

51

**FIFTY FIRST
ANNUAL REPORT
2006-2007
(ABRIDGED)**

Report Junction.com

FACOR

FERRO ALLOYS CORPORATION LIMITED

**AGE TO OUR
VISIONARY, INSPIRATION AND GUIDING LIGHT**



Late Shri Umashankar Agrawal
20.06.1933 - 02.02.2007

Board of Directors

R.K. Saraf
Chairman & Managing Director

M.D. Saraf

Manoj Saraf
Managing Director

Vineet Saraf
Joint Managing Director

Rohit Saraf
Joint Managing Director

Ashish Saraf
Joint Managing Director

A.K. Bhandari
Nominee of Bank of India

A.S. Kapre

M.B. Thaker

V.J. Trivedi

N.L. Ajwalia

Umesh Kumar Khaitan

S.B. Mishra

Arye Berest

R.M. Sethi
Special Director Appointed By BIFR

V V Somasundaran
Secretary

Executives

R.D. Agrawal
Advisor

O.P. Banka
Director (Finance)

Ashok Agrawal
Director (Mines)

M.K. Pujari
Senior General Manager (Mines)

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

V.K. Begani
General Manager
(Charge Chrome Plant)

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

Bhaishankar Kanga and
Girdharlal

Auditors

Salve And Co.
Chartered Accountants

Internal Auditors

D.C. Dhupia & Co.
Chartered Accountants

**Registrars & Share Transfer
Agents**
(for Both Physical & Electronic)

**Intime Spectrum Registry
Limited**

C-13 Pannalal Silk Mills
Compound, LBS Road,
Bhandup (W),
MUMBAI 400 078
Phone No. 022-2596 3838
Fax No. 022-2594 2969
E-mail:
isrl@intimespectrum.com

FERRO ALLOYS CORPORATION LIMITED
Notice to Members

FACOR

51

**FIFTY FIRST
ANNUAL REPORT
2006-2007**

Notice is hereby given that the **FIFTYFIRST ANNUAL GENERAL MEETING** of the Members of the Company will be held at the Registered Office of the Company at "FACOR DP Officers Club at D.P. Nagar, Randia - 756 135, Dist. Bhadrak, Orissa" on **TUESDAY, the 14th August, 2007 at 11.45 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, 2007 and Profit & Loss Account for the year ended on that date and the Reports of the Board of Directors and the Auditors thereon.
2. To declare dividend on Preference and Equity Shares.
3. To appoint a Director in the place of Mr V.J. Trivedi who retires from office by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Mr R.K. Saraf who retires from office by rotation and, being eligible, offers himself for re-appointment.
5. To appoint a Director in the place of Mr Rohit Saraf who retires from office by rotation and, being eligible, offers himself for re-appointment.
6. To appoint a Director in the place of Mr Ashish Saraf who retires from office by rotation and, being eligible, offers himself for re-appointment.
7. To consider and, if thought fit, to pass the following resolution which will be proposed as a **Special Resolution**:
"RESOLVED THAT pursuant to provisions of section 224A and other applicable provisions, if any, of the Companies Act, 1956, 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 plus service tax as applicable and reimbursement of expenses incurred by them incidental to their functions as the Board of Directors may fix in that behalf in consultation with the said Auditors."

AS SPECIAL BUSINESS:

8. To consider and, if thought fit, to pass the following resolution which will be proposed as an **Ordinary Resolution**:
"RESOLVED THAT Mr. M.D. Saraf (who was appointed to fill up the casual vacancy on the Board caused by the death of Mr. Umashankar Agrawal, under Article 108 of the Articles of Association of the Company and who holds office under the said Article and Section 262 of the Companies Act, 1956 as a Director only upto the date of this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Act alongwith a deposit of Rs.500/- from a Shareholder proposing his candidature for the office of Director) be and is hereby elected and appointed a Director of the Company liable to retirement by rotation."
9. To consider and, if thought fit, to pass the following resolutions which will be proposed as **Ordinary Resolutions : (To be voted only by Postal Ballot)**

- (a) "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" which expression shall also include any committee thereof or any sub-delegation to a Director(s)) for mortgaging and/or charging subject to such consents, if any, as may be necessary from the existing mortgagees and charge holders, on such terms and conditions and at such time or times and in such form and manner and with such ranking as to priority as the Board may in its absolute discretion think fit, the whole or substantially the whole of the Company's any one or more undertaking(s) or of all the undertakings, including the present and/or future properties, wheresoever situated, 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, to or in favour of all or any of the Financial Institution (s) or Bank (s) for securing any Loans or Financial Assistance/Working Capital Facilities granted or to be granted by or any obligation incurred or to be incurred towards such Financial Institution(s) or Bank (s) subject to the limit of Rs.500 Crores as per the resolution passed by the Company under Section 293(1)(d) of the Companies Act, 1956 at its Annual General Meeting held on 25th September 1995 together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, commitment charges, premia on prepayment, costs, charges, expenses including any increase as a result of devaluation/revaluation/fluctuation in the rates of exchange and any moneys payable to them in connection therewith under their respective heads of agreement(s)/loan agreement(s)/letter(s) of sanction/memorandum of terms and conditions or any other document entered into/to be entered into by the Company in respect of the loans etc. granted/to be granted to the Company and as may be agreed to by the Board and in particular in favour of all or any of:

