

**FIFTY SEVENTH
ANNUAL REPORT
2012-2013
(ABRIDGED)**



FERRO ALLOYS CORPORATION LIMITED

Board of Directors

R. K. Saraf
Chairman & Managing Director

M. D. Saraf

Manoj Saraf
Managing Director

Vinod Saraf
Joint Managing Director

Ashish Saraf
Joint Managing Director

Rohit Saraf
Joint Managing Director

A. S. Kapre

Arye Berest

Pinaki Misra

S. Sridhar

S. B. Mishra

N. L. Ajwalia

M. B. Thaker

Keshaorao Pardhi

Ritesh Chaudhry
General Manager (Legal) &
Company Secretary

Executives

R. D. Agrawal
Advisor

O. P. Banka
Director (Finance)

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

Ashok Agrawal
Director (Mines)

P. G. Sureshkumar
Chief Executive
(Charge Chrome Plant)

M. K. Pujari
Chief General Manager (Mines)

Sanjiv Goyal
Chief Financial Officer

Bankers

Bank of India
Central Bank of India
State Bank of India
Syndicate Bank
State Bank of Bikaner & Jaipur

Solicitors

Mulla & Mulla and
Craig Blunt & Caroe
Bhaishankar Kanga and
Girdharilal

Auditors

Salve & Co.
Chartered Accountants

Internal Auditors

M/s Das & Prasad
Chartered Accountants

Cost Auditors

M/s Niran & Co.
Cost 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 : rnt.helpdesk@linkintime.co.in

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Notice is hereby given that the **FIFTY SEVENTH 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, Odisha" on Monday, the **12th day of August, 2013 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 31st March, 2013 and Profit & Loss Account for the year ended on that date and the Reports of the Board of Directors and the Auditors thereon.
2. To appoint a Director in the place of Mr. Arye Berest who retires from office by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in the place of Mr. M.B. Thaker who retires from office by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Mr. A.S. Kapre who retires from office by rotation and, being eligible, offers himself for re-appointment.
5. 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.
6. 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 & Company, Chartered Accountants, [Regn. No. 109003W] 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:

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

RESOLVED THAT Mr. Vinod Saraf, who was appointed as an Additional Director with effect from 19th January, 2013 on the Board of the Company in terms of Section 260 of the Companies Act, 1956 and Article 108 of the Articles of Association of the Company and who holds office up to the date of this Annual General Meeting, and in respect of whom a notice has been received from a Member in writing, under Section 257 of the Companies Act, 1956, proposing his candidature for the office of a Director, be and is hereby appointed as a director of the company."

8. 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 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 Mr. Vinod Saraf as Joint Managing Director of the Company for a period of 5 years with effect from 1st February, 2013 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 initiated 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. Vinod 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."

Registered office:

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

Dated : May 27, 2013
Place : New Delhi

By Order of the Board

Ritesh Chaudhry
General Manager (Legal) &
Company Secretary

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. Members / Proxies are requested to bring their Attendance Slip sent herewith, duly filled in, for attending the meeting.
3. 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.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Friday, the 10th day of August, 2013 to, Monday, the 12th day of August, 2013, both days inclusive.

NOTICE TO MEMBERS

5. 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.

6. 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.

7. 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.

8. 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.

9. 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.

10. 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 or after 13th September, 2014.
- Interim Dividend for the year 2007-2008, on or after 27th February, 2015.
- Final Dividend for the year 2007-08, on or after 12th October, 2015.
- Interim Dividend for the year 2008-09, on or after 29th August, 2015.
- Dividend for the year 2009-10, on or after 17th October, 2017
- Dividend for the year 2010-11, on or after 12th October, 2018

Registered Office:

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

By Order of the Board

Dated : May 27, 2013

Place : New Delhi

Ritesh Chaudhry
General Manager (Legal) &
Company Secretary

ANNEXURE TO THE NOTICE

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

Item No. 7

Mr. Vinod Saraf was appointed as an Additional Director by the Board of Director w.e.f. 19th January, 2013 in accordance with the provisions of Section 260 of the Companies Act, 1956 and Article 108 of the Articles of Association of the Company. Further, Mr. Vinod Saraf was also appointed a Joint Managing Director of the Company w.e.f 1st February, 2013 subject to the approval of the members of the Company.

