

FIFTY

FOURTH ANNUAL

REPORT



2009 - 2010

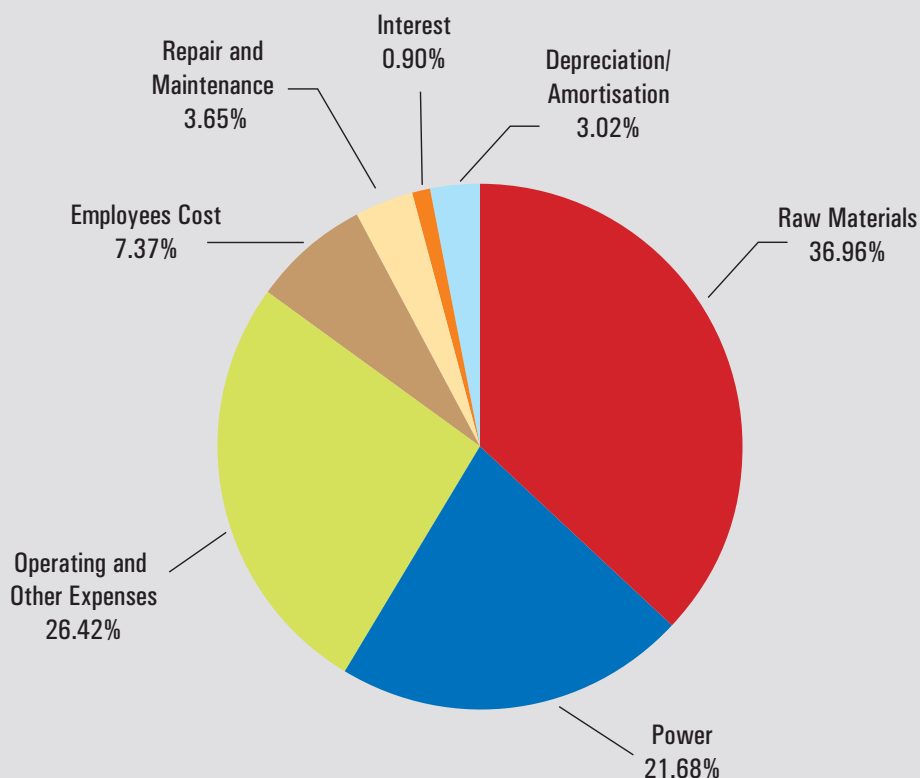


FERRO ALLOYS CORPORATION LIMITED

## HIGHLIGHTS - 2009 - 2010

Particulars		Rupees in Lacs		US Dollars in Thousands	
		2009-10	2008-09	2009-10	2008-09
Consolidated Turnover		34857.60	31022.62	78060	69472
Consolidated Earning before Interest, Tax and Depreciation (Amortisation)		3677.32	5897.21	8235	13206
Consolidated Profit After Tax		1401.88	2860.20	3139	6405
Saleable HCF Production	MT	63156	56216		
Saleable Chrome Ore Production	MT	187477	177760		
Sales of HCF	MT	62478	57273		
Sales of Chrome Ore	MT	178973	138462		
Exchange Rate Rs. 44.6550 As on 31st March, 2010					

## 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)

**Sanjiv Goyal**

Chief Financial Officer

**S.P. Gupta**

Dy. 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

Craige 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 &amp; 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 : [rnt.helpdesk@linkintime.co.in](mailto:rnt.helpdesk@linkintime.co.in)**Contents :**

Corporate Information and Index .....	1	Auditors' Report to Members .....	22
Notice to Members .....	2	Balance Sheet, Profit & Loss A/c & Schedules .....	25
Directors' Report .....	7	Statement Pursuant to Section 212 of Companies Act, 1956 .....	42
Management Discussions and Analysis.....	10	Principal Addresses of the Company.....	51
Corporate Governance Report .....	12		

**Notice** is hereby given that the **FIFTY FOURTH 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 17<sup>th</sup> day of September, 2010 at 12 Noon** to transact, with or without modifications as may be permissible, the following business:

**Ordinary Business:**

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2010 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 Equity Shares.
3. 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.
4. 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.
5. To appoint a Director in the place of Mr. Harish Salve who retires from office by rotation and, being eligible, offers himself for re-appointment.
6. To appoint a Director in the place of Mr. Arye Berest 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 a Special Business:**