- 1) Bank of India (BOI)
- 2) Central Bank of India (CBI)
- 3) State Bank of India (SBI)
- 4) State Bank of Bikaner & Jaipur (SBBJ)
- 5) Syndicate Bank (SB)

to secure Working Capital/facilities (including Term Loans) of Rs. 9417 lacs from Consortium Banks as under:-

- | | |
|-----------------------------------|---------------|
| 1) Bank of India | Rs. 3274 lacs |
| 2) Central Bank of India | Rs. 3676 lacs |
| 3) State Bank of India | Rs. 1291 lacs |
| 4) State Bank of Bikaner & Jaipur | Rs. 900 lacs |
| 5) Syndicate Bank | Rs. 276 lacs |

Total: Rs. 9417 lacs

and also such further additions to the aforesaid limits as may be made/granted by the said Bank(s) from time to time subject to the condition that the aggregate amount of working capital/facilities including term loans to be secured in respect of borrowings from all the aforesaid Banks shall not exceed Rs. 12,500 lacs with liberty and authority to the Directors to accept the change in the limits of individual Bank consequent to such further additions to above limits within the aforesaid overall maximum limit of Rs. 12,500 lacs, together with interest at the respective agreed rates, compound interest and additional interest, wherever applicable, liquidated damages, costs, charges, expenses and all other moneys payable by the Company to BOI, CBI, SBI, SBBJ and SB respectively under their respective loan agreement(s)/letter(s) of sanction or any other document/agreement entered into/to be entered into by the Company in respect of the said working capital/facilities including term loans as may be agreed to by the Board of Directors.

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

- (b) RESOLVED THAT pursuant to Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 and subject to such other approvals and permissions as may be required, consent of the Company be and is hereby accorded to the Board of Directors of the Company ("the Board" which expression shall also include any committee thereof or any sub-delegation to a Director(s)) to exercise its powers (including the powers conferred by this resolution) to sell, lease, transfer or otherwise dispose of in any manner the Power Plant Unit comprising of 20 MW Diesel based Power Plant consisting of 2 nos D.G. Sets of 10 MW each located at the Charge Chrome Plant of the Company at Randia, Dist. Bhadrak in Orissa, with or

without land and building in which the power plant is installed, to any one or more of the prospective buyer(s) at such consideration and on such terms and conditions, in such manner and with effect from such date as the Board of Directors of the Company may think fit and that the Board of Directors be and is hereby authorized to complete the sale, lease, transfer or disposal of the said Power Plant with such modifications as may be required by any of the concerned authorities or prospective buyer(s) or which it may deem to be in the best interest of the Company and to finalise and execute necessary documents including agreements, deeds of sale/ lease/assignment/conveyance, under the Common Seal of the Company, if required, to be affixed to such documents in the presence of any one of the Directors of the Company, and to do all such acts, deeds, matters and things as may be deemed necessary and/or expedient in its discretion for completion of the transactions as aforesaid in the best interest of the Company".

10. To consider and, if thought fit, to pass, with or without modification, the following resolutions, which will be proposed as **Special Resolutions: (To be voted only by Postal Ballot)**.

"RESOLVED that subject to the provisions of Section 17 and all other applicable provisions, if any, of the Companies Act, 1956, the Objects Clause III of the Memorandum of Association of the Company be amended by inserting after the existing sub-clause 8 the following new sub-clauses:

- 8(A) To purchase, acquire, take on lease, sell, deal in, exchange, develop land (agricultural, non-agricultural and forest), buildings and other immovable properties including Real Estates, Tea, Coffee and Rubber Plantations and Plantations of any other kind and any accretion thereto in the form of area or in any other form whatsoever.
- 8(B) To carry on, promote, and/or engage in the business of Builders, Colonizers, Developers, Construction Engineers, Masonry and General Maintenance, Construction, Contractors and haulers and Real Estate and to Construct, Build, Purchase, Sell, Execute, Develop, Maintain, Operate, Run, Obtain, Grant Lease, Sub-lease, License, Let out and/or Sell Departmental Stores, Offices, Residential Apartments and Complexes, Bungalows, Townships, Godowns, Housing Complexes of all types, Multi Storeyed Buildings/Flats, Warehouses, Pent Houses, Rest Houses, Resorts, Entertainment Complex, Commercial and Industrial Complexes, Malls, Restaurants, Studios, Stores, Shopping Centers/Complexes, Satellite Townships, Industrial/IT Parks, Entertainment and Techno Parks, Hospitals, Seminar Halls, Meditation Centers, Marketing Arcades, Farm Houses, Theatres, Cinema Halls, Radio/TV Towers/Stations, Residential and Non-residential Schools, Colleges and Technical Institutes, Universities, Playgrounds & Gardens, Health Clubs, Water Sports, Bowling Alleys, Recreation Centers/Clubs, Special Economic Zones, Airports, Docks, Harbours, Ports, Wharves, Water Courses, Reservoirs, Embankments, Irrigation Projects, Reclamations, Sewage, Drainage and other Sanitary Works, Gas/Oil/Water pipeline Works, Houses, Buildings and Erections of every kind and to promote, establish, acquire, purchase, sale, construct, develop new Townships of any kind and act as real estate agents.
- 8(C) To promote, construct, build, acquire, develop, provide, supply, take/give on lease/licence, maintain various infrastructure facilities and to undertake development of infrastructure projects in all areas of infrastructure including basic infrastructure such as Power including Hydel, Thermal, Nuclear, Solar and Wind Power/Energy, Roads, Bridges, Flyovers, Sub-ways, Tunnels, Airways, Railways, Highways, Water, Water management system, sewerages, residual and industrial infrastructure, Villages, Semi-urban and urban infrastructure and entertainment as well as tourism infrastructure.
- 8(D) To carry on in India or elsewhere the business to generate, receive, produce, improve, buy, sell, resell, acquire, use, transmit, accumulate, employ, distribute, develop, handle, protect, supply and to act as agent, broker, representative, consultant, collaborator, or otherwise to deal in electric power in all its branches including Thermal, Hydel, Atomic, Solar and Wind Power at such place or places as may be permitted by appropriate authorities by establishment of thermal power plants, hydel power plants, atomic power plants, wind power plants, solar power plants and other power plants based on any source of energy as may be developed or invented in future.
- 8(E) To construct, laydown, establish, promote, erect, build, install, commission, carry out and run all necessary power sub-stations, work shops, repair shops, wires, cables, transmission lines, accumulators, street lights for the purpose of conservation, transmission, distribution, and supply of electricity to participating industries, State Electricity Boards and other Boards for industrial, commercial, domestic, public and other purposes and also to provide regular services for repairing and maintenance of all distribution and supply lines.
- 8(F) To carry on in India or elsewhere the business of trading in power, whether by way of buying, selling, reselling, acquiring, transmitting, accumulating, employing, distributing power supply or otherwise, and to act as agent, broker, representative, consultant, collaborator or otherwise to deal in power in all its branches at such place or places as may be permitted by appropriate authorities.

RESOLVED FURTHER that the aforesaid Special Resolution for alteration of the Objects Clause of the Memorandum of Association of the Company, upon being duly passed and becoming effective, the approval of the members be and is hereby accorded to the Company pursuant to Section 149(2A) and other applicable provisions, if any, of the Companies Act, 1956, for commencing or undertaking or carrying on all or any of the new businesses and activities, including in particular Real Estate and Infrastructure development and setting up Wind Power Plant for the generation, distribution and transmission of Wind Power, covered by Sub-clauses 8(A) to 8(F) of Clause III of the Memorandum of Association of the Company as referred to above, as well as for commencing or undertaking or carrying on the new business and activities of Coal Mining and Stainless Steel manufacturing in pursuance of the existing objects covered by sub-clauses 2,4 and 7 of Clause III of the Memorandum of Association of the Company, either alone or in joint venture with any other company/bodies corporate, at such time(s) as may be deemed fit by the Board of Directors who be and is hereby also authorized and empowered to do all acts, deeds, matters and things necessary for the said purpose".

11. To consider and, if thought fit, to pass, the following resolutions, which will be proposed as **Special Resolutions: (To be voted only by Postal Ballot)**.

- I. "RESOLVED that pursuant to the provisions of Section 372A and all other applicable provisions of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof for the time being in force) and subject to such other approvals, sanctions and permissions as may be necessary and subject to such conditions as may be prescribed while granting such approvals, permissions and sanctions, consent of the Company be and is hereby given to the Board of Directors;

- (i) to give guarantee and/or to continue the guarantee already given to the following consortium banks for Term Loans and other fund based and non-fund based working capital/facilities availed/to be availed from them by Facor Alloys Ltd. (FAL) and Facor Steels Ltd. (FSL) as per details in respect of the said facilities given below:

	(Rs./lacs)	
	Amount of Fund based and Non-fund based Working Capital / facilities availed/to be availed from Consortium Banks by	
	FAL	FSL
Bank of India	1738	3167
Central Bank of India	2149	3302
State Bank of India	611	1100

FERRO ALLOYS CORPORATION LIMITED

FACOR

51

FIFTY FIRST
ANNUAL REPORT
2006-2007

Syndicate Bank	541	813
State Bank of Bikaner & Jaipur	129	253
Total..	5168	8636

subject to a maximum limit of Rs.100 crores in respect of FAL and Rs.150 crores in respect of FSL for all the above Banks taken together with liberty and authority to Board of Directors to provide guarantee for such further limits as and when granted by individual Bank over and above their respective aforesaid limits within the overall limit of Rs.100 crores and Rs.150 crores in respect of FAL and FSL respectively.