Pursuant to Section 260 of the Companies Act, 1956 the above director holds office up to the date of the ensuing Annual General Meeting. In this regard the Company has received request in writing from a member of the company proposing his candidature for appointment as Director of the Company in accordance with the provisions of Section 257 and all other applicable provisions of the Companies Act, 1956.

The Board feels that presence of Mr. Vinod Saraf on the Board

is desirable and would be beneficial to the company and hence recommend resolution No. 7 for adoption.

None of the Directors, except Mr. Vinod Saraf is concerned or interested in this resolution.

The Board recommends resolutions under Item No.7 to be passed as an ordinary resolution.

Item No. 8

Mr. Vinod Saraf is a commerce graduate with Bachelors Degree in Law from Nagpur university. He started his career as Commercial Manager in Vidarbha Iron & Steel Corporation Limited in the year 1978 and subsequently was promoted as president of the Company in 1982.

He has rich experience in steel industry including areas relating to commercial and financial aspects. He is also one of the founder members of ISDA (Indian Stainless Steel Development Association) which was formed with an objective of development of consumption of stainless steel in various fields in India.

The material terms & conditions of his appointment and remuneration

ANNEXURE TO THE NOTICE

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 except Mr. Vinod Saraf are interested in this item.

ANNEXURE A FORMING PART OF EXPLANATORY STATEMENT ANNEXED TO THE NOTICE:

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

The material terms and conditions of the appointment of the Joint 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, are as under:

1. Term of office: 5 years with effect from 1st February, 2013
2. Remuneration:
 - a) Basic Salary ₹1,00,000 per month in the scale of ₹ 75,000 – 5,000 – 1,00,000.
 - b) Commission Such amount of Commission as may be decided by the Board of Directors of the Company from time to time based on profits computed in the manner laid down in section 198 of the Companies Act, 1956 during the period he occupies the position of Joint Managing Director of the Company.
 - c) Perquisites and Allowances The Joint Managing Director shall be eligible to the perquisites and allowances as given hereunder:

The perquisites and allowances payable to the Joint 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 per annum for the Joint Managing Director.

In addition to the above, the Joint 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 Joint Managing Director.

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

The Joint Managing Director shall be entitled for increment as per Company's policy.

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 Joint Managing Director, 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.

Your directors are delighted to present the 57th Annual Report of your Company and the Audited Statement of Accounts for the year ended 31st March, 2013.

FINANCIAL RESULTS

The Board takes pleasure and pride to announce that despite difficult and testing times faced in the last Financial Year, the Company performed marvellously to post positive figures for the year. The results are as under:

(₹ in lacs)

Particulars	For the year ended 31 st March, 2013	For the year ended 31 st March, 2012
Gross Profit/(Loss)	4013.84	767.18
Depreciation/Amortization	919.25	975.86
Provision for taxation	515.47	131.54
Net Profit/(Loss) for the year	2579.12	(340.22)
Transfer to General Reserve	--	--
Balance carried to Balance Sheet	6424.09	3844.97

OPERATIONS

The Indian ferro alloy industry has evolved over time and now fosters highly qualified manpower, latest equipments and technology. This evolution has led to quality produce which has made its position as one of the best in the world.

Making that position and earning recognition has not been an easy task for Indian ferro alloy industry as out of 12 billion tones of global reserves; about 95% of resources are geographically concentrated in Kazakhstan, South Africa, Turkey and other countries.

The edge that Indian chrome enjoys over others is that it has higher chrome content compared to global average and has higher Cr/ Fe ratio of 2.4 compared to 1.7. Furthermore, Indian ores are also more amenable to beneficiation and upgradation than South African ores and because of the higher Cr/ Fe and higher Cr 203, chrome alloys made from Indian ores have higher percent of chrome ore. South Africa is the largest chrome ore producer followed by India and Kazakhstan.