8. To consider and, if thought fit, to pass the following resolution which will be proposed as **Special Resolution**:  
"RESOLVED THAT in partial modification of the resolution passed by the members of the Company through postal ballot on 28<sup>th</sup> July, 2009 and pursuant to the provisions of Section 372A and other applicable provisions, if any, of the Companies Act, (including any statutory modifications or re-enactment thereof, for the time being in force) and subject to such approvals, consents, sanctions and permissions of appropriate authorities, departments or bodies as may be necessary, consent of the Company be and is hereby

accorded to the Board of Directors of the Company to invest, in addition to the investment of Rs.50 crores already approved by the shareholders of the Company through Postal Ballot, as aforesaid, a further sum of Rs. 100 Crores by way of subscription, purchase, acquisition from existing shareholders or otherwise, in one or more tranches, in the share capital of Facor Power Limited, notwithstanding that the aggregate of the investments so made exceed the prescribed limits under Section 372A and other applicable provisions, if any, 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 the investments may be made and also determine the time and manner of making such investments and to do all such acts, deeds, matters and things as the Board may, in its absolute discretion, consider necessary, expedient or desirable, including the delegation of the above authority 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 decide otherwise if so considered by the Board to be in the best interest of the Company".

9. 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 re-appointment of Mr. Manoj Saraf as Managing Director of the Company for a period of 5 years with effect from 1<sup>st</sup> January, 2011 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. Manoj 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:**

1. 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.
2. PROXIES IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY AT D.P. NAGAR, RANDIA – 756 135, DISTT. BHADRAK (ORISSA) NOT LESS THAN 48 HOURS BEFORE HOLDING THE MEETING.
3. Members / Proxies are requested to bring their Attendance Slip sent herewith, duly filled in, for attending the meeting.
4. All documents referred 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. upto the date of the Annual General meeting.
5. 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.
6. The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, the 11<sup>th</sup> September, 2010 to Friday, the 17<sup>th</sup> September, 2010, both days inclusive.
7. 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 to those members (on or before 16<sup>th</sup> October, 2010) or their mandates-
  - a. Whose names appear as Beneficial owners as at the end of business hours on Friday, the 10<sup>th</sup> day of September, 2010 in the list of Beneficial Owners to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited in respect of the shares held in electronic form; and
  - b. Whose names appear as members in the Register of members of the Company after giving effect to valid share transfers in physical form lodged with the Registrar & Share Transfer Agents of the Company on or before Friday, the 10<sup>th</sup> day of September, 2010.
8. Members may please note that the Dividend Warrants shall be payable at par at the designated branches of the bank printed on the reverse of the Dividend Warrant for an initial period of three months only. Thereafter, the Dividend Warrant on revalidation shall be payable only at limited centres / branches of the said Bank. The members are, therefore, advised to encash Dividend Warrants within the initial validity period.
9. 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.
10. **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.
11. 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.
  12. 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.
  13. 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.
  14. 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 – 110 025 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 the following dates:
    - Dividend for the year 2006-2007, on 8<sup>th</sup> September, 2014.
    - Interim Dividend for the year 2007-2008, on 22<sup>nd</sup> February, 2015.
    - Final Dividend for the year 2007-08, on 7<sup>th</sup> October, 2015.
    - Interim Dividend for the year 2008-09, on 24<sup>th</sup> August, 2015.

**Registered Office:**

D.P. Nagar,  
P.O. Randia – 756 135  
Distt. Bhadrak, Orissa

By Order of the Board

Ritesh Chaudhry  
Company Secretary

Dated: 10th August, 2010  
Place: New Delhi

## ANNEXURE TO THE NOTICE

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

## Item no.8

Members of the Company had through postal ballot, results whereof were declared on 28<sup>th</sup> July, 2009 approved investment of upto Rs.50 crores in Facor Power Limited.

Members are informed that proposed capacity of 45 MW of the power plant being set up by Facor Power Limited (FPL) has now been increased to 100 MW. Owing to the capacity increase the total project cost now stands at approximately Rs.570 crores. Rural Electrification Corporation Limited, which had earlier sanctioned 140 crores as by way of loan to FPL has sanctioned additional finance facility of Rs.257.68 crores thus providing total financial assistance for the project as Rs.397.68 crores.

Balance funds required for the project is required to be brought in by the promoters/associate companies in form of share capital to maintain the debt equity ratio at 70:30. The Company proposes to make further investments beyond Rs.50 crores as earlier approved by the shareholders of the Company.

Accordingly, subject to the approval of the shareholders, it is proposed to invest a further sum of Rs.100 crores, in one or more tranches, in the securities of Facor Power Limited in addition to the investment of Rs.50 crores earlier sanctioned by the shareholders of the Company in July, 2009, as aforesaid.

Mr. Vineet Saraf, Mr. Ashish Saraf being Directors on the Company and Facor Power Limited may be deemed to be interested in the resolution. Further, Mr. R.K. Saraf, being father of Mr. Ashish Saraf may be deemed to be interested in the resolution to the extent of their shareholding in the Company. None of the other Directors are concerned or interested in the resolution.

## Item no.9

The tenure of Mr. Manoj Saraf as Managing Director is set to expire on 31<sup>st</sup> December, 2010.

Under the stewardship of Mr. Manoj Saraf the Company has experienced growth in terms of business, efficiency and creation of wealth. His profound knowledge and understanding of the Ferro Alloys Industry has helped the Company maintain its high standards

and quality product occupying a place of pride in this industry. 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 decided to continue to avail the services of Mr. Manoj Saraf and have re-appointed him as Managing Director for a further period of 5 years w.e.f. 1<sup>st</sup> January, 2011 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. None of the Directors other than Mr. Manoj Saraf are concerned or interested in the resolution.

## Registered Office:

D.P. Nagar,  
P.O. Randia – 756 135  
Distt. Bhadrak, Orissa

By Order of the Board

Ritesh Chaudhry  
Company Secretary

Dated: 10th August, 2010  
Place: New Delhi



**Annexure A forming part of Explanatory Statement annexed to the Notice:****MATERIAL TERMS AND CONDITIONS OF THE APPOINTMENT OF MANAGING DIRECTOR:**

The material terms and conditions of the re-appointment of the Managing Director and his 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, is as under:

- 1 Term of office : 5 years with effect from 1<sup>st</sup> January, 2011
2. Remuneration:
  - a) Basic Salary : Rs.95,000 per month in the scale of Rs.75,000-5000-1,00,000. Such increment to be due on 01.04.2011.
  - 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 1<sup>st</sup> April, 2009, for all the Joint Managing Directors of the Company;
    - Financial year commencing 1<sup>st</sup> April, 2010 for the Chairman and Managing Director of the Company; and
    - Financial year commencing 1<sup>st</sup> April, 2010 for the 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 Managing Director shall be eligible to the perquisites and allowances as given hereunder:

The perquisites and allowances payable to the Managing Director 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 Rs. 18 lacs.

In addition to the above, the Managing Director 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.

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

The Managing Director shall be eligible for increment, as per the basic scale, with the first increment falling due on 1<sup>st</sup> April, 2011 and thereafter at the start of every financial year on 1<sup>st</sup> of April.

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/Managing Director/Joint Managing Director and 10% of the Net Profits for all the Whole time Directors/ Managing Directors/ Joint Managing 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/ Managing Directors/ Joint Managing 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 Managing Director, the Company has no profits or its profits are inadequate, then also he 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 the appointment of the Managing Director. 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 resolution and the relative Explanatory Statement 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 54th Annual Report of your Company and the Audited Statement of Accounts for the year ended 31st March, 2010.

## FINANCIAL RESULTS

	(Rs. in lacs)	
	For the year ended 31 <sup>st</sup> March, 2010	For the year ended 31 <sup>st</sup> March, 2009
Gross Profit/(Loss)	3373.27	5652.32
Depreciation/Amortization	1024.03	990.84
Provision for taxation	947.36	1801.28
Net Profit/(Loss) for the year	1401.88	2860.20
Transfer to General Reserve	2000.00	2500.00
Balance carried to Balance Sheet	2979.18	4009.38

## OPERATIONS

Ferro alloy products are used in the production of steel as de-oxidant and alloying agents and the Ferro alloys industry acts an intermediate industry to the Iron & Steel industry. As a result the demand and prices of ferro alloys depend on the production and consumption of stainless steel.