- (ii) to give loan to the following bodies corporate at a rate of interest not lower than the prevailing bank rate being the standard rate made public u/s 49 of the Reserve Bank of India Act, 1934 or such other rate as may be fixed from time to time by the Reserve Bank of India up to a sum of Rs.75.00 crores, as per following details:

<u>Name of Body Corporate</u>	<u>Amount of loan given/to be given not to exceed</u>
Facor Steels Ltd.	Rs.25.00 crores
Facor Alloys Ltd.	Rs.50.00 crores

and such guarantees and loans as mentioned in (i) and (ii) above will be over and above the limits, if any, available to the Board of Directors of the Company u/s 372A of the Companies Act, 1956.

RESOLVED FURTHER that the Board of Directors of the Company be and are hereby authorized to determine the actual sum upto which loans and guarantees may be given and also to determine the time and manner for giving such loans and guarantees and to do all such acts, deeds, matters and things as the Board, in its absolute discretion, may consider necessary, expedient or desirable including the delegation of the above authorities in accordance with the provisions of Section 292(1)(e) of the Companies Act, 1956 in respect of loans as specified in item (ii) above and to settle any question or doubt that may arise in relation thereto in order to give effect to this Resolution or otherwise considered by the Board to be in the best interest of the Company."

- II. "RESOLVED that pursuant to the provisions of Section 372A and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof for the time being in force) and subject to such other approvals, sanctions and permissions as may be necessary and subject to such conditions as may be prescribed while granting such approvals, permissions and sanctions, consent of the Company be and is hereby given to the Board of Directors to acquire by way of subscription, purchase or otherwise the securities of the following bodies corporate up to Rs.261 crores in such tranches as may be considered appropriate by the Board of Directors of the Company as per details set out below:

<u>Name of Body Corporate/Project</u>	<u>Amount to be invested upto</u>
Facor Realty & Infrastructure Ltd.	Rs. 1.00 crore
Pioneer Infradevelopers Pvt. Ltd.	Rs. 10.00 crores
For Stainless Steel Project	Rs.100.00 crores
For Coal Project	Rs. 50.00 crores

RESOLVED FURTHER that the Board of Directors of the Company be and are hereby authorized to determine the actual sum up to which investments may be made and also to determine the time and manner for making such investments and to do all such acts, deeds, matters and things as the Board, in its absolute discretion, may consider necessary, expedient or desirable including the delegation of the above authorities in accordance with the provisions of Section 292(1)(d) of the Companies Act, 1956 and to settle any question or doubt that may arise in relation thereto in order to give effect to this resolution or otherwise considered by the Board to be in the best interest of the Company.

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

"RESOLVED that pursuant to the provisions of Sections 198, 269, 309 and all other applicable provisions, if any, of the Companies Act, 1956 (the Act) read with Schedule XIII thereto as amended upto date 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 of the appointment of Shri R.K. Saraf as Managing Director of the Company for a period of 3 years w.e.f. 29th June 2007 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 initialed by the Secretary for the purpose of identification and which draft agreement, the broad details of which are given in the Explanatory Statement in respect of this item of the Notice, is hereby specifically approved with liberty to the Board to vary the terms and conditions of the remuneration and appointment and/or the Agreement in such manner as may be agreed to between the Board and Shri R.K. Saraf in the best interest of the Company within the limitations in that behalf as contained in Schedule XIII to the Act or any amendments thereof or otherwise as may be permissible at law and that the Agreement, when finalized, be executed by the Company by affixing its common seal thereon in accordance with the relevant provisions contained in the Articles of Association of the Company."

NOTES:

- The relevant Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of Item Nos. 7 to 12 of the Notice set out above is annexed hereto.
- With respect to Resolutions at item Nos. 9, 10 & 11 of the Notice, Members are requested to vote only by Postal Ballot in terms of Section 192-A of the Companies Act, 1956. A Postal Ballot Form and pre-paid postage envelope are enclosed for the said purpose. Votes cast otherwise than in the said Postal Ballot Form will be rejected. Please read the instructions in the Postal Ballot Form carefully. Depending upon the result of the Postal Ballot the said Resolutions will be confirmed/declared to have been passed on the date of the Annual General Meeting.
- 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.
- The Register of Members and Share Transfer Books of the Company will remain closed from **Thursday the 9th August, 2007 to Tuesday, the 14th August, 2007**, both days inclusive.
- Subject to the provisions of Section 206A of the Companies Act, 1956, dividend as recommended by the Board, if declared at the meeting, will be paid on or after 9th September-2007 to those members whose names appear on the Company's Register of Members on 14th August-2007. In respect of the shares in electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by National Securities Depository Limited and Central Depository Services (India) Limited for this purpose.
- Members are requested to notify immediately any change in their address/bank mandate to their respective Depository Participants (DPs) in respect of their electronic share accounts and to the Registrar and Share Transfer Agent of the Company viz., Intime Spectrum Registry Limited, (Unit: Ferro Alloys Corporation Ltd.) C-13, Pannalal Silk Mills Compound, LBS Road, Bhandup (W) Mumbai 400 078, Maharashtra in respect of their physical share holding, if

