



**HIRA** FERRO ALLOYS LIMITED



**ANNUAL REPORT**

**2012-13**

**BOARD OF DIRECTORS**

Mr. Biswajit Choudhuri  
Mr. N. P. Agrawal  
Mr. B.N. Ojha  
Mr. Arvind Dubey  
Mr. Y. C. Rao

Chairman, Independent Director  
Managing Director  
Independent Director  
Executive Director  
Non- Executive Director

**COMPANY SECRETARY**

Mr. Mohit Chande

**AUDITORS**

O.P. Singhania & Co.  
Chartered Accountants, Raipur

**HOLDING COMPANY**

Godawari Power and Ispat Limited  
Plot No. 428/2 Phase I, Industrial Area,  
Siltara - 493 111  
Raipur, Chhattisgarh

**BANKERS**

State Bank of India  
Allahabad Bank  
Axis Bank Limited  
IDBI Bank Limited

**REGISTRAR AND TRANSFER AGENT**

M/s. Link Intime India Private Limited,  
C-13 Pannalal Silk Mill Compound, LBS Marg,  
Bhandup (West), Mumbai - 400 078

**REGISTERED OFFICE**

567B, Urla Industrial Area,  
Raipur - 493 221, Chhattisgarh  
Tel: +91 – 771 - 4082350/ 4082360  
Fax: +91 – 771 – 4082440  
www.hiraferro.com

**CORPORATE OFFICE**

Hira Arcade, Near New Bus Stand,  
Pandri, Raipur 492 004, Chhattisgarh,  
Tel.: +91 – 771 – 4082000/ 4082001  
Fax: +91 – 771 – 4057601

**CONTENTS**

• Company Information	1
• Notice	2
• Directors Report	4
• Management Discussions Analysis	7
• Corporate Governance Report	11
• Auditors Certificate on Corporate Governance	18
• Independent Auditors Report to Shareholders	19
• Balance Sheet	22
• Profit and Loss Account	23
• Cash Flow Statement	24
• Notes to Financial Statement & Schedules	26

## NOTICE

### TO ALL THE MEMBERS OF HIRA FERRO ALLOYS LIMITED

Notice is hereby given that 29th Annual General Meeting of the Members of Hira Ferro Alloys Limited will be held on Saturday the 28th day of September, 2013 at 11:00 am at Second Floor, Hira Arcade, Near New Bus Stand, Pandri, Raipur, Chhattisgarh – 492 001 to transact the following business:

#### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March 2013 and Profit and Loss Account for the year ended on that date together with Auditors and Directors reports thereon;
2. To declare dividend on Equity Shares of the Company for the financial year ended 31st March, 2013;
3. To appoint a Director in place of Shri Biswajit Choudhuri, who retires by rotation and being eligible for reappointment offers himself for reappointment;
4. To appoint a Director in place of Shri Yarra Chandra Rao, who retires by rotation and being eligible for reappointment offers himself for re-appointment;
5. To consider and, if thought fit, to pass the following resolution, with or without modification as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Section 224 and other applicable provisions, if any, of the Companies Act, 1956, M/s O.P. Singhania and Co., Chartered Accountants, Raipur with Firm Registration Number 002172C be and are hereby re-appointed as statutory auditor of the Company from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting on a remuneration to be decided mutually, by the Board of Directors of the Company and the M/s O.P. Singhania and Co., Chartered Accountants.”

By Order of the Board

Sd/-

**Mohit Chande**  
Company Secretary

Place: Raipur  
Date: 28th May 2013

#### NOTES

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company.  
Proxy form duly stamped and executed in order to be effective, must reach the Registered Office of the Company not less than 48 hours before the time of commencement of the Annual General Meeting.
2. Corporate Members are requested to send a duly certified copy of the Board Resolution, pursuant to Section 187 of the Companies Act, 1956, authorizing their representative to attend and vote at the Annual General Meeting.
3. Members/proxy holders are requested to bring their attendance slip duly signed so as to avoid inconvenience.

4. The dividend on equity Shares for the year ended 31st March 2013, will be paid after declaration by the members:

In respect of shares held in physical form, to those members whose names appear on the Register of Members of the Company on 20.09.2013 after giving effect to all valid share transfers lodged with the Company on or before 28.09.2013. In respect of shares held in electronic form, to those beneficial owners whose name appear in the statement of beneficial ownership furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) as at the end of business on 20.09.2013.

The members are hereby informed that the company would transfer the dividends, which remain unclaimed over a period of 7 years, to the Investor Education and Protection Fund (IEP Fund) constituted by the Central Government under section 205C of the Companies Act, 1956.