Despite high grade of ores Indian Chrome falls short in competition owing to high input costs, escalating power tariff and unavailability of quality raw materials. Owing to the aforesaid factors Indian ferro alloys producers are operating at 50% of their installed capacity (i.e. installed capacity is 1584000 tonnes whereas production was only 792000 tonnes). The average production of the Indian ferro alloys industry during the year was 2.4 Million tonnes with peak produce of 2.89 Million Tonnes, which represented 56% capacity utilization.

Your company's turnover for the current financial year, 2012-13 stands at ₹ 51787.13 lacs as against ₹ 47604.17 lacs last year. Exports during the year saw a slight decline against last year. Further, your company has posted a profit before tax of ₹ 3094.59 lacs this year as against loss of ₹ 208.68 lacs in the previous year.

DIVIDEND

Keeping in view the future requirement of funds in working capital and other purposes, the Directors do not recommend any dividend in the financial year ended 31st March, 2013.

FINANCE

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

CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the Accounting Standard 21 on Consolidated Financial Statements, this Annual Report also includes Consolidated Financial Statements for the financial year 2012-13.

PROSPECTS

The Indian ferro alloy industry has, since inception, laid emphasis on research & development, backward integration in terms of setting up of captive power plants, operating mines, thereby creating large scale employment and bringing development to the local populace.

The prospects of ferro alloys industry are tied up to that of steel industry and swing in the direction the latter takes. However, despite measures to achieve cost efficiency by backward integration, the same could not be achieved, especially for units which have set up captive power units. This is due to the factor that the coal allocation for thermal plants have been lax, prices of imported coal has increased with Indonesia and Philippines imposing export duty on coal.

The producers are currently operating at 50% capacity to minimize their losses due to escalating costs. The global demand is predominantly met by produce of South Africa and Kazakhstan with China being the largest importer of both chrome ore and ferro chrome.

Further, the Euro Zone crisis, recessionary phase continuing in the US, tsunami in Japan and contraction in global auto sector has negatively impacted steel demand. However, projections and forecast for 2013 and 2014 remain promising with global consumption pegged to increase by 2.9% to 1454 million tonne and 3.2% to 1500 million tonne in 2014 as against 1.2% growth of 2012. Apparent steel use in China is expected to grow by 3.5% in 2013 to 668.8 million tonne following a 1.9% increase in 2012. In 2014, steel demand is expected to grow by 2.5% as the Chinese government's measures to control investment in an effort to rebalance the economy will remain in place.

On the domestic front steel demand is also expected to pick up growth is expected to be up by 5.9% to 75.8 million tone in 2013 following 2.5 % growth in 2012 as monetary easing is expected to support investment activities. In 2014, growth in steel demand is expected to further accelerate to 7.0%, owing to the reform measures aimed at narrowing the fiscal deficit, coupled with measures to improve the foreign direct investment climate.

FUTURE STRATEGY AND GROWTH

As reported earlier, your Company, as a measure for backward integration, was setting up a 100 MW Captive Power Plant. The phase-I (One Turbine of 50MW and One Boiler) of the project was successfully synchronized on 8th July 2011. The erection & commissioning activities for phase-II (2nd Turbine of 50MW and 2nd Boiler) have been completed. Commissioning of the third boiler is expected by September/October, 2013.

DIRECTORS' REPORT TO THE MEMBERS

Once the Power plant is fully operational the Company shall benefit by continuous supply of quality power and shall also help realize a good return on its investment by selling the excess in open market.

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

INDUSTRIAL RELATIONS

Industrial relations with workers, trade unions, and with local populace remained amicable and pleasant throughout the year.

DIRECTORS

During the year, Mr. Harish Salve and Mr. Vineet Saraf have resigned from the Board of your Company. The Board places on record its gratitude for the services rendered by Mr. Harish Salve and Mr. Vineet Saraf during their tenure as members of the Board.

Mr. S. Sridhar was appointed as a Director on the Board of the Company w.e.f 28th July, 2012 as a director in casual vacancy caused by the resignation of Mr. Harish Salve.

Further, during the year Mr. Vinod Saraf was appointed as an Additional Director w.e.f 19th January, 2013 and the Joint Managing Director of the Company subject to approval of the members of the Company.