FERRO ALLOYS CORPORATION LIMITED

any. While intimating change of address to Depositories and Registrar and Share Transfer Agents, please indicate your client ID No. / Folio No., as may be applicable. The address should be complete with Pin Code No.

7. Members holding shares in electronic form may please note that their bank details as furnished by the respective Depositories to the Intime Spectrum Registry Limited will be printed on their dividend warrants as per the applicable regulations of the Depositories and the Company/ Intime Spectrum Registry Limited will not entertain any direct request from such members for deletion of/change in such bank details. Further, instructions, if any, already given by them in respect of shares held in physical form will not be automatically applicable to the dividend payment on shares in electronic form. Members may, therefore, give instructions regarding bank accounts in which they wish to receive dividend, directly to their Depository Participants.
8. The Company is also offering the facility of ECS (Electronic Clearing System) for shareholders residing in specified cities. This facility could be used by the shareholders instead of Bank Mandate System for receiving the credit of dividend. **Option Form is annexed to this report in which names of cities are specified.** The Option Form duly filled-in and signed be returned to our Registrar and Share Transfer Agent.
9. Members holding shares in physical form and desirous of making a nomination in respect of their shareholding in the Company are requested to submit Form No.2B duly filled-in and signed to the above Registrar & Transfer Agents. The Form can be had from the Share Department at the Corporate and Head Office of the Company at Shreeram Bhavan, Tumkur-441912, Maharashtra.
10. Shareholders intending to require information about accounts to be explained at the meeting are requested to furnish the queries to the Company at least 10 (ten) days in advance of the Annual General Meeting.
11. As required by the Listing Agreement with the Stock Exchange, the relevant details in respect of the Directors proposed to be appointed/re-appointed are set out in the Report on Corporate Governance forming part of the Annual Report.
12. The Company's securities are admitted in the National Securities Depository Ltd. and Central Depository Services Ltd. and the ISIN No. allotted to the Company by them in respect of Equity Shares is INE 912A01026 and in respect of Preference Shares is INE 912A04012.
13. Non-resident Indian Members are requested to inform the Registrar and Transfer Agents of the Company about:
 - a) The change in their residential status on return to India for permanent settlement.
 - b) The details of the bank account in India with complete name, branch, account type, account no. and address of the bank.
14. All documents referred to in the accompanying notice are open for inspection at the Registered Office of the Company on all working days between 11.00 a.m. and 1.00 p.m. up to the date of Annual General Meeting.

Registered Office:
D.P. Nagar,
RANDIA - 756135
Dist. Bhadrak, (Orissa)

By Order of the Board,

V.V. Somasundaran
Secretary

Dated: 3rd July, 2007.

ANNEXURE TO THE NOTICE

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

ITEM NO.7

In terms of Section 224A of the Companies Act, 1956, if not less than 25% of the Subscribed Capital of the Company is held either singly or in combination by Public Financial Institutions, Government Companies, Central or State Governments, Nationalized Banks or Insurance Companies carrying on general insurance business, then the appointment or re-appointment of an Auditor of the Company has to be made by a Special Resolution.

In the case of your Company, the aforesaid categories of shareholders together are likely 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 re-appoint M/s Salve And Company as Auditors of the Company. M/s Salve And Company have furnished a Certificate to the Company to the effect that their re-appointment, if made, will be in accordance with the limits specified in Section 224(1B) of the Companies Act, 1956.

ITEM NO.8

Mr. M. D. Saraf was appointed as a Director by the Board of Directors of the Company at its meeting held on 27.4.2007 to fill up the casual vacancy caused by the demise of Mr. Umashankar Agrawal, a Director of the Company. Pursuant to Section 262 of the Companies Act 1956 read with Article 108 of the Articles of Association of the Company Mr. Saraf holds office as a Director only upto the date of this Annual General Meeting when the said Mr Agrawal would have retired, had he continued in office. A Notice has been received from a member pursuant to Section 257 of the Companies Act, 1956 signifying his intention to propose Mr Saraf as a candidate for the office of the Director.

Mr. M.D. Saraf, aged around 59 years, is a Commerce graduate with Bachelor's Degree in Law. He has more than three decades rich experience in industry particularly in the Steel Industry. Ferro Alloys industry and Steel industry are closely inter-linked and accordingly his advice and guidance will be of considerable benefit to the Company.

