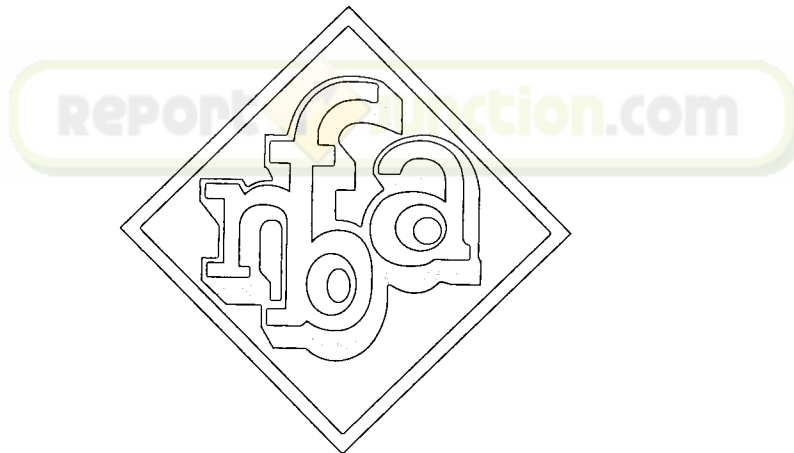


MD	✓		BKC	✓
CS	✓		DPY	NA
RO	✓		DIV	✓
TRA	✓		AC	✓
AGM	✓	✓	SHI	✓
YE	✓	✓		

NAVA BHARAT FERRO ALLOYS LIMITED



26th ANNUAL REPORT 1997-98





Notice to Shareholders

Notice is hereby given that the 26th Annual General Meeting of Nava Bharat Ferro Alloys Limited will be held on Wednesday, the 23rd September, 1998 at 3.00 p.m. at Hotel Green Park, Begumpet, Hyderabad - 500 016 to transact the following business:

- 1) To receive, consider and adopt the Audited Profit & Loss Account for the year ended 31st March, 1998 and the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
- 2) To declare Dividend on Equity Shares.
- 3) To appoint a Director in place of Shri V.S.Prasad who retires by rotation and being eligible offers himself for reappointment.
- 4) To appoint a Director in place of Shri D.Ashok who retires by rotation and being eligible offers himself for reappointment.
- 5) To appoint Auditors and to fix their remuneration.

Special Business

- 6) To consider and, if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution:

"RESOLVED THAT Dr E R C Shekar, who has been appointed as an Additional Director under Section 260 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

- 7) To consider and, if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution:

"RESOLVED THAT Dr M V G Rao, who has been appointed as an Additional Director under Section 260 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

- 8) To consider and, if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution:

"RESOLVED THAT Shri K Balarama Reddi, who has been appointed as an Additional Director under Section 260 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

- 9) To consider and, if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution:

"RESOLVED THAT in accordance with the provisions of Sections 16 and 94 and all other applicable provisions, if any, of the Companies Act, 1956, the Authorised Share Capital of the Company consisting of 25,00,000 Cumulative Redeemable Preference Shares of Rs. 100/- each amounting to Rs. 25,00,00,000/- and 2,50,00,000 Equity Shares of Rs. 10/- each amounting to Rs. 25,00,00,000/-, be and is hereby reclassified into 20,00,000 Cumulative Redeemable Preference Shares of Rs. 100/- each amounting to Rs. 20,00,00,000/-, 5,00,000 - 12% Non-cumulative Redeemable Preference Shares of Rs. 100/- each amounting to Rs. 5,00,00,000/- and 2,50,00,000 Equity Shares of Rs. 10/- each amounting to Rs. 25,00,00,000/- and consequently the existing Clause V of the Memorandum of Association of the Company be and is hereby altered by deleting the same and substituting in its place the following new Clause V;

"V. The Authorised Share Capital of the Company is Rs. 50,00,00,000/- divided into 20,00,000 Cumulative Redeemable Preference Shares of Rs. 100/-each amounting to Rs. 20,00,00,000/-, 5,00,000 - 12% Non-cumulative Redeemable Preference Shares of Rs. 100/- each amounting to Rs. 5,00,00,000/- and 2,50,00,000 Equity Shares of Rs. 10/-each amounting to Rs. 25,00,00,000/- with the rights, privileges and conditions attached thereto as are provided by the regulations of the Company for the time being with power to increase and reduce the Capital of the Company and to divide the Shares in the Capital for the time being into several classes and attach thereto respectively subject to the laws for the time being in force, such rights, privileges or conditions as may be determined by or in accordance with regulations of the Company and to vary, modify, abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the regulations of the Company".