Mr. Arye Berest, Mr. M.B. Thaker, Mr. A.S. Kapre and Mr. N.L. Ajwalia shall retire by rotation at the ensuing 57th 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 the Company are prepared in consolidated form and contains results of its subsidiaries, Facor Power Limited, Facor Realty and Infrastructure Limited and Facor Energy Limited. The annual accounts of the subsidiaries shall be available on request to the members of the Company and are available for inspection at the registered office of the Company.

DIRECTORS RESPONSIBILITY STATEMENT

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

- in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanations;
- 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;
- 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;

- they have prepared the annual accounts on a going concern basis.

AUDIT COMMITTEE

Audit Committee of the Company comprises of Mr A.S. Kapre, Mr M.B. Thaker, and Mr. S.B. Mishra, all Independent Directors. The committee has been constituted in strict compliance with the provisions of Clause 49 of the Listing agreement and assumes all responsibilities provided therein, discharging their duties diligently with transparency and accountability as their sole motivation.

AUDITORS

M/s Salve & Company, Chartered Accountants hold office upto the conclusion of the ensuing 57th 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.

COST AUDITORS

Your Directors had, in accordance with the General Circular from the Ministry of Corporate Affairs appointed M/s Niran & Co., Cost Accountants, as Cost Auditors for Financial Year ended 31st March, 2013, for which Central Government approval had been received by the Company. The report on Cost audit for Financial Year ended 31st March 2012 was filed on 28th December, 2012 and in respect of Financial Year ended 31st March, 2013 would be filed with Central Government before 30th September, 2013. Further your Directors have appointed M/s Niran & Co., Cost Accountants, as Cost Auditors of the Company for Financial year ended 31st March, 2014 as well subject to the approval of the Central Government.

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

During the year under review there were no employees receiving remuneration of or in excess of ₹ 60,00,000/- per annum or ₹5,00,000/- per month requiring disclosure as per the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

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 27th May,

2013 confirming the above compliance is annexed to and forms part of the Directors' Report.

HUMAN RESOURCE DEVELOPMENT

Your Company takes great pride in the commitment, competence and vigour shown by its workforce in all realms of business. The Company continues to take new initiatives to further align its HR policies to meet the growing needs of its business.

ACKNOWLEDGEMENTS

Directors of the Company wish to thank the Central and State Governments for their continued support and co-operation extended towards the business as well as the company's social functions The

Management also thanks the shareholders, Business Associates, Financial Institutions & Banks, Customers and Suppliers for the faith reposed in the Company and in them. The Board expresses its sincere appreciation to the dedicated and committed team of employees and workmen without whom reaching this far and maintaining the standard and quality of the products for which the company is famous, would not have been possible. We look forward to all of your continued support. Let's grow and move ahead together.

On behalf of Board of Directors,

Place : New Delhi

Dated : 27th May, 2013

R.K. SARAF

Chairman & Managing Director

ANNEXURE 'A' TO THE DIRECTORS' REPORT

Additional information as required under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988

A) CONSERVATION OF ENERGY:

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

Conservation of Energy is an ongoing process and is always attached great importance. Installation of efficient electric equipments and other measures taken in recent past have brought down energy consumption. However, it is difficult to quantify the same and/or assess its impact on cost of production.

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

B) TECHNOLOGY ABSORPTION:

Research & Development (R&D):

- a) Specific areas in which R & D carried out by the company
- b) Benefits derived as a result of the above R&D
- c) Future Plan of action
- d) Expenditure on R&D

R&D in the operation of Ferro Chrome Production and manufacturing of briquettes is a continuous process. Studies to recover the entrapped metal from the discharged slag are in progress.

: The Company is analyzing and experimenting different methods of briquetting to cut down cost of production.

: Recurring expenditure on R&D has been shown under respective heads of accounts in Profit & Loss Account.

- e) Technology absorption, adaptation and innovation:

- i) Efforts, in brief, made towards technology absorption, adaptation and innovation.
- ii) Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution etc.
- iii) Information regarding technology imported during last 5 years

: Not applicable since no new technology has been adopted

: Not applicable

: No technology has been imported during the last five years.

C) FOREIGN EXCHANGE EARNINGS AND OUTGO:

- 1) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services; and export plans
- 2) Total Foreign Exchange used and earned
 - i) CIF value of imports
 - ii) Expenditure in Foreign currency
 - iii) Foreign exchange earned on FOB basis

To explore new avenues of exports and to understand latest developments in the international markets, your directors undertake foreign tours as and when required.

Rs. in lacs

: **1335.18**

: **402.28**

: **23351.09**

On behalf of Board of Directors,

Place : New Delhi,

Dated : 27th May, 2013

R.K. SARAF

Chairman & Managing Director

MANAGEMENT DISCUSSIONS AND ANALYSIS

INDUSTRY STRUCTURE, DEVELOPMENT AND OTHER RELATED MATTERS

Ferro Alloys production in India dates back to 1917 when IISCO, followed by Tata Steel, in 1919 commenced production of ferro manganese. Our Company played an important role in evolution of the ferro alloys industry with commencement of production in subsequent years.

The Indian ferro alloys industry, as an organized sector, came into existence in the mid 60s at the behest of the Planning Commission's policy of licensing of units based on 50% of the production capacity for exports, besides meeting the local requirements in the 2nd Five Year Plan. Post liberalization in 1991- 92 a number of small and medium sized units cropped up. Freedom from licensing ushered in growth and development, as result of which exports have steadily increased over the years, from 15% in 1991-92 to around 30-40% at present.

Today, at the end of 11th Plan, buoyed by the rapidly growing steel demand, the Indian ferro alloy industry is now estimated at 4.5 mtpa and growing in tandem with the steel industry. However, due to tumultuous times in recent years, producers are operating at 50% capacity.

Quality wise, chrome ore available in India edges over competition due to higher Cr2O3 and higher Cr/ Fe ratio. The higher Cr/Fe and higher composition of Cr2O3 makes Indian ores more amenable to beneficiation and upgradation. However, poor availability of good quality raw material, high power tariff and uncertain policy framework renders the quality factor uncompetitive in the international market.

RISKS AND CONCERNS / OPPORTUNITIES AND THREATS / OUTLOOK

Despite the steady growth and potential for steady growth in business and development is subject to effective resolution of various bottlenecks which the industry currently faces. While some of them relate to the larger macroeconomic framework, some of them are intrinsic to the industry itself; major ones are as follows:

- High cost of grid power has been affecting the industry's competitiveness despite having the best quality ores and processes
- High cost of coal and failure of CIL to allocate required coal to captive power unit has entailed a burden on producers
- Inadequate indigenous supply of good quality and high grade coke
- Depleting Chrome ore supply on domestic level. With OMC being the only major producer of chrome ore in the country, there are availability issues.
- Ferro Alloys falls under the same Tariff chapter as Iron and Steel hence, any measures applied on steel industry get indiscriminately applied to ferro alloys as well.

- High transportation cost due to increase in price of fuels
- Inadequate and crumbling infrastructure, over burdened roadways, railways and ports

Need of the hour is to address the above problems in the following manner:

- Uniform electricity tariff need to be made available at internationally comparable tariff for ferro alloy industry.
- Until a level playing field on electricity is provided, it is recommended that the Government increase the customs duty to 7.5% from existing 5%.
- Customs duty on import of raw material be reduced
- Government may consider devising mechanism for making funds available to ferro alloys producers for setting up captive power plants at a very low or nil interest rate to ease of the burden
- Ferro alloys industry may be allowed a higher rate of depreciation of (30%) for its captive power plant.
- It is recommended that ferro alloys industry be allowed duty-free imports of used power plant equipments and machineries for setting up captive power plants.
- For sake of smooth running and cost effectiveness government should consider allocating coal linkage as well as coal mines to power plants of ferro alloy industry as captive mines
- For anthracite coal customs duty be brought down to Nil from current 5%.

The prospects and future looks good for the ferro alloy industry considering the fact that the global steel demand is pegged to grow at a decent rate of 2.9%. Further, as per vision 2020, India steel industry has a plan to almost double the 120 million tons capacities projected in 2012 to 200 million tones in 2020.