5. The Ministry of Corporate Affairs, vide its Circular nos. 17/2011 dated April 21, 2011 and 18/2011 dated April 29, 2011 has taken a “Green Initiative” by allowing paperless compliances by the companies to serve the requisite documents to its members vide e-mode, in pursuance to Section 53 of the Companies Act, 1956. Accordingly, the Company shall be required to update its database by incorporating your designated e-mail ID in its records. You are thus requested to kindly submit your e-mail ID to your depository participant and members who holds shares in physical form are requested to send their email id at [hiraferrogogreen@linkintime.co.in](mailto:hiraferrogogreen@linkintime.co.in).
6. Members holding shares in physical form are requested to advise any change in their registered address, to the Company's Registrar and Share Transfer Agent, Link Intime India Private Limited, Mumbai quoting their folio number. Members holding shares in electronic form must send the advice about change in their registered address or bank particulars to their respective Depository Participant and not to the Company.
7. Members desiring any information on the Accounts of the Company are requested to write to the Company at least 10 days in advance so as to enable the Company to keep the information ready.
8. In all correspondence with the Company or with its Share Transfer Agent, members are requested to quote their folio number and in case the shares are held in the dematerialized form, they must quote their Client ID Number and their DPID Number.
9. Information under Clause 49 of the Listing Agreement of the Stock Exchanges with respect to the details of the Directors seeking appointment/re-appointment is furnished at the end of the notice.
10. The Copies of resolutions of the Board is available for inspections by members at the registered office of the company during working hours on any working day till the date of the Annual General Meeting.
11. The Register of Members and Share Transfer Books of the Company shall remain closed from September 20, 2013 to September 28, 2013 (both days inclusive) for the purpose of Annual General Meeting and payment of dividend for the year ended 31st March, 2013.

12. The Company has transferred the amount of unclaimed / unpaid dividend for the financial years 2004-05 to the Investor Education and Protection Fund (IEPF). The following are the details of dividends paid by the Company and respective due dates for transfer of unclaimed dividend to such IEPF of the Central Government.

Year of Dividend	Date of Declaration	Due date for transfer to IEP Fund
2005-06	26.09.2006	25.10.2013
2006-07	25.09.2007	24.10.2014
2007-08	23.09.2008	22.10.2015
2008-09	22.09.2009	21.10.2016
2009-10	25.09.2010	24.10.2017
2010-11	30.09.2011	29.10.2018
2011-12	29.09.2012	28.10.2019

Further, the company shall not be in a position to entertain the claims of the shareholders for the unclaimed dividends which have been transferred to the credit of the Investor Education and Protection Fund of the Central Government under the provisions of section 205A of the Companies Act 1956.

13. Investors holding physical shares are advised to forward the particulars of their Bank Account, name, branch and address of the bank immediately, if not sent already, so as to enable us to incorporate the same on dividend warrants.

By Order of the Board

Place: Raipur  
Date: 28th May, 2013

Sd/-  
**Mohit Chande**  
Company Secretary

## ANNEXURE TO THE NOTICE

Particulars of Directors seeking re-appointment at the ensuing Annual General Meeting to be held on 28th September, 2013 are given as under:

Name of the Director	Shri Biswajit Choudhuri	Shri Y.C. Rao
Age	71 Years	47 Years
Qualification	B.Tech (Hons), Fellow Member of ICWI and Indian Institute of Banking and Finance	FCS, CWA and LLB.
Experience in Specific Functional area	More than 45 years	More than 20 years
Date of Appointment on the Board of the company	09.11.2011	26.04.1999
Nature of expertise in specific functional areas	He has experience in Engineering, Banking and Finance Management. He has acted as Director and Member of various Boards and Councils. He is the Ex- CMD of United Bank of India.	He has over 20 years of experience in the field of Securities Law, Corporate Law & Tax Laws, etc.
Name(s) of other Public Companies in which Directorships held	Godawari Power and Ispat Limited Aditya Birla Chemicals (India) Limited Hindusthan Engineering & Industries Limited Ludlow Jute & Specialities Limited R. V. Investment and Dealers Limited Maithan Alloys Limited Khaitan Electricals Limited	Godawari Natural Resources Limited
Chairman/Member of the Committee of the Board of Directors of the Company	Chairman of Audit Committee and member of Remuneration and shareholders Grievances committee	Members of Audit Committee and member of shareholders Grievances committee
No. of Shares of ₹ 10/- each held by the Managing Directors or Directors	NIL	2500
Retaliatio nship with Directors inter-se (As per Section 6 and Schedule 1A of the Companies Act,1956)	No Relationship with other Directors	No Relationship with other Directors