Accordingly, the resolution as in this Item of the Notice is commended for your approval. Mr. R.K. Saraf, a Director of the Company, is related to Mr M.,D. Saraf and hence Mr. R.K. Saraf may be deemed to be interested in this resolution.

ITEM NO. 9 (a) and (b)

(a) As per the rehabilitation scheme sanctioned to the Company by the Board for Industrial and Financial Reconstruction (BIFR), all bank borrowings including Term Loan, WCTL and FITL are required to be additionally secured by a first charge on fixed assets of the Company. Accordingly, the Company has to mortgage/charge the fixed assets of the Company in favour of the consortium banks viz. Bank of India, Central Bank of India, State Bank of India, State Bank of Bikaner & Jaipur and Syndicate Bank on pari passu basis or such ranking as may be agreed upon.

(b) In the rehabilitation scheme sale of 20 MW Power Plant consisting of two D.G. sets of 10 MW each has been approved to meet the cost of the scheme. Accordingly, the Company has been trying to find a prospective buyer(s) for the above D.G. Sets. It is expected that a deal may be struck with one of the prospective buyer(s) in due course of time.

Since this resolution is for sale of an undertaking as provided by section 293(1)(a) of the Companies Act, 1956 and the Postal Ballot Rules require it to be passed by means of a Postal Ballot, this resolution has to be passed through Postal Ballot and accordingly the same is commended for your acceptance.

ITEM NO. 10

Your Company is planning to venture into the business of real estate and infrastructure development as well as Power, Coal and Stainless Steel which offer good opportunities for the Company to diversify into other areas of business.

The real estate and infrastructure sector is growing at about 10% per annum. Investment in this sector is driven by growing requirements of transportation, power, urban infrastructure, housing and irrigation. Mega golden quadrilateral and other highway projects, opening up of infrastructure to private players, allowing 100% FDI in real estate are some of the factors which have prompted your Company to foray into the above new areas of business.

In India demand for power is projected to reach over 2,40,000 MW by 2012. With increasing demand for power on the one hand and slow-paced conventional capacity additions on the other, rapidly deployable power technology such as Wind Energy assumes importance. As per information available, the estimated Power generation capacity of India through wind is about 45000 MW. Against this, only 4200 MW was tapped till September 2005 leaving a big gap. Hence your Company wishes to enter into the business of wind power generation, distribution and transmission.

Due to shortage of power, many thermal power plants are expected to be set up in the near future. Your Company's wholly owned subsidiary Facor Power Ltd. is also in the process of setting up a 45 MW coal based thermal power plant. Accordingly, the Company has applied for allotment of coal blocks and as soon as the same is allotted, it proposes to commence the business of coal mining as part of its business activities either alone or in joint venture with other Companies or by setting up a separate Company.

As you are aware, the Charge Chrome/Ferro Chrome produced by your Company is being used in the manufacture of Stainless Steel. To reduce heavy dependence on domestic and global Stainless Steel Producers, it is proposed to set up a Stainless Steel plant of a suitable capacity, by way of forward integration, where the Charge Chrome/Ferro Chrome produced by the Company can be utilized. Depending upon the circumstances, the Company may also think of setting up a new Company, as a subsidiary or joint venture, for production of Stainless Steel.

The above new areas of business will also enable the Company to spread its risks as its existing ferro alloys business is of cyclical nature and of late it has been found that the frequency and length of the adverse cycle is increasing for various reasons including its dependence on Stainless Steel Industry. Therefore, the Company has plans to commence the aforesaid additional businesses, which can be conveniently and advantageously combined with the existing business.

Since the proposed business activities other than Coal and Stainless Steel are not covered by the existing Objects Clause of the Memorandum of Association of the Company, it is necessary to amend the objects clause of its Memorandum of Association. As per the provisions of Section 17 of the Companies Act, 1956 such amendment requires shareholders' approval by a Special Resolution by means of a postal ballot. Further, pursuant to the provisions of Section 149(2A) of the Companies Act, 1956, the approval of the members in general meeting is required to be obtained before commencement of any new business/activity set out in the Objects Clause of the Memorandum of Association of the Company. Hence approval of the members is sought for amendment to the Objects Clause and for the commencement/undertaking and carrying on all or any of the new business activities as detailed in the resolution at such time(s) as the Board may deem fit in the best interest of the Company.

Hence the Special Resolutions as in item 10 of the Notice are recommended for your approval.

ITEM NO.11(i) and (ii).

- (i) The guarantees given/to be given by the Company to the Consortium Banks to secure the borrowings made/to be made from them by Facor Alloys Ltd. (FAL) and Facor Steels Ltd (FSL) as mentioned in the Resolution in Item 11(i)(i) of the notice were in pursuance of the provisions of the Rehabilitation Scheme sanctioned to the Company by the Board for Industrial & Financial Reconstruction (BIFR).

As per BIFR Orders dated 13.4.2004 and 3.5.2006, the Company is exempted from the applicability of the provisions of Section 372A of the Companies Act, 1956 and the Rules, Notifications, Circulars etc. issued thereunder relating to inter-company loans, investments and guarantees given / to be given or made / to be made by it, as may be necessary for the implementation of the Scheme, without any further act, deed or compliance on the part of the Company. Accordingly, the guarantees as well as the loans / deposits given/ to be given by the Company to Facor Alloys Ltd.(FAL) and Facor Steels Ltd.(FSL) as mentioned in the aforesaid Resolution are exempt from the provisions of said Section. The Company has already applied to BIFR for discharging it from the purview of BIFR/SICA 1985 as its network has exceeded its accumulated losses as per the audited financial results of the Company for the year ended 31.3.2006. Shareholders' approval is, however, sought by way of abundant caution, for the above guarantees given/ to be given to Consortium Banks by the Company and the loans/deposits given or to be given by the Company to FSL and FAL.

As the Members are aware, FSL & FAL are Group Companies. They are unable to fully utilize their production capacities, inter-alia, on account of working capital crunch. To enable the above Group Companies to take full advantage of the significant improvement in the Ferro Alloys and Steel Industries, it is proposed to give loans/continue the loans already given to them from time to time to the extent mentioned in the Resolution depending upon availability of surplus funds with the Company.

As the proposed loans to FSL and FAL and guarantees to be given by the Company to Consortium Banks on behalf of FSL and FAL as mentioned in the aforesaid resolution together with the guarantees, loans and investments already given/made by the Company so far exceed the limits prescribed under Section 372A of the Companies Act, 1956, shareholders' consent is required for the same and as such the Resolutions as in Item 11 of the Notice is recommended for your approval as a matter of abundant caution.

Mr. R. K. Saraf, Mr. M.D. Saraf, and Mr. Arye Berest, Directors of the Company, are also Directors of Facor Alloys Ltd. and Mr. A.S. Kapre, Mr. M.B. Thaker and Mr. Arye Berest Directors of the Company, are also Directors of Facor Steels Ltd. and hence they may be deemed to be concerned or interested in this resolution.

- (ii) Your Company has been doing well after bifurcation of it into three Companies as per the Rehabilitation Scheme sanctioned by the BIFR in April-2004. You might have observed from the Annual Reports that the Company has been making cash profit since the year 2003-2004. Barring unforeseen circumstances, it is expected that there should be further improvement in the performance of the Company as compared to the year 2006-07 provided the prevailing favourable domestic and global market trends for the Company's products remain firm.

In view of the Company's present sound financial position and considering the favourable climate in our country in respect of Real Estate, Infrastructure, Steel and Coal Industries as elaborated in the explanatory statement in respect of item 10 above, the Promoters are taking necessary steps for alteration of Objects Clause by the insertion of new objects proposed to be pursued by the Company by itself or by forming new Companies, either as a subsidiary or in Joint Venture with other Companies, to commence the business of Stainless Steel and Coal in addition to Real Estate and Infrastructure development activities for which new Companies are already under incorporation as mentioned above, in which your Company proposes to make investment of its surplus funds/internal accruals to the extent possible by way of contribution to the Equity Share Capital or other Securities. Such investments in Equity or other securities will be made in tranches over a period of time depending upon the availability of funds in such manner and mode as may be thought fit by the Board of Directors and as may be permissible at law. While the proposed investment in Facor Realty and Infrastructure Ltd., being formed as a subsidiary of the Company, may be to the extent of subscription to the initial paid-up equity share capital, the investment in Pioneer Infra Developers Pvt. Ltd. will be for development of properties in joint venture where your Company's participation will be to the extent of about 26% by way of investment in equity or debt instruments, details of which are being worked out.

In view of the fact that the Real Estate and Infrastructure Industries in the country are expected to get a fillip and significant growth is expected in the global

FERRO ALLOYS CORPORATION LIMITED

FACOR

51

**FIFTY FIRST
ANNUAL REPORT
2006-2007**

stainless steel industry and the requirement of Coal is also expected to increase with the installation of Thermal Power Plants in the pipeline for power generation which is already much below the requirement of the country, it is felt that the proposed investments should benefit the company in due course of time.

Hence a Special Resolution as in item 11 of the Notice is commended for your approval.

ITEM NO.12:

Mr. R.K. Saraf aged around 63 years is one of the Promoter Directors of this Company. He has been associated with this Company as Director since 1968, as Executive Director from April-1975 and as Joint Managing Director from December-1986. Pursuant to the Rehabilitation Scheme sanctioned by BIFR in 2004, this Company was bifurcated into three independent entities under a Scheme of Arrangement forming part of the said Rehabilitation Scheme, according to which Ferro Alloys Division of the Company stood transferred to a new Company viz. Facor Alloys Ltd. Since Mr. Saraf was all along looking after the day to day affairs of the Ferro Alloys Division, on transfer of this Division to the said new Company as mentioned above, he was appointed as its Vice Chairman and Managing Director in 2004 and hence he resigned from Joint Managing Directorship of this Company but has been continuing as Director.

Mr. Umashankar Agrawal, brother of Mr. R.K. Saraf, was also one of the Promoter Directors of this Company since its incorporation in 1955 and as Managing Director from 1970 and as Chairman of Board of Directors from 1983. Thus, he was having deep knowledge and vast experience in the Ferro Alloys industry. Unfortunately, Shri Agrawal passed away on 2nd February 2007 after a very long association of over five decades with the Company.

In the above circumstances, it is considered desirable that the Company should continue to avail the benefit of Mr. R.K. Saraf's vast and varied experience in the Ferro Alloys Industry and his able guidance on day to day management of the affairs of the Company particularly since the Company is planning for backward and forward integration by setting up Power and Stainless Steel projects and other expansion programmes. Accordingly, he has been appointed as Managing Director of the Company for a period of 3 years w.e.f. 29th June 2007 by the Board of Directors at its meeting held on 29.6.2007. The material terms and conditions of his appointment and remuneration, which are in conformity with Schedule XIII to the Act, are as contained in the draft agreement and as given below:

Material terms and conditions of the appointment of Managing Director are as under:

1 Term of Office:

Shri R.K. Saraf, Managing Director : 3 years w.e.f. 29th June, 2007.

2 Remuneration:

a. Basic Salary : Rs 75,000/- per month in the scale of Rs.75,000-5,000-1,00,000/-

b. Perquisites and allowances:

In addition to the aforesaid salary, the Managing Director shall also be eligible to the perquisites and allowances as given hereunder; the monetary value of such perquisites and allowances is restricted in the aggregate to Rs 27,00,000/- per annum.

The perquisites and allowances payable to Shri R.K. Saraf will include dearness and other allowances, accommodation (furnished or otherwise) or House Rent Allowance in lieu thereof; reimbursement of expenses for utilization of gas, electricity, water, furnishing, medical reimbursement at actuals for self and his family, leave travel concession at actuals for self and his family, club fees, medical insurance and such other perquisites within the amount specified above. The said perquisites shall be evaluated, wherever applicable, as per the Income Tax Act, 1961 or any Rules thereunder (including any statutory modification[s] or re-enactment thereof, for the time being in force). In the absence of any such Rules, perquisites and allowances shall be evaluated at actual cost. However, Company's contribution to Provident fund, Superannuation or Annuity Fund, to the extent these singly or together are not taxable under the Income Tax Act, and Gratuity payable and encashment of leave at the end of tenure, as per the Rules of the Company, shall not be included in the computation of limits for the remuneration. Further the Company shall provide car for use on company's business and telephone at residence for official purpose. Provision of a car for use on company's business and telephone at residence for official purpose are not to be considered as perquisites.

The Managing Director shall not be paid any sitting fees for attending the meetings of the Board of Directors or Committee thereof.

The term "Family" means spouse, dependent children and dependent parents of the Managing Director.

The remuneration payable to the Managing Director by way of salary, dearness allowance, perquisites and any other allowances shall not however exceed the ceiling limit of Rs 36,00,000/- per annum.

The Board of Directors or any Committee thereof is entitled to determine and revise the salary, allowances and perquisites payable to the Managing Director of the Company at any time, such that the overall remuneration payable shall not exceed the aggregate limit of Rs 36,00,000/- per annum as specified above.

Notwithstanding anything to the contrary herein contained where in any financial year during the currency of the tenure of the Managing Director, the company has no profits or its profits are inadequate, then also he will be paid salary allowances and perquisites as specified above in accordance with the applicable provisions of Schedule XIII of the Companies Act, 1956 and subject to the approval of the Central Government, if any, required.

Additional information as required under para 1 (B) of Section II of Part II of Schedule XIII to the Companies Act, 1956 and to the extent applicable to the Company/appointee is attached to this Notice as **Annexure**.

Accordingly the resolution in item No. 12 of the Notice is commended for your approval.

Mr. R.K. Saraf is evidently interested in this resolution concerning him. Mr. MD Saraf and Mr. Ashish Saraf, Directors of the Company, are related to Mr. RK Saraf and hence they are also interested in this resolution.

The agreement between the Company and Mr. R.K. Saraf, Managing Director, providing the terms and conditions of his appointment and remuneration is available for inspection by the members of the Company at the Registered Office between 11 a.m. to 1 p.m. on any working day of the Company upto and inclusive of the date of ensuing Annual General Meeting.

This may also be treated as an abstract of the draft agreement between the Company and Mr. RK Saraf, Managing Director, pursuant to the Section 302 of the Companies Act, 1956.

Registered Office:
D.P. Nagar,
RANDIA - 756135
Dist. Bhadrak, (Orissa)

By Order of the Board,

V.V. Somasundaran
Secretary

Dated: 3rd July, 2007.