The following indications also provide better forecast for future:

- Government has imposed export duty on chrome ore to 30% of value (from the earlier level of ₹ 3000 PMT) to restrict export and ensure availability for domestic production.
- The industry is consolidating its position by enhancing existing capacity of furnaces and also by installing captive power plants
- India is bullish on developing infrastructure and such projects shall create good demand for construction steel resulting in increase of ferro alloys demand.

FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

Your company's turnover for the current financial year, 2012-13 stands at ₹ 51787.13 lacs as against ₹ 47604.17 lacs last year. Exports during the year saw a slight decline against last year. Further,

your company has posted a profit before tax of ₹ 3094.59 lacs this year as against loss of ₹ 208.68 lacs in the previous year.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has placed systems and procedures of internal control and checks in operation commensurate with the size and the nature of its business for optimum utilization of available precious resources. The mechanism of internal control and checks are reviewed by the management, internal and statutory auditors from time to time and suitable changes/ modifications are implemented so as to ensure that an effective scheme of checks and balances exists at all times. The management is reasonably satisfied with the existing internal control systems. The Audit Committee of Board of Directors also reviews these matters from time to time in their meetings.

MATERIAL DEVELOPMENT IN HUMAN RESOURCES/INDUSTRIAL RELATIONS FRONT INCLUDING PEOPLE EMPLOYED

The overall industrial relations in the Company were cordial. The manpower employed is around 908 excluding indirect employment.

CAUTIONARY STATEMENT

Statements in this Management Discussion and Analysis Report are based upon data available with the Company and on certain assumptions having regard to the economic conditions, government policies, political developments, within and outside the country. The management is not in a position to guarantee the accuracy of the assumptions and the projected performance of the Company in future. It is, therefore, cautioned that the actual results may differ from those expressed or implied herein.

CORPORATE GOVERNANCE REPORT

1. COMPANY'S PHILOSOPHY

FACOR continues its efforts towards creating value for its stakeholders keeping in view the principles of fairness, equity, transparency, accountability and dissemination of information. While expanding its operations, it also recognizes its social responsibility towards the society, in general and environment, in particular and remains committed to its development as well.

We continuously strive to create conducive environment which fosters growth, innovation and leadership. Level playing opportunity is provided to all. Employees are considered the most valuable assets and form the FACOR family. Together we resolve to move forward for a better future.

2. BOARD OF DIRECTORS

The Board of FACOR is comprised of individuals having varied experience in different form of businesses and are considered stalwarts in their respective fields. The composition of the Board is in line with the Listing Agreement and is strictly adhered to at all times. The Board members are handpicked to provide for optimum mix of knowledge and experience. The optimum ratio of executive – non executive Board members provides for the required vigilance and security required for enhancement of organizational capabilities. The executive – non-executive members provide for a structure of performance and control.

The composition of the Directors as on 31st March, 2013 was as follows:-

Name of Director	Category	No of Board Meetings attended	Whether last AGM Attended	No. of Outside Directorship held		Outside Committee Position Held	
				Public	Member	Chairman	
Mr R.K. Saraf, Chairman & Managing Director	Executive*	5	Yes	3	–	1	
Mr. Manoj Saraf, Managing Director	Executive*	4	No	1	–	–	
Mr. Vinod Saraf, Jt. Managing Director®	Executive*	0	NA	4	–	–	
Mr. A.S. Kapre	Non-Executive Independent	5	Yes	3	2	3	
Mr. Harish Salve®®	Non-Executive Independent	1	NA	–	–	–	
Mr. S. Sridhar®®®	Non-Executive Independent	4	Yes	1	–	–	
Mr. M.D. Saraf	Non-Executive* Non-Independent	0	No	4	–	–	
Mr. Pinaki Misra	Non-Executive Independent	1	No	1	–	–	
Mr. Vineet Saraf, Jt. Managing Director®®®®	Executive*	5	Yes	3	–	–	
Mr. Ashish Saraf, Jt. Managing Director	Executive*	4	Yes	3	–	–	

* Represent Promoters. ®Appointed as an Additional Director w.e.f.19th January, 2013; ®® Ceased to be Director w.e.f.11th May, 2012; ®®®Appointed as a Director w.e.f 28th July, 2012; ®®®® Ceased to be Director w.e.f.31st January, 2013;