries. Exports constituted 38.39% of the turnover. Efforts are being made to develop new export markets through customer contacts as well as visits by Directors and Executives if and when required.

2) Total Foreign Exchange used and earned (2002-2003)

	(Rs. in Lacs)
i) CIF value of imports	1032.46
ii) Expenditure in Foreign Currency	137.23
iii) Foreign Exchange earned	4150.66

On behalf of the Board,

TUMSAR
Dated : 6th August, 2003.UMASHANKAR AGRAWAL
CHAIRMAN

FORM 'A'

FORM OF DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

STEEL

PARTICULARS	CURRENT YEAR 2002-2003	PREVIOUS YEAR 2001-2002
A. POWER AND FUEL CONSUMPTION :		
1. ELECTRICITY		
a) Purchased		
Units (KWH in Lacs)	258.67	414.64
Total Amount (Rs. in Lacs)	1103.23	1605.60
Average rate per unit (Rs.)	4.26	3.87
b) Own generation		
i) Through Diesel Generator		
Units (KWH)	--	--
Units per ltr. of diesel oil	--	--
Cost / Unit (Rs.)	--	--
ii) Through Steam Turbine/Generator		
Units	--	--
Units per ltr. of fuel oil/gas	--	--
Cost / Unit (Rs.)	--	--
2. Coal (specify quality)	--	--
3. Furnace Oil		
Quantity (K. Litre)	1853.406	2462.526
Total cost (Rs. in Lacs)	245.403	268.190
Average Rate (Rs. / K.litres)	13240.850	10891.010
4. Others/Internal Generations	--	--
B. CONSUMPTION PER UNIT OF PRODUCTION :		
ELECTRICITY (KWH per tonne)		
Rolled Products	1392	1326
FURNACE OIL (K.Litre per tonne)		
Rolled Products	0.063	0.070
Coal (Specify quality)	--	--
Others (Specify)	--	--

Note : Form 'A' is not applicable to Ferro Alloys Industry.

MANAGEMENT DISCUSSIONS AND ANALYSIS**INDUSTRY STRUCTURE, DEVELOPMENT AND OTHER RELATED MATTERS****FERRO ALLOYS:**

The Indian ferro alloys industry has a capacity to produce about 1.64 million tons of various types of ferro alloys. However, the present working capacity is about 0.92 million tons. At present the production is about 8 to 9 lakhs tons. 35% to 40% of production is exported every year.

The main problems faced by the industry, which is a power intensive industry, are excess capacity as mentioned above, high cost of inputs, particularly power and petroleum products, and cheaper imports due to drastic reduction in import duty over the years. Further, there is cut throat competition both in the international and domestic markets. In the international market your Company is unable to compete due to high cost of production mainly on account of power tariff which is substantially high in India as compared to other competing countries. In the domestic market, the competition is accentuated by various factors, which include different power tariff and sales tax rates prevailing in different States, levy of entry tax as well as various incentives to attract industries offered by some States. These deny level playing field to various ferro alloys producers within the country including your Company.

The Company's Ferro Alloys Plant at Garividi in Andhra Pradesh which was closed from 1-4-2002 to 5-11-2002 has been operating at lower capacity for various reasons including allocation of power which was restricted to 22 MVA. The 100% EOU Charge Chrome Plant of the Company at Randia in Orissa suspended operations since 5th November 1991 mainly on account of problems relating to power tariff. As mentioned in the Directors Report, the power problem was discussed with the Orissa State Government who has recommended to Orissa Electricity Regulatory Commission (OERC) for fixing a viable tariff for supply of power to Ferro Alloys Industry in the State. However, the OERC order on the power tariff is still awaited. The Orissa State Government may also reduce the electricity duty from 15 paise to 5 paise per unit for Ferro Alloys Units in the State.

Meantime, since there has been substantial improvement in the prices for chrome products and additional 10 MVA power has been allocated to the Plant at Garividi more furnaces have been put into operation and also the operations at the Charge Chrome Plant have already been resumed.

STEEL PRODUCTS:

The Company's mini Steel Plant at Nagpur manufactures alloy and stainless steels through Electric Arc Furnace route. Although several manufacturers following electric arc furnace route have closed down their Plants due to recession in the last few years, your Plant has been able to somehow survive by continuously changing the product mix in line with the demand and competition. Further, your plant is at a disadvantage as compared to other big manufacturers having Mini Blast Furnace, Captive Power Plant and Captive Sponge Iron Plant due to their low cost of production and because of this, your Plant is unable to get market share in some of the segments where volume is the key factor, thus affecting capacity utilization.

Power and scrap are the major inputs in making steel through electric arc furnace route. Increasing cost of both these inputs not only affect productivity but also impose considerable financial burden on the Company which it is unable to pass on to its customers due to severe competition prevailing in the industry. Moreover, the Company has to maintain high standard of quality of products expected by customers by creating various facilities and/or strict supervision in production processes to meet such quality requirements involving higher expenses to face such competition.

The furnace capacity of Company's Plant is 22 MT. Due to this small size the Company is in a position to cater to various markets with variety of grades of steel which the bigger manufacturers are unable to do.

Moreover, domestic as well as global stainless steel markets have shown improvement and good opportunities exist particularly for exports of our products despite stiff competition and difficulties explained above. Niche export markets have already been created by the Company for stainless steel angles and bright bars in USA, Europe, Far East and Middle East countries.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

The internal control systems and procedures adopted by the Company for better utilization of men, material and money have been properly implemented by all the Units. These systems and procedures are reviewed with internal and external auditors from time to time and based on suggestions received from them and on the basis of experience gained by the Company, modifications as may be required are carried out and implemented. These matters are also discussed at the Audit Committee meetings.

FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE:

The Operations at the Company's 100% EOU Charge Chrome Plant remained suspended through out 2002-2003. The Company's Garividi Plant also remained closed from 1.4.2002 to 5.11.2002 and during the remaining period it had operated only two furnaces. The Steel Division's operations were also adversely affected on account of labour problems, working capital crunch etc. Due to the above reasons and other factors as explained in Directors' Report, the Company has suffered heavy losses making its financial position very weak.

MATERIAL DEVELOPMENT IN HUMAN RESOURCES/INDUSTRIAL RELATIONS INCLUDING NO. OF PEOPLE EMPLOYED:

As the Company is not filling up the vacancies arising from retirement and resignations as far as possible, there has been gradual reduction in manpower. The manpower strength of the company as on 31.3.2003 was 2872. The overall industrial relations in the Company were generally satisfactory except the labour problem in Steel Division as mentioned in the Directors' Report.

CAUTIONARY STATEMENT:

Statements in the Management Discussions and Analysis describing the Company's projections and estimates are forward looking statements and progressive within the meaning of applicable security laws and regulations. Actual results may vary from those expressed or implied, depending upon economic conditions, Government policies and other incidental factors.