## DIRECTORS' REPORT

To  
Dear Members,

Your Directors have pleasure in presenting the 29th Annual Report of your Company along with the Audited Accounts for the financial year ended 31st March, 2013. The Summary of Financial results for the year ended 31st March, 2013 is as under:

(₹ in Crores)

FINANCIAL RESULTS	2012-13	2011-12
Net Sales	443.92	276.02
Other Income	3.63	3.73
Total Income from Operations	447.55	279.75
Profit before Interest, Depreciation and Tax	21.07	22.55
Finance Charges	10.44	11.23
Depreciation & Amortization Expenses	8.53	7.44
Profit before Tax	2.10	3.88
Less: Provision for Income Tax, Tax related to earlier years & Wealth Tax Provision	(1.73)	(0.95)
Net Profit after Tax	3.83	4.83
Add: Balance brought forward from previous year	99.61	97.64
Profit available for appropriations	103.44	102.47
Appropriations:		
Proposed Dividend	1.17	1.17
Tax on proposed dividend	0.20	0.19
Transfer to General Reserve	1.50	1.50
Balance carried to Balance Sheet	100.57	99.61

### DIVIDEND

The Board of Directors are pleased to recommended payment of dividend @ ₹0.60/- per share on paid up equity share capital of ₹ 19,58,85,000 divided into 1,95,88,500 equity shares of ₹ 10/- each {P.Y. ₹ 0.60/- per share}. The total outflow on account of dividend shall be ₹1.37 Crores (P.Y. ₹ 1.37 Crores) including dividend distribution tax. The dividend shall be paid, subject to the approval of shareholders in the ensuing AGM, to all those shareholders whose names appear in the register of members as on Book Closure date fixed for the payment of dividend.

### OPERATIONAL & FINANCIAL PERFORMANCE REVIEW

The company achieved a gross sale of ₹ 461.71 Crores during the financial year 2012-13 as compared to ₹ 293.73 Crores during the financial year 2011-12, registering a growth of 57.19%. The Company has also achieved a trading turnover of Iron & steel products (i.e. HB Wires, MS Round in Coil, MS Bar Plain & TMT Bar including Waste & Scrap) of ₹ 269.36 crores during the FY13 as compared to ₹120.41 crores previous year FY12, registering a growth of 123.70% due to increase in trading of MS Round in Coil of ₹217.89 Crores during the FY13 as compared to previous year FY12 ₹ 89.77 Crores.

The Ferro Alloys division of the Company registered net sales of ₹169.43 Crores as compared to ₹160.83 Crores during the previous year. In terms of volume, the sale Ferro alloys increased to 30648 MTs from 29119 MTs during the year registering a growth

of 5.25%. The sale of electricity division increased to ₹ 21.37 as against sale of ₹ 10.16 Crores during the year under review due to increase in volume of sale of Power from Bio mass Power Plant. Your Company has sold 46074770 KWH of power as compared to 30939207 KWH during the previous year which registering a growth of 48.92%.

Despite better volume of production and sales, the net profit of the Company during the year under review declined to ₹ 3.83 Crores from ₹ 4.83 Crores during the previous year, mainly on account of lower realization from sale of ferro alloys and electric power as compared to previous year due to unfavorable market conditions ferro alloys and merchant power. The market conditions for ferro alloys demand remains subdued to on prevailing environment, the performance of the Company during the current year shall depend upon the prevailing conditions.

### VOLUNTARY DELISTING OF SHARES

The Board of Directors of your company has approved the proposal for voluntary delisting of 19588500 equity shares of ₹10/- each fully paid up from Delhi Stock Exchange Limited (DSE) and Madras Stock Exchange Limited (MSE) on 9th November, 2012 and subsequently the Company has made applications for the same to both the stock exchanges. The DSE has approved the request for delisting of shares and the 19588500 equity shares of ₹10/- each have been delisted from DSE w.e.f. 8th April, 2013. The approval from MSE is still pending.

The delisting of the company's equity shares from DSE and proposed delisting from MSE will not be prejudicial to or affect the interests of the investors, in view of listing & trading of shares on BSE and NSE (Through MPSE). The benefits accruing to the investors by keeping the equity shares listed on these Stock Exchanges do not commensurate with the cost incurred by the company for the continued listing on these Stock Exchanges. The shareholders in the region of these Stock Exchanges will not suffer due to delisting since the listing of the equity shares of the company shall continue with BSE and MPSE (Trading Through NSE) having nationwide trading terminals.

### ALTERATION OF ARTICLES OF ASSOCIATIONS

During the year shareholders of the Company in their Annual General Meeting held on 29th September, 2012 have approved the alteration of articles of the Company in respect of Service of Notice, Reports, Documents & other communication in Electronic Mode, taking voting by Postal Ballot in Electronic Mode, Participation in General Meeting(s) by the Members through video conferencing and Participation of Directors in Board Meetings through video conferencing etc. by way of special resolutions.

### PUBLIC DEPOSITS

Your company has not accepted any deposits from Public within the meaning of section 58A of the Companies Act, 1956.

### PARTICULARS OF EMPLOYEES

Particulars of the employees as required under the provisions of section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended are not attached with this report since there was no employee who was in receipt of remuneration in excess of limits prescribed under the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particular of Employees), Rules 1975.

## DISCLOSURE OF PARTICULARS

As required under section 217(1) (e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 the particulars relating to conservation of Energy, R & D, Technology Absorption and Foreign Exchange Earnings / Outgo are annexed with this report.

## CORPORATE GOVERNANCE & MANAGEMENT DISCUSSION & ANALYSIS REPORT

Your Company has been practicing good Corporate Governance over the time. In addition to basic governance issue the board lays strong emphasis on transparency, accountability and integrity for building investor confidence, improve investor's protection and maximize long-term shareholder value. A separate report on Corporate Governance Compliance and a Management Discussion and Analysis Report as stipulated by the Clause 49 of the Listing Agreement forms part of the Annual Report along with the required Certificate regarding compliance of the conditions of Corporate Governance as stipulated by Clause 49 of the Listing Agreement. In compliance with Corporate Governance requirements as per Clause 49 of the Listing Agreement, your Company has formulated and implemented a Code of Business Conduct and Ethics for all Board members and senior management personnel of the Company, who have affirmed the compliance thereto.

## DIRECTORS

As per Section 256 of the Companies Act, 1956 and Article of Association of the Company, Shri Biswajit Choudhuri and Shri Y.C. Rao are liable to retire by rotation and being eligible offer themselves for re-appointment

The Board recommends re-appointment of aforesaid Directors.

None of the Directors of the Company are disqualified for being appointed as Director, as specified in section 274 (1) (g) of Companies Act, 1956. A brief resume of directors being re-appointed with the nature of their expertise, their shareholding in the Company as stipulated under Clause 49 of the Listing Agreement is appended as an annexure to the notice of the ensuing Annual General Meeting.

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Board of Directors of the Company hereby confirms that:

1. in the preparation of the annual accounts, the applicable accounting standards have been followed and no material departures have been made from the same;
2. the directors 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 and of the profit or loss of the Company for that period;
3. the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
4. the directors have prepared the accounts for the financial year on a 'Going Concern' basis.

## RE-APPOINTMENT OF STATUTORY AUDITOR

In terms of provisions of Section 224 of the Companies Act, 1956, M/s O.P. Singhania and Co., Chartered Accountants, with Firm Registration Number 002172C, retire at ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. Pursuant to the recommendation of the Audit Committee at their meeting held on 27th May, 2013 recommending re-appointment of M/s O.P. Singhania and Co., Chartered Accountants as Statutory Auditors of the Company, for the financial year 2012-13, the Board of Directors have, subject to the approval of the shareholders, at their meeting held on 28th May, 2013 approved the re-appointment of M/s O.P. Singhania and Co., Chartered Accountants as the Statutory Auditors of the Company for the financial year 2013-14 and to hold office till the conclusion of the next Annual General Meeting. In terms of provisions of Section 224 (1B) of the Companies Act, 1956 M/s O.P. Singhania and Co., Chartered Accountants have furnished a certificate that their appointment, if made, will be within the limits prescribed under the said section of the Act and they have obtained peer review certificate as required under SEBI Guidelines for appointment of Statutory Auditors of listed companies.

## AUDITORS' REPORT

There are no qualifying remarks in the Auditor's Report on the Accounts of the company for the financial year 2012-13 and hence does not require any clarification.

## APPOINTMENT OF COST AUDITOR

The Ministry of Corporate Affairs vide Notification No.52/26/CAB/-2010 dated, 3rd May, 2011 ordering cost audit of certain industry and pursuant to section 233 B of the Companies Act, 1956, M/s. Sanat Joshi & Associates was appointed as Cost Auditor of the company to conduct audit of cost accounting records maintained by the Company for the year ended 31st March, 2013.

## CODE OF CONDUCT

The Code of Conduct for the Directors and Senior Management Executives has been made applicable to all the Directors whether executive or non-executive including all Senior Management Executives of the Company. The Board members and Senior Management Executives of the Company have affirmed compliance with the Code of Conduct during the year and no violation of the same was reported. The Code of Conduct is also posted on the Company's web-site.

## INDUSTRIAL RELATIONS

Industrial relations in your company during the year was peaceful, cordial and healthy. Your company had been able to maintain peaceful industrial atmosphere and mutual trust between the management and the employees.

## ACKNOWLEDGEMENTS

The Board expresses its sincere gratitude to the shareholders, bankers, State and Central Government and its officials and clients for their continued support. Your Directors wish to place on record their appreciation of the contribution by all employees at all levels and for their hard work, dedication and commitment. The enthusiasm, contribution shown by the employees of the company while discharging their duties and unstinting efforts of the employees have enabled your Company to grow steadily.

For and on behalf of the Board

Raipur  
28.05.2013

**Biswajit Choudhuri**  
Chairman

## ANNEXURE TO THE DIRECTORS' REPORT

Particulars as required under Section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1998:

### A. CONSERVATION OF ENERGY

Measures taken for Conservation of Energy: No additional measures have been taken during the financial year for conservation of energy.

#### FORM - A

(Form for Disclosure of particulars with respect to conservation of energy)

#### I. POWER & FUEL CONSUMPTION

Particulars	Units/Mts in Lacs		Total Amount (₹ In Lacs)		Average Amount Per Unit/MT	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
<b>Electricity (Units)</b>						
1. Purchase	134.34	129.40	690.07	565.50	5.14	4.37
2. Own Generation *	1470.62	1225.56	-	-	-	-
<b>Coal &amp; Coke (MTS)</b>	1.61	1.96	2985.50	4599.52	1854.34	2346.70

\*Excluding 21112667 (17141597) units of auxilliary consumption and transmission losses.

#### II. Consumption Per Unit of Production (Per MT)

Particulars	Production		Consumption of Fuel		Average Consumption	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
<b>Electricity</b>						
Ferro Alloys (MT)	30647.940	28090.700	146989538	134568612	4795	4790
Power (Units)	197058800	168182900	21112667	17141597	0.107	0.102
Fly Ash Bricks (Nos.)	2069390	10172070	72669	235098	0.035	0.023
<b>Coal and Coke</b>						
Ferro Alloys (MT)	30647.940	28090.700	21958.955	20071.910	0.716	0.715
Power * (Units)	197058800	168182900	285677.10	175516.961	1.45Kg	1.48 Kg

\* considered 49087.011MTs (33242.204 MT) of Rice Husk consumption & 75915.250 MTs (40795.500 MT) of Dolochar consumption for Average calculation.

### B. TECHNOLOGY, ABSORPTION, ADAPTATION & INNOVATION

#### FORM - B

Disclosure of particulars with respect to Technology Absorption

#### Research & Development (R & D)

Specific areas in which R& D proposed to be carried out by the Company

Benefits derived	Not Applicable
Expenditure on R & D	
a) Capital	Nil
b) Recurring	Nil
c) Total	Nil
d) Total R & D expenditure as a percentage of total turnover	Nil

#### Technology absorption and innovation Efforts made

Continuous efforts are being made towards improvements in existing production process.

#### Benefits

The Company is successful in improving the quality of its products and reducing specific consumption of inputs through efficient furnace operating practices.

Particulars of imported Technology during last 5 years Nil

### C. FOREIGN EXCHANGE EARNING AND OUTGO

During the year under review, the Total Foreign Exchange used: 3222678 USD

For and on behalf of the Board

Raipur  
28.05.2013

Biswajit Choudhuri  
Chairman

## MANAGEMENT DISCUSSION AND ANALYSIS

The management of your Company is pleased to present the discussions and analysis on the industry structure, developments, future outlook. The said discussion must be read together with the Directors' Report and the Audited Financial Statements that form a part of the Annual Report.

### FERRO ALLOYS INDUSTRY SCENARIO

#### INDUSTRY STRUCTURE AND DEVELOPMENT

Ferro alloy refers to various alloys of iron, which are used in the production of mild steel, carbon steel, special alloy steel and stain less steel. India's steel production is increasing every year, thereby the consumption of Ferro Alloys is also increasing. The Indian Ferro Alloy industry has a capacity of 5.15 million tons accounting for nearly 10% of the world's Ferro alloy production and is among the 10 largest producers of the material in the world.

In the midst of raw material availability being a key factor for Ferro Alloy industry growth, production is concentrated in a few pockets. India, South Africa, China and the CIS countries represent a large source for Ferro Alloys.

India's Ferro Alloy supply constitutes of Ferro chrome about 32%, Ferro Manganese and Silicon Manganese about 62% and rest others.

Fortunes of Ferro Alloys Industry are linked to that of the Steel Industry. With the growth of Indian economy is expected to increase booming. Steel production is likely to witness growth with increase in per capita consumption of steel which is presently lowest in the world. 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.. Presuming to the further potential in the steel sector and the Government will make all endeavors to increase steel production capacity to realize by way of policy facilitation and vigorous co-ordination efforts made by the Government. And Indian Ferro Alloys industry already explored the international Market Industry by expecting the more demand from the export market, hence more new units are coming in the country against high power tariff and scarcity of raw material such as ore etc.

Expecting to increase the domestic demand of Ferro Alloys, more new Ferro Alloys units are coming up specially in manganese Alloys in the country. Most of the projects have come up in various States in West Bengal, Andhra Pradesh, and Orissa etc.

#### RAW MATERIAL SCENARIO

The Industry has enough capacity to produce Ferro Alloys required for domestic Steel Industry. However, certain basic raw materials, i.e., ores viz., Manganese Ore, Chrome Ore, Molybdenum Ore/ Molly Oxide, Tungsten Ore, Wolframite Ore, Scheelite Ore, Nickel Oxide, Vanadium ore, etc., required for producing Ferro Alloys are attracting an import Customs Duty of 2.5 %.

Manganese is an essential non –substitutable element in steel making. The twelfth Five-year plan has projected 128 million tons of crude steel by 2016-17. Considering the projected increase in steel production and demand of Manganese Alloys, the industry requires 6.08 million tonnes of Manganese Ore by the year 2016-17 to produce Manganese Alloys to cater to the domestic steel industry and meet their requirements.

Projected Demand Supply Gap of Manganese Ore during 12th Five Year Plan

Year	2012-13	2013-14	2014-15	2015-16	2016-17
Manganese Ore					
Production	3,210	3,430	3670	3,930	4,200
Demand	4,528	4,983	5,565	6,177	6,819
Demand Gap	(-) 1,318	(-) 1,553	(-) 1,895	(-)2,247	(-)2,619

MOIL the major producer of Manganese Ore, is producing on an average 1 million ton per annum and partly meeting domestic requirement. At present Maharashtra Elektros melt (MEL), a Unit of SAIL is getting about 300,000 MT out of MOIL's production. Two large captive Ferro Alloys Units being set up by MOIL at Raipur and Visakhapatnam in Joint Venture with SAIL and with RINL, are expected to commence their operations in a year or two, require about 500,000 MT per annum. Thus, approximately 750,000/800,000 MT Manganese Ore, out of MOIL's exploration is required to meet the demand of PSUs. Thus, MOIL will be left with hardly 300,000 to 400,000 tons of Manganese Ore for the Manganese Alloy Industry.

The Manganese Ore produced by other Mines in the country is low in grade and high in Iron content. Hence, these Ores are only suitable for blending with high Mn:Fe ratio Manganese Ores being supplied by MOIL to prepare suitable composition and to use in production of quality Manganese Alloys acceptable to the Steel industry within the country and abroad. If high grade with high Mn:Fe ratio Manganese Ore is not sufficiently available at a competitive rate from MOIL, the domestic consumers have no option except to source through imports. The Steel Industry being the backbone of economic development, the availability of required suitable quality of Manganese ore with a competitive rate assumes significance not only for the Manganese Alloy Industry, but also for the economic development of the country as a whole.

It is pertinent to mention here that Indian Ferro Alloys Industry has grappled with various issues, such as non-availability of power with competitive rate, suitable quality and quantity of Manganese Ore, minimum duty protection, etc. Besides, the Industry has to compete with the integrated producers having captive Manganese Ore Mines situated in South Africa, Australia, Brazil, CIS, etc., to sell acceptable quality of Manganese Alloys in the world market for earning the valuable foreign exchange for the country.

#### PROSPECTS

Since Ferro alloys industry is power intensive unit, the power cost is about 35-40 per cent of its total production cost. The balance is attributable to the cost of ore and other ingredients required producing Ferro alloys. The power tariff in India is higher in comparison to the competing countries, despite 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. In view of the fact that the current power tariff in various states is quite high. Most of the Ferro Alloys producers are putting their own Captive power plant have a cost advantage over the competitors. The sources of major raw material is ore, like manganese ore for manganese alloys, chrome ore for Ferro chrome, along with Coke, quartz and fluxes etc. for production of Ferro Alloys. Due to huge demand and high rising costs of raw material globally and the scarcity of good



quality of raw material and coke is not available in India the entire domestic requirement of raw materials for the industry could not fully met from the domestic market.

The business viability of Ferro Alloys, in such case Alloys prices increase in the market that's immediate impact on ore prices. The prices of ore increasing in the domestic & International Market accordingly. The industry is catering domestic market after fulfilling the domestic demand then concentrating in the export Market for sale of surplus quantity is being sold in the export Market.

### **FUTURE STRATEGY AND GROWTH**

**Marketing & Pricing** - The costing of product of alloys always play a vital role in the industry. The price of Ferro alloys decided by the International Market and it varies widely. In a highly volatile market condition the numbers of factors are affecting the prices of Ferro alloys in domestic as well as in the International Market. In view of market Globalization of Ferro alloys, there is a cut throat competition especially in the Manganese Alloys Industry and a numbers of clusters has been developed in various states in the country, the dis-balance the demand & supply. The most critical thing is to sale the finished goods in the domestic as well as in the domestic market.

Considering the 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 brighten. On assessing the demand forecast of Manganese Alloys as per estimation the domestic demand increases about 17- to 18 % every year against the production Capacities increases about 33-35 % every year against high power tariff , huge shortage raw material, viz. Manganese ore, Chrome Ore, Power Coke and other fluxes etc. Manganese Alloys Market was lackluster amid softened demand. However, there were signs of a pickup in the coming days.

### **POWER**

With the world population nearly doubling in the past three decades, the present surge in electricity demand, and the projected increase of the global population, the importance of available energy cannot be underestimated. India continues structurally to be a power deficit country. The gap between demand and supply currently stands at 15%. The private sector continued its determined performance and contributed to a record power capacity. The Company has captive power generation capacity and demand supply mismatch may not affect the performance of the Company.

### **OPPORTUNITIES AND THREATS**

#### **FERRO ALLOYS**

The Company has a reasonably medium capacity for the manufacture of Ferro Alloys. The Plants are located in proximity to a host of steel manufacturing hubs domestically. A bulk of the new projects announced in steel too is in the vicinity of the Company's production facilities. Currently there has been some return of interest to Ferro Alloys given the increased demand for steel. The Company continues to scrutinize the overall position and will adjust its use of power for Ferro Alloy production as and when required.

### **POWER**

India is presently positioned as the eleventh largest manufacturer of energy, representing roughly 2.4% of the overall energy output per annum. Coal based generation of power remains major contributors for meeting the energy demand in the country in

view of huge thermal coal availability in India and coal based power generation shall continue to play a dominant role in Indian Power Sector. The Government of India is also making efforts in Development of Generation of power through Renewal energy like wind, solar etc.

Your Company is presently engaged in generation of captive power for use in manufacturing of Ferro alloys and also selling power in short term market through merchant sale with view to optimize revenue and profitability.

In light of the continued year-on-year increase in peak power deficit, the government is aggressively targeting capacity commissioning with accent on large-scale thermal plants. There yet remain regulatory complexities (resource sharing, environmental clearances and land holdings) at the State levels that are delaying generation of this additional power. Progress in terms of sector reforms remains slow.

### **RISK AND CONCERN**

In the normal course of business the Company is exposed to external risk such as fluctuation in demand, competition from other market players, risk arising from supply chain glitches, internal risk like variation in cost, financial risk of adverse variation in interest rate and fluctuation in foreign exchange rates. All the key function and division heads are independently responsible to monitor the risk associated in their respective area. Going forward, the pick-up in Ferro alloy production is likely to be staggered. The Company is taking reasonable care in day to day operations to mitigate the associate risk, through internal control and by keeping the constant watch on the external developments and adjust the operations in line with market conditions.

### **ANALYSIS AND DISCUSSIONS ON FINANCIAL PERFORMANCE**

#### **Review of Operations**

The Company's operations are divided into three segments i.e. Ferro alloys, Power Divisions and Trading of Goods. The Company is engaged in manufacturing ferro alloys consisting mainly of Silico Manganese. The power division of the Company is captive, except the Bio Mass Power plant, for which the Company is having long term PPA with State Electricity Board at tariff, determined by the Regulatory authority. However the looking the present market scenario, the Company is also selling power in the open market in order to optimize the revenue & profitability.

In fiscal 2013, the Company reported total revenue from operations (net) increased from ₹ 276.01 Crores to ₹ 443.91 Crores, registering a growth of 160.83% as compared to last fiscal. The increase was mainly because the Company has registered a significant growth in trading of iron & steel products.

Ferro Alloys production in the year under review was 30647.940 MTs as compared to 28090.700 MTs in last year and the sale of silico manganese increased from 29118.500 MTs to 30260.26 MTs during the current year registering a growth of 3.92%. Your Company has sold 46074770 KWH of power as compared to 30939207 KWH during the previous year. The sale of Bricks decreased from 9846114 Units to 3298900 Units during the current year registering a reduction of 66.50 %.

During the year under review the Company earned a Net Profit of ₹ 3.83 Crores, a reduction of 20.70 % as compared to ₹ 4.83 Crores in the previous year due to unfavorable market condition and sale of power.

**Review of Financial performance:****(a) Net sales/ Income from operations:**

The Company has achieved net sales turnover of manufactured goods ₹17644.01 lacs, as compared to ₹ 15629.79 lacs during the previous year registering an increase of 12.89%. The statement showing average realizations of major products is given below:-

Sl. No.	Products	FY 2013			FY 2012		
		Net Sales Qty	Net Sales (Value ₹ in Lacs)	Average Price Per Unit (₹)	Net Sales Qty	Net Sales (Value ₹ in Lacs)	Average Price Per Unit (₹)
1	Silico Manganese (MT)	29633.400	15256.07	51480	29118.500	14051.57	48257
2	Ferro Manganese (MT)	17.000	7.82	46000	735.200	372.63	50684
3	Ferro Silicon (MT)	111.50	50.46	45260	-	-	-
4	Pig Iron (MT)	498.360	127.08	25500	-	-	-
5	Bricks (No.)	3298900	65.56	1.98	9846114	189.52	1.92
6	Power (Kwh)	46074770	2137.02	4.64	30939207	1016.07	3.28

The average realizations for silicon manganese increased by 7%, Ferro Manganese reduced by 9% and Power increased by 41% and Bricks increased marginally by 3% as compared to FY 2011-12.

**(b) Cost of Raw Material and Components Consumed**

The raw material cost which mainly consists of manganese ore, coal & coke and rice husk increased during the current financial year to ₹ 128.98 Crores as compared to ₹ 102.81 Crores during previous year. The Cost of Raw Material and Components Consumed has increased 25.45 % as compared to previous year due to increase in production volumes and prices of manganese ore and coal and coke, which could not be fully passed on to the consumer due to prevailing market conditions.

**(i) Operating & Other Expenses**

The operating & other expenses have gone down from 7.92% of net sales to 5.46% mainly due to better controls on expenditure & cost and increase in volume of sales due to trading of goods.

**(ii) Employees Cost**

The employees cost during the year increased by 32.01 % to ₹ 8.17 Crores from ₹ 6.19 Crores due to annual increase in salaries and recruitment of additional employees to meet increased requirement for Bio Mass Power plant. The overall employees cost decreased to 1.84% of the net sales as compared to 2.24% during previous year.

**(iii) Operating Margins (EBIDTA)**

During the year the operating margins of the Company decreased from 8.17% to 4.75 % of net sales. Operating margins of the Company have declined due to higher input cost and significant increased in the trading turnover.

**(iv) Interest & Financial Charges**

The total finance cost during the year decreased from ₹ 11.23 Crores to ₹ 10.44 Crores.

**(v) Depreciation and Amortization Expenses**

The depreciation and amortization expense has gone up by ₹ 1.08 Crores. The Company has applied depreciation on straight line method as per rates prescribed under the Companies Act, 1956.

**(c) Profit Before Tax**

The Company has achieved net profit before tax and extraordinary items of ₹ 2.10 crores which is 0.47 % of net sales as against ₹ 3.88 Crores, which was 1.41 % of net sales during the previous year.

**(d) Provision for taxation**

The provision for income tax is made as per provisions of the Income Tax Act. The profit of the power division is exempt u/s 80IA of the Income Tax Act.

**(e) Appropriation**

The Company has transferred ₹1.50 Crores (Previous year ₹ 1.50 Crores) to the General Reserve during the year.

**(f) Provision for Dividend & Dividend Tax**

The Board of Directors of the Company has recommended a final dividend @ 6 % (₹0.60 paisa per share) for the year ended 31st March 2013, subject to approval of the shareholders. Further provision of dividend distribution tax of ₹0.19 Crores has been made. The total outgo of funds on account of dividend payment including corporate tax on dividend for the year is ₹ 1.37 Crores.

**(g) Fixed Assets**

The net block of fixed tangible assets and intangible assets stood as on 31st March, 2013 and 31st March, 2012 at ₹ 123.08 Crores & 1.48 Crores respectively as compared to previous year of ₹ 127.27 Crores and 1.95 Crores.

**(h) Inventories**

The overall value of inventory of raw materials decreased to ₹32.59 Crores as on 31st March 2013 as compared ₹ 46.96 Crores as on 31st March 2012.

**(i) Loans & Advances**

The non current loans and advances as on 31st March 2013 stood at ₹ 2.67 Crores as compared to ₹1.48 crores as on 31st March 2012. The current loans and advances stood at ₹ 35.82 Crores as on 31st March 2013 as compared to ₹ 35.74 crores as on 31st March 2012.