- 10) To consider and, if thought fit, to pass with or without modification the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification or enactment thereof for the time being in force) the Articles of Association of the Company be and is hereby altered as under:

Article 3 relating to the Authorised Share Capital of the Company, be deleted and substituted with the following new Article:



Authorised Share Capital

3. The Authorised Share Capital of the Company is Rs. 50,00,00,000/- divided into 20,00,000 Cumulative Redeemable Preference Shares of Rs. 100/- each amounting to Rs. 20,00,00,000/-, 5,00,000 - 12% Non-cumulative Redeemable Preference Shares of Rs. 100/- each amounting to Rs. 5,00,00,000/- and 2,50,00,000 Equity Shares of Rs. 10/- each amounting to Rs. 25,00,00,000 with the rights, privileges and conditions attached thereto as are provided by the regulations of the Company for the time being, with power to increase and reduce the Capital of the Company and to divide the Shares in the Capital for the time being into several classes and attach thereto respectively, subject to the laws for the time being in force, such rights, privileges or conditions as may be determined by or in accordance with regulations of the Company and to vary, modify, abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the regulations of the Company.

11) Buy-back of Shares

To consider and, if thought fit, to pass with or without modifications, the following resolution as a Special Resolution:

"RESOLVED THAT if and when permitted by the law and subject to all applicable provisions of the law and subject to such other approvals, permissions and sanctions, and subject to such conditions and modifications as may be considered necessary by the Board of Directors of the Company (hereinafter referred to as the "Board" which expression shall also include a committee thereof), or as may be prescribed or imposed while granting such approvals, permissions and sanctions which may be agreed to or accepted by the Board, the consent of the Company be and is hereby accorded to the Board, to purchase such number of Equity Shares of the Company as may be considered by the Board, from the holders of the Equity Shares of the Company in such proportion and manner as may be permitted by the law, not exceeding 10% of the paid up capital of the Company, from such funds as may be permitted to be used for this purpose, or out of the proceeds of any issue made by the Company on such terms and conditions as may be prescribed by law and decided by the Board."

"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution the Board be and is hereby authorised to do all such acts, deeds and things and give such directions as may be necessary or desirable and to

settle all questions or difficulties whatsoever that may arise with regard to the said purchase of Equity Shares."

"RESOLVED FURTHER THAT nothing herein above contained shall confer any right on any shareholder to offer or any obligation on the Company to buy-back any Equity Shares."

- 12) To consider, and if thought fit, to pass with or without modification, the following Resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 198, 309, 310, 314 and Schedule XIII and other applicable provisions if any of the Companies Act, 1956 and subject to such approvals and consents as may be required, the remuneration of Shri V.S.Prasad, Executive Director, be revised with effect from 1st April, 1998 as under:

- i) Salary: Rs. 40,000/- Per month.
- ii) Commission @ 1% on Net Profits of the Company computed in the manner laid down in Section 309 (5) of the Companies Act, 1956.
- iii) Perquisites: In addition to the salary and commission, he shall be entitled to the Perquisites, classified under Category 'A', 'B' and 'C' as per statement laid on the table and initialled by the Chairman for purpose of identification and the Perquisites in Category 'A' shall be restricted to an amount equivalent to the annual salary."

"RESOLVED FURTHER THAT the remuneration aforesaid including the benefits and amenities, be paid and allowed as minimum remuneration during the currency of his tenure, in the event of loss or inadequacy of profits in any financial year."

- 13) To consider and, if thought fit, to pass with or without modification, the following Resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 198, 309, 310, 314 and Schedule XIII and other applicable provisions if any of the Companies Act, 1956 and subject to such approvals and consents as may be required, the remuneration of Shri D.Ashok, Executive Director, be revised with effect from 1st April, 1998 as under:

- i) Salary: Rs. 40,000/- Per month.
- ii) Commission @ 1% on Net Profits of the Company computed in the manner laid down in Section 309 (5) of the Companies Act, 1956.
- iii) Perquisites: In addition to the salary and commission, he shall be entitled to the Perquisites, classified under Category 'A', 'B' and 'C' as per





statement laid on the table and initialled by the Chairman for purpose of identification and the Perquisites in Category 'A' shall be restricted to an amount equivalent to the annual salary."

"RESOLVED FURTHER THAT the remuneration aforesaid including the benefits and amenities, be paid and allowed as minimum remuneration during the currency of his tenure, in the event of loss or inadequacy of profits in any financial year."

- 14) To consider and, if thought fit, to pass with or without modification, the following Resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 198, 309, 310, 314 and Schedule XIII and other applicable provisions if any of the Companies Act, 1956 and subject to such approvals and consents as may be required, the remuneration of Shri P.Trivikrama Prasad, Executive Director, be revised with effect from 1st April, 1998 as under:

- i) Salary: Rs. 40,000/-Per month
- ii) Commission @ 1% on Net Profits of the Company computed in the manner laid down in Section 309 (5) of the Companies Act, 1956
- iii) Perquisites: In addition to the salary and commission, he shall be entitled to the Perquisites, classified under Category 'A', 'B' and 'C' as per statement laid on the table and initialled by the Chairman for purpose of identification and the Perquisites in Category 'A' shall be restricted to an amount equivalent to the annual salary."

"RESOLVED FURTHER THAT the remuneration aforesaid including the benefits and amenities, be paid and allowed as minimum remuneration during the currency of his tenure, in the event of loss or inadequacy of profits in any financial year."

By Order of the Board
For **NAVA BHARAT FERRO ALLOYS LIMITED**

T.R. Rao
Company Secretary &
Chief General Manager
(Corporate Affairs)

Hyderabad
25th July, 1998

NOTES :

01. The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 is annexed hereto.
02. A Member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote on a poll only, on his/her behalf and such Proxy need not be a Member of the Company. The Proxy Form duly completed and signed must be deposited at the Registered Office of the Company not later than 48 hours before the Meeting.
03. The Share Transfer Register and Register of Members of the Company will remain closed from 16th September, 1998 to 23rd September, 1998 (both days inclusive) to determine the Members entitled to dividend.
04. As per provisions of Section 205A of the Companies Act, 1956, the Company has already transferred the amount of all unclaimed dividends declared upto and including the period ended 31st March, 1994 to the General Revenue Account of the Central Government. Those Shareholders who have so far not claimed or collected their dividend upto the aforesaid financial year may claim their dividend from Registrar of Companies, Andhra Pradesh, Hyderabad. The unclaimed dividend for the period ended 31st March, 1995 will also be transferred to the said Account of the Central Government as per the provisions of the aforesaid Section. Hence, the Members of the Company and also the Members of erstwhile Nav Chrome Limited (since amalgamated with the Company) who have not yet claimed their dividend for the year 1994-95, may claim the same immediately.
05. Members are requested to furnish details of their Bank Accounts, viz., name of bank, full address of the branch, Account No. and folio No. for incorporation in the dividend warrant.
06. Any change of address of the Members may please be notified to our Registrars, M/s. KARVY Consultants Limited, 'KARVY HOUSE', 46, Road No.4, Street No.1, Banjara Hills, Hyderabad - 500 034 quoting the Registered Folio Number.
07. Please bring your copy of the Annual Report to the Meeting.



Explanatory Statement (Pursuant to Section 173(2) of the Companies Act, 1956)

Item Nos. 6, 7 & 8:

Dr.E.R.C.Shekar, Dr.M.V.G.Rao and Shri K Balarama Reddi, were appointed as Additional Directors under Section 260 of the Companies Act, 1956 and they would hold office up to the date of this Annual General Meeting.

The Company has received notices from Members together with necessary deposit of Rs. 500/- in each case, proposing that Dr.E.R.C.Shekar, Dr.M.V.G.Rao and Shri K Balarama Reddi, be appointed as Directors, liable to retire by rotation, pursuant to the provisions of Sections 255 and 257 of the Companies Act, 1956.

Dr.E.R.C.Shekar is a highly qualified Metallurgist with wide experience in steel industry. Dr.M.V.G.Rao is a Chemical Engineer with several years of experience in varied industries. Shri K Balarama Reddi is an eminent Electrical Engineer and is an authority in the field of power generation, transmission, distribution and project planning.

Your Directors are of the view that the Board would be strengthened and benefited from their rich experience and commend their appointments in the best interest of the Company.

None of the Directors, other than Dr E R C Shekar, Dr M V G Rao and Shri K Balarama Reddi is in any way concerned or interested in the respective resolutions concerning their appointments.

Item Nos. 9 & 10

At the Extraordinary General Meeting of the Company held on 23rd May'98 the Members considered and approved issue and allotment of 12% Non-Cumulative Redeemable Preference Shares of Rs. 100/- each at par to holders of Rights Shares allotted on 29th January, 1996 on which sums in excess of Rs. 30/- per share was paid up.

At present, Clause V of Memorandum of Association, interalia, provides for 25,00,000 Cumulative Redeemable Preference Shares on Rs. 100/- each amounting to Rs. 25 Crores. It is now proposed to further classify a part of the Cumulative Redeemable Preference Shares of Rs. 100/- each to the extent of Rs. 5 Crores into 5,00,000 - 12% Non-Cumulative Preference Shares of Rs. 100/- each without any increase in the Authorised Share Capital.

The alteration of Article 3 of Articles of Association is consequent to the above modification to Clause V of Memorandum of Association.

None of the Directors is in any way concerned or interested in the resolution.

Item No. 11

The Companies Act, 1956 at present prohibits the Company from purchasing its own shares, but it is anticipated that the law may in future permit a Company to buy-back its own shares. It is proposed to enable the Company to buy-back its shares not exceeding 10% of the paid-up capital of the Company from the Members or from the open market or as may be permitted by law. The buy-back of shares will be at the rate and from the funds permitted by law as set out in the resolution.

Provision of buy-back of Equity Shares seeks to reaffirm the intrinsic worth of the share independent of its prevailing market price. The buy-back mechanism is proposed to improve earnings per share and to some extent your Company can also redress the 'odd lot' problem.

The resolution if approved will be operative for and will be given effect to within a period of 15 months from the date of passing the resolution or such other time limit as may be prescribed by law whichever is later.

The Directors commended the resolution for the Members' approval.

Item Nos. 12, 13 & 14

The profitability and growth of the Company has improved considerably year after year with the efforts of the Executive Directors under the overall supervision and guidance of the Chairman and Managing Director. There was no change in the remuneration of the Executive Directors with effect from 1st April'95. The Board of Directors considered to propose revision in their remuneration from the financial year commencing from 1st April'98 for the remaining period of their present term. The proposed remuneration is within the limits and in accordance with the guidelines as per Schedule XIII of the Companies Act, 1956. The Board of Directors at their meeting held on 25th July, 1998 considered it appropriate to revise the remuneration of the Executive Directors with effect from 1st April, 1998 as detailed below:-

1) Remuneration :

- i) Salary :

Shri V.S. Prasad	Rs. 40,000/- per month
Shri D. Ashok	Rs. 40,000/- per month
Shri P. Trivikrama Prasad	Rs. 40,000/- per month
- ii) Commission :

Commission @ 1% on the net profits of the Company computed in the manner laid down in Section 309(5) of the Companies Act, 1956 to each Executive Director.



- 2) Perquisites: In addition to the salary and commission, the Executive Directors shall be entitled to the Perquisites, classified under Category "A", "B" and "C" as detailed below:

CATEGORY : A

- (i) Housing:
 - (a) The expenditure incurred by the Company on hiring furnished accommodation for them will be subject to a ceiling of 60% of salary.
 - (b) Where accommodation in the Company-owned house is provided, they shall pay to the Company by way of rent 10% of the salary. Wherever the Company does not provide accommodation, House Rent Allowance shall be paid in accordance with (a) above.
 - (c) The expenditure incurred by the Company on gas, electricity, water and furnishing will be evaluated as per Income Tax Rules, 1962. This will, however, be subject to a ceiling of 10% of the salary paid to them.
- (ii) Medical benefits for self and family:
Reimbursement of expenses actually incurred, the total cