



# 53rd Annual Report 2008-2009

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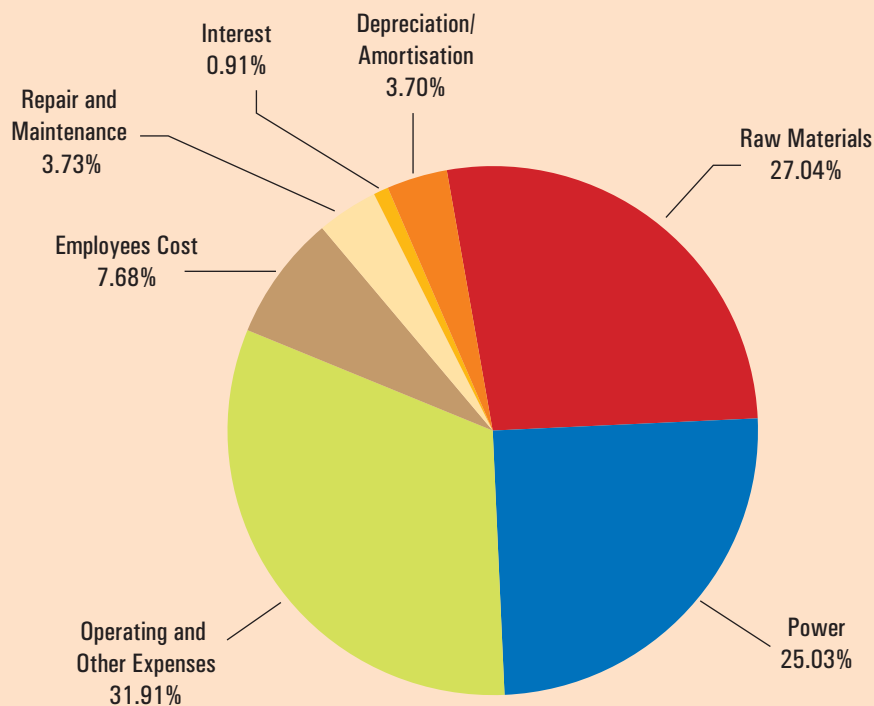
**FERRO ALLOYS CORPORATION LIMITED**

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## HIGHLIGHTS - 2008 - 2009

Particulars		Rupees in Lacs		US Dollars in Thousands	
		2008-09	2007-08	2008-09	2007-08
Consolidated Turnover		31022.62	31256.70	61122	61583
Consolidated Earning before Interest, Tax and Depreciation (Amortisation)		5897.21	8977.21	11619	17687
Consolidated Profit After Tax		2860.20	4925.09	5635	9704
Saleable HCF Production	MT	56216	53750		
Saleable Chrome Ore Production	MT	177760	186896		
Sales of HCF	MT	57273	52121		
Sales of Chrome Ore	MT	138462	194824		
Exchange Rate Rs.50.7550 as on 31st March, 2009					

### DISTRIBUTION OF REVENUE



**Board of Directors****R.K. Saraf**

Chairman &amp; Managing Director

**M. D. Saraf****Manoj Saraf**

Managing Director

**Vineet Saraf**

Joint Managing Director

**Ashish Saraf**

Joint Managing Director

**Rohit Saraf**

Joint Managing Director

**Harish Salve****A.S. Kapre****Umesh Kumar Khaitan****P.K. Sangamkar**

Nominee of Bank of India

**Arye Berest****S.B. Mishra****N.L. Ajwalia****M.B. Thaker****Ritesh Chaudhry**

Company Secretary

**Executives****R.D. Agrawal**

Advisor

**O.P. Banka**

Director (Finance)

**Dinesh Sardana**

Chief Financial Officer

**Ashok Agrawal**

Director (Mines)

**M.K. Pujari**

Chief General Manager (Mines)

**B.B. Singh**Director (Technical)  
(Charge Chrome Plant)**P.G. Sureshkumar**General Manager  
(Charge Chrome Plant)**Bankers**

Bank of India

Central Bank of India

State Bank of India

Syndicate Bank

State Bank of Bikaner &amp; Jaipur

**Solicitors**

Mulla &amp; Mulla and

Craig Blunt &amp; Caroe

Bhaishankar Kanga and  
Girdharilal**Auditors**

Salve And Co.

Chartered Accountants

**Internal Auditors**

D.C. Dhupia &amp; Co.

Chartered Accountants

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

Link Intime India Pvt. Ltd.

C-13 Pannalal Silk Mills

Compound, LBS Road,

Bhandup (W), MUMBAI – 400 078

Phone No. 022-2594 6970

Fax No. 022-2594 6969

E-mail: isrl@linkintime.co.in

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**Notice** is hereby given that the **FIFTY THIRD 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 DP Nagar, Randia – 756 135, Dist. Bhadrak, Orissa" on **Friday, the 18th day of September, 2009 at 12 Noon** 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, 2009 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 confirm the Interim Dividend of Rs.0.25 per Equity Share on 18,52,68,241 Equity shares of Re.1/- each already paid for the Financial Year 2008-09, as Final dividend.
3. To appoint a Director in the place of Mr. N.L Ajwalia who retires from office by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Mr. Umesh Kumar Khaitan who retires from office by rotation and, being eligible, offers himself for re-appointment.
5. To appoint a Director in the place of Mr. S.B. Mishra who retires from office by rotation and, being eligible, offers himself for re-appointment.
6. To appoint a Director in the place of Mr. M. D. 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 an **Ordinary Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 224 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 a **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 re-appointment of Mr. Ram Kisan Saraf as Chairman & Managing Director of the Company for a period of 5 years with effect from 29th June, 2010 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 Company Secretary for the purpose of identification which draft agreement, broad details of which are given in the Explanatory Statement in respect of this item of the Notice, is hereby specifically approved with the authority to the Board of Directors to decide the amount of Commission payable and forming part of remuneration and with liberty to vary the terms and conditions of the remuneration and re-appointment and/or the Agreement in such manner and to such extent as may be agreed to between the Directors and Mr. Ram Kisan 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."

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

"RESOLVED that pursuant to the provisions of Sections 198, 269, 309 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 re-appointment of Mr. Vineet Saraf as Joint Managing Director of the Company for a period of 5 years with effect from 1st August, 2009 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 Company Secretary for the purpose of identification which draft agreement, broad details of which are given in the Explanatory Statement in respect of this item of the Notice, is hereby specifically approved with authority to the Board of Directors to decide the amount of Commission payable and forming part of remuneration and with liberty to vary the terms and conditions of the remuneration and re-appointment and/or the Agreement in such manner and to such extent as may be agreed to between the Directors and Mr. Vineet 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."

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

"RESOLVED that pursuant to the provisions of Sections 198, 269, 309 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 re-appointment of Mr. Rohit Saraf as Joint Managing Director of the Company for a period of 5 years with effect from 1st August, 2009 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 Company Secretary for the purpose of identification which draft agreement, broad details of which are given in the Explanatory Statement in respect of this item of the Notice, is hereby specifically approved with authority to the Board of Directors to decide the amount of Commission payable and forming part of remuneration and with liberty to vary the terms and conditions of the remuneration and re-appointment and/or the Agreement in such manner and to such extent as may be agreed to between the Directors and Mr. Rohit 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."

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

"RESOLVED that pursuant to the provisions of Sections 198, 269, 309 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 re-appointment of Mr. Ashish Saraf as Joint Managing Director of the Company for a period of 5 years with effect from 1st August, 2009 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 Company Secretary for the purpose of identification which draft agreement, broad details of which are given in the Explanatory Statement in respect of this item of the Notice, is hereby specifically approved with authority to the Board of Directors to decide the amount of

Commission payable and forming part of remuneration and with liberty to vary the terms and conditions of the remuneration and re-appointment and/or the Agreement in such manner and to such extent as may be agreed to between the Directors and Mr. Ashish 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. 8 to 11 of the Notice set out above is annexed hereto.
- 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.
- Members / Proxies are requested to bring their Attendance Slip sent herewith, duly filled in, for attending the meeting.
- In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
- The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, the 12th September, 2009 to Friday, the 18th September, 2009, both days inclusive.
- Corporate Members intending to send their authorised representatives to attend the Meeting are requested to send a certified copy of the Board Resolution authorising their representative to attend and vote on their behalf at the Meeting.
- Change of address or other particulars:**  
Members are requested to inform their Change of address (with PIN CODE), Nominations in respect of their shareholding, Bank Details, Mandate instructions, Electronic Clearing Service (ECS) mandates as also any changes in the above (under the signature of the registered holder(s) of shares) etc. to:-
  - The Registrar and Share Transfer Agent (RTA) of the Company in respect of shares held in physical form; and
  - The Depository Participants in respect of shares held in electronic form.
- Shareholders intending to require information on the accounts at the meeting are requested to furnish the queries to the Company at least 10 (ten) days in advance of the Annual General Meeting to facilitate ready response.

9. 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.
10. Non-resident Shareholders are requested to inform the change in their residential status on return to India as also the details of their bank account in India to:
  - The Registrar and Share Transfer Agent (RTA) of the Company in respect of shares held in physical form; and
  - The Depository Participants in respect of shares held in electronic form.
11. Those Members who have so far not encashed their dividend warrants for the financial years 2006-07, 2007-08 and 2008-09 may claim or approach the Company's Secretarial Department at Corporate One, Suite – 401, Plot No. 5, Jasola, New Delhi–110 044 for payment thereof as the same will be transferred to the "Investor Education & Protection Fund" of the Central Government pursuant to Section 205 of the Companies Act, 1956 on or after the following dates:
  - Dividend for the year 2006-2007, on or after 8th September, 2014.
  - Interim Dividend for the year 2007-2008, on or after 22nd February, 2015.
  - Final Dividend for the year 2007-08, on or after 7th October, 2015.
  - Interim Dividend for the year 2008-09, on or after 24th August, 2015.
12. The drafts of the agreements referred to in items 8 to 11 of 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:**

By Order of the Board,

D.P. Nagar,  
P.O. Randia – 756 135  
Distt. Bhadrak, Orissa  
Dated : 28th July, 2009  
Place : New Delhi

Ritesh Chaudhry  
Company Secretary

**ANNEXURE TO THE NOTICE****Explanatory Statement as required by Section 173 of the Companies Act, 1956****Item No. 8**

Under the stewardship of Mr. Ram Kisan Saraf and the team comprising of other Joint Managing Directors working in their respective spheres, the Company has experienced growth in terms of business, efficiency and creation of wealth. His profound knowledge and understanding of the Ferro Alloys Industry as a result of his association with it for a number of years has helped the Company to maintain high standards of quality product occupying a pride of place in this industry. His strong business acumen along with that of his team has helped the Company built new ties on domestic as well as on the overseas front which has, in turn provided the Company with new business opportunities, adding to its wealth and furthering its name. The Company would therefore be much benefited by his continuance as the Managing Director of the Company for a further term of years.

Accordingly, the Board of Directors of the Company have re-appointed Mr. Ram Kisan Saraf as Chairman & Managing Director for a period of 5 years w.e.f. 29th June, 2010 subject to your approval to the terms of his appointment as to remuneration and otherwise as contained in the draft agreement with him in that behalf.

The material terms & conditions of his appointment and remuneration which are in conformity with the provisions of Schedule XIII to the Act are attached hereto as Annexure A.

The Board accordingly commends this resolution for approval of the members.

Mr. R.K. Saraf is evidently interested in the resolution. Mr. Ashish Saraf and Mr M.D. Saraf being related to Mr. R.K. Saraf are also deemed to be interested in his re-appointment.

**Item No. 9**

Mr. Vineet Saraf forming a part of the management team has been associated with the Company as its Joint Managing Director since 2004. His knowledge and experience in commercial operations and administration have contributed in no small measure towards the growth and development of the Company, and accordingly it is desirable that he continues as Joint Managing Director of the Company for a further term of office.

Accordingly, the Board has subject to your approval, re-appointed Mr. Vineet Saraf as Joint Managing Director for a period of 5 years w.e.f. 1st August, 2009 on the terms set out in Annexure-A hereto which are in conformity with Schedule XIII to the Act.

The Board commends the resolution for your acceptance.

Mr. Vineet Saraf is interested in this resolution.

**Item No. 10**

Mr. Rohit Saraf also as a part of the management team has been associated with the Company as its Joint Managing Director since 2004. He has over 15 years of experience in Mining Operations and Administration and looks after the Mining operations of the Company.

He is mainly responsible for the Company showing constant growth in productivity with high efficiency. His continuance in his existing position as the Joint Managing Director of the Company should evidently benefit the Company.

Accordingly, the Board has re-appointed Mr. Rohit Saraf as Joint Managing Director for a period of 5 years w.e.f. 1st August, 2009 subject to your approval.

The material terms & conditions of his appointment and remuneration which are in conformity with the Schedule XIII to the Act are set out in Annexure A hereto.

Mr. Rohit Saraf is interested in this resolution.

#### Item No. 11

Mr. Ashish Saraf is a Qualified Engineer and a Graduate from the Harvard Business School. He, as a part of the management team has been associated with the group for over 15 years and specializes in the field of Industrial and Production Engineering.

His knowledge and experience have contributed significantly towards the business of the Company by increasing efficiency and reaping new

opportunities. It is, therefore, desirable that he continues on the Board of the Company.

Accordingly, the Board of Directors of the Company re-appointed Mr. Ashish Saraf as Joint Managing Director for a period of 5 years w.e.f. 1st August, 2009 subject to your approval.

The material terms & conditions of his appointment and remuneration which are in conformity with Schedule XIII to the Act are also set out in Annexure A.

Mr. Ashish Saraf is evidently interested in his re-appointment. Mr. R.K. Saraf, being father of Mr. Ashish Saraf, is also deemed to be interested in this resolution.

#### Registered Office:

D.P. Nagar,  
P.O. Randia – 756 135  
Distt. Bhadrak, Orissa  
Dated : 28th July, 2009  
Place : New Delhi

By Order of the Board,

Ritesh Chaudhry  
Company Secretary

#### Annexure A forming part of Explanatory Statement annexed to the Notice:

#### MATERIAL TERMS AND CONDITIONS OF THE APPOINTMENT OF MANAGING DIRECTOR AND JOINT MANAGING DIRECTORS:

The material terms and conditions of the re-appointment of the Chairman & Managing Director and the Joint Managing Directors and their respective remuneration by way of salary, Dearness Allowance, Perquisites, Commission and other allowances (which are in conformity with the Schedule XIII to the Companies Act, 1956) and as contained in the respective draft agreements, are as under:

##### 1 Term of office

- a) Mr. R.K. Saraf : 5 years with effect from 29th June, 2010
- b) Mr. Vineet Saraf : 5 years with effect from 1st August, 2009
- c) Mr. Ashish Saraf : 5 years with effect from 1st August, 2009
- d) Mr. Rohit Saraf : 5 years with effect from 1st August, 2009

##### 2. Remuneration:

###### a) Basic Salary

For Chairman & Managing Director on 29.06.2010 : Rs.90,000 per month in the scale of Rs.75,000-5000-1,00,000. Such increment to be due on 01.04.2011.

For Joint Managing Directors on 01.08.2009 : Rs.90,000 per month in the scale of Rs.75,000-5000-1,00,000. Such increment to be due on 01.04.2010.

###### b) Commission

- : Not exceeding 5% of the Net Profits of the Company in any Financial year computed in the manner laid down in section 198 of the Companies Act, 1956 for all the Whole time Directors taken together w.e.f:
  - Financial year commencing 1st April, 2009, for all the Joint Managing Directors of the Company; and
  - Financial year commencing 1st April, 2010 for the Chairman and Managing Director of the Company in such proportion as may be decided by the Board from time to time during each year of appointment.

- c) **Perquisites and Allowances** The Chairman & Managing Director and the Joint Managing Directors shall be eligible to the perquisites and allowances as given hereunder:

The perquisites and allowances payable to each of the Chairman & Managing Director and Joint Managing Directors 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 actual for self and his family, leave travel concession at actual for self and his family, club fees, medical insurance and such other perquisites within the limits of amount specified above. The said perquisites shall be evaluated, wherever applicable, as per the Income Tax Act, 1961 or any rules there under [including any statutory modification or re-enactment thereof, for the time being in force]. In the absence of any such rules, the same shall be evaluated at actual cost. However, the Company's contribution of 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 rules of the Company, shall not be included in the computation of limits for the remuneration. Further, the Company shall provide car for Company's business and Telephone at residence for official purpose. However, 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 value of Basic Salary, Dearness Allowance and other perquisites shall not, however, exceed:

- a) Rs. 36 lacs for Chairman & Managing Director; and
- b) Rs.18 lacs for each Joint Managing Director

In addition to the above, the Chairman & Managing Director as well as Joint Managing Directors will also be entitled to a Commission, as mentioned hereinbefore, as may be decided by the Board of Directors out of the Net Profits of the Company in any Financial Year computed in the manner laid down in Section 198 of the Companies Act, 1956.

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

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

The Chairman & Managing Director shall be eligible for increment, as per the basic scale, with the first increment falling due on 29th June, 2010 and thereafter at the start of every financial year on 1st of April. Further, each Joint Managing Director shall be eligible for increment, as per the basic scale, at the start of every financial year with the first increment falling due on 1st of April, 2010.

The total remuneration payable by way of Salary, Dearness Allowance, Perquisites, Commission and other allowances shall not, in any financial year, however exceed the limit of 5% of the Net Profits to one such Whole time Director and 10% of the Net Profits for all the Whole time Directors of the Company taken together as specified in Schedule XIII to the Companies Act, 1956 with liberty to the Board of Directors or any Committee thereof to determine and revise the salary, Commission and perquisites payable to the Whole time Directors of the Company at any time within the limits specified above.

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

Some of the relevant information as required by the Schedule is specifically set out in the Explanatory Statement relating to each of the Resolutions for the appointment of the Managing and the Whole-time Directors. The other relevant information as required by the said Schedule is set out at one or the other place in the other documents forming part of the Annual Accounts which are being circulated to the members. The resolutions and the relative Explanatory Statements setting out the terms of the revised remuneration may also be treated as abstracts required to be circulated to the members under section 302 of the Companies Act, 1956.

Your Directors have pleasure in presenting the 53rd Annual Report of your Company and the Audited Statement of Accounts for the year ended 31st March, 2009.

### FINANCIAL RESULTS

	(Rs. in lacs)	
	For the year ended 31st March, 2009	For the previous year ended 31st March, 2008
Gross Profit/(Loss)	5652.32	8491.92
Depreciation/Ammortization	990.84	922.68
Provision for taxation	1801.28	2644.15
Net Profit/(Loss) for the year	2860.20	4925.09
Transfer to General Reserve	2500.00	3500.00
Balance carried to Balance Sheet	4009.38	4191.07

### OPERATIONS

Being one of the raw materials used in the production of stainless steel, the demand and prices of ferro chrome/charge chrome depend largely on the production and consumption of stainless steel. Your Company's rally of continuous growth was halted in the second half of the year under review, particularly from November, 2008 onwards due to the global meltdown.

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 prices not only dampened exports but also resulted in lowering of prices. Domestic market for ferro alloys too suffered set back owing to over capacity. While the Company's order books were full for the first half of 2008-09, the second half, as aforesaid, witnessed considerable fall in orders, which ultimately culminated in the lowering of the profitability of your company as well.

Notwithstanding the difficult market conditions, your company's turnover at Rs.31022.62 lacs in 2008-09 as against Rs.31256.70 lacs last year, is down by merely 0.75%. Exports during the year have also come down by 22.83% at Rs.13703.77 lacs as compared to Rs. 17757.41 lacs last year. Profit before tax stood at Rs.4661.48 lacs as against Rs.7569.24 lacs in the previous year recording a decline of 38.42%.

### DIVIDEND

Your Directors had, in July, 2008 declared an Interim Dividend of Re.0.25 per share for the year 2008-09 on Equity Shares of Re.1/- involving a cash outgo of Rs.54188644.25 (including Corporate Tax on Dividend). Keeping in view the Company's need for capital for its growth, the Board of Directors of your Company have considered the Interim Dividend paid, as the Final Dividend, for the financial year ended 31st March, 2009.

### FINANCE

Your Company has not raised any deposit from public during the year.

### PROSPECTS

Due to worldwide recession in industrial production, Indian Steel Industry has also been affected negatively and it likely to achieve a growth rate of 4% - 4.5% per annum. Keeping this in view, the requirement of Ferro Alloys is expected to remain moderately low and there are chances that the industry might not achieve its 100% capacity utilization for production of Ferro Alloys. However, if the European markets stage smart recovery, the future prospects of ferro alloys industry will also become remunerative. At the same time, the following steps taken by the Government of India are indicative of the recovery path of the Indian economy in general and the ferro alloys industry, in particular:

- Mega Steels projects have been approved in Orissa and Jharkhand which should generate huge demand of HCFCR for production of stainless steel
- Government is exercising control over export of Friable Chrome ore to ensure its availability for production of HCFCR.
- Reduction in prices of manganese ore and chrome ore etc.
- Industry is consolidating its position by enhancing existing capacity of furnaces and also by installing captive power plants and in some cases by backward/forward integration of production activities.

### FUTURE STRATEGY AND GROWTH

Your Company is on the lookout for business opportunities which can sync well with its existing business line and is thus looking at both forward integration and backward integration. These have and shall remain major growth drivers for your Company in the future. Further, your Company also remains focused on upgradation of technology for a sustained growth.

### INDUSTRIAL RELATIONS

The overall industrial relations in the Company were cordial.

### DIRECTORS

Mr. M.N. Chary was nominated as its Nominee by Bank of India. Consequent to Superannuating from the services of the Bank and nomination of Mr. P.K. Sangamkar as the new nominee, Mr. Chary has ceased to be a Director on the Board of your Company. The Directors place on record their appreciation for the valuable services rendered by Mr. Chary during his association with the Company.

Mr. N.L. Ajwalia, Mr. Umesh Kumar Khaitan, Mr. S. B. Mishra and Mr. M.D. Saraf shall retire by rotation at the ensuing 53rd Annual General Meeting and, being eligible, offer themselves for re-appointment.

The Company has formulated a code of conduct for all members of the Board and Senior Management Personnel. All concerned members/executives have affirmed compliance with the said code.

### **SUBSIDIARIES**

The Report and Accounts of Facor Power Limited and Facor Realty And Infrastructure Limited, subsidiaries of your Company, are annexed along with statement pursuant to section 212 of the Companies Act, 1956.

### **DIRECTORS RESPONSIBILITY STATEMENT**

Pursuant to the provisions of Section 217(2AA) of Companies Act, 1956, your Directors confirm that -

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanations; (Refer Note No. 13 of Schedule K)
- ii) they 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 profit of the Company for that period;
- iii) they 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) they have prepared the annual accounts on a going concern basis.

### **AUDIT COMMITTEE**

Your Company has an Audit Committee comprising of Mr A.S. Kapre, Mr M.B. Thaker, Mr Umesh Khaitan and Mr. S.B. Mishra, all Independent Directors on the Board of your Company with the powers and the role that are in accordance with the provisions of Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956.

### **AUDITORS**

M/s Salve & Company, Chartered Accountants hold office upto the conclusion of the ensuing 53rd Annual General Meeting. The Company has received a requisite Certificate pursuant to Section 224 (1B) of the Companies Act 1956 regarding their eligibility for reappointment as Auditors of the Company. You are requested to appoint Auditors for the current year and to fix their remuneration.

### **AUDITOR'S REPORT**

The observations made in the Auditors' Report are self explanatory and therefore, do not call for any further comments u/s 217(3) of the Companies Act, 1956.

### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**

A 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 as Annexure 'A' which forms part of this Report.

### **PARTICULARS OF EMPLOYEES**

Information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, forms part of the Report. However, as per the provision of section 219(1)(b)(iv) of the said Act, the Report and Accounts are being sent to all shareholders of the Company excluding the statement of particulars of employees u/s 217(2A) of the said Act. Any shareholder desirous of obtaining a copy of the statement may write to the Company Secretary of the Company.

### **CORPORATE GOVERNANCE**

In terms of clause 49 of the Listing Agreement, a separate report on Corporate Governance, Management Discussion and Analysis along with your Company's Statutory Auditors' Certificate dated 25th July, 2009 confirming the above compliance is annexed to and forms part of the Directors' Report.

### **ACKNOWLEDGEMENTS**

Your Directors wish to place on record their appreciation for the continued support and co-operation received from Central and State Governments. Your Directors thank you – our esteemed shareholders, Business Associates, Financial Institutions & Banks, Customers and Suppliers for the faith reposed in your Company and its management. The Board also expresses its sincere appreciation to the dedicated and committed team of employees and workmen and look forward to their continued support in future as well.

On behalf of Board of Directors,

New Delhi,  
Dated: 25th July, 2009

**R.K. SARAF**  
CHAIRMAN & MANAGING DIRECTOR