With recessionary effects gradually disappearing ferro alloys market has recovered considerably from the sluggish performance in second half of 2008-09 to register a production growth of 7.20% during the fiscal 2009-10 [as per Indian Ferro Alloys Producers Association (IFAPA)]. The growth was primarily driven by the local demand coupled with demand from overseas especially from China. However, lately ferro alloys demand in China is taking a hit as steel producers are cutting down on production due to falling prices and softening demand.

The industry continues to be plagued by high power tariff and lower capacity utilization due to high cost of production. The recent rise in demand is being offset by high electricity, power cuts and raw material costs. Although, government has taken measures to reduce input costs but the cost of power still remains very high as a result of which ferro chrome produced in India is comparatively expensive in the international market.

Although capital intensive, the Captive power generation for large scale producers of ferro alloys holds the key. Accordingly, a number of ferro alloy producers are setting up captive power plants.

Your company's turnover for the current financial year, 2009-10 stands at Rs. 34857.60 as against Rs.31022.62 lacs last year, posting an increase of 12.36%. Exports during the year saw a rise of 52.04% at Rs. 20834.88 lacs as against Rs.13703.77 lacs last year. Profit before tax stands at Rs. 2349.24 lacs as against Rs.4661.48 lacs in the previous year, recording a decline of 49.60%.

## DIVIDEND

Your Directors have, in their meeting held on 24th July, 2010 proposed Dividend at the rate of Re. 0.20 (20%) per share of Re. 1/- each for the financial year ended 31st March, 2010.

## FINANCE

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

## PROSPECTS

Fortunes of Ferro Alloys Industry are linked to that of the Steel Industry. With the growth of Indian economy being pegged at 8-10 percent, Steel production is likely to witness growth with increase in per capita consumption of steel which is presently lowest in the world. Considering the stabilization of economy in various parts of the world especially in steel and infrastructure industry the prospects of ferro alloys industry for the coming years are expected to remain good.

During the year under review the Indian ferro alloys industry registered a production growth of 7.20% and is projected to maintain it.

Global crude stainless steel production for 2008-09 was at 24.6 million tonnes, a fall of 5% compared with 2007-08. Total output for the first quarter of this year is estimated at almost 7.5 million tonnes, which is 54.6% higher than the corresponding quarter of 2009-10. Forecast for Global output in calendar year 2010 is 28.5 million tonnes.

The major stainless steel producing nations viz. China, South Korea and Taiwan, have continued to operate at close to full capacity in recent months. Production levels in India too continue at record levels.

With power shortage in South Africa hitting India is now being seen as a hub for Ferro Alloys Industry. Also, strong demand from Stainless Steel makers, tightened ferro chrome supplies, rising power cost and higher raw material costs including chrome ore and coke are likely to strengthen the ferro chrome industry.

Also the steps taken by the Government of India to boost the sentiments of the manufacturing industry in general and iron & steel industry in particular, provide an indication for the future of indian ferro alloys industry. Government is exercising required control for export of friable Chrome Ore to ensure availability of this important raw material for production of High Carbon Ferro Chrome by imposing excise duty on chrome ore and restricting exports.

However, the impact of power reforms on ferro alloy producers is difficult to assess, as the electricity market still seems to be in a state of flux.

## FUTURE STRATEGY AND GROWTH

The first phase covering 45MW of the 100 MW captive thermal power plant set up by Facor Power Limited is already in the process of commissioning which, barring unforeseen circumstances, is likely to go on stream by end of December, 2010.

Further, your Company also views the power sector as the growth drivers of the company and is looking for strategic investment in companies in the business of thermal and/or solar power generation and distribution.

Also, your company is also looking at forward integration by way of setting up green field projects, acquisitions, joint ventures etc.

Further, your company also remains focused on upgradation of technology for a sustained growth.

**INDUSTRIAL RELATIONS**

The overall industrial relations in the Company were generally satisfactory.

**DIRECTORS**

Mr. Rohit Saraf, Mr. Ashish Saraf, Mr. Harish Salve and Mr. Arye Berest shall retire by rotation at the ensuing 54th 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 and Facor Realty And Infrastructure Limited, subsidiary of your Company, are annexed along with statement pursuant to section 212 of the Companies Act, 1956.

**DIRECTORS REPOSIBILITY 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 along with proper explanations; (Refer Note No. 1 of Schedule K)
- ii) they have selected such accounting policies and applied them consistently and made judgments 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 54th 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 24th July, 2010 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,

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

New Delhi,  
Dated: 24th July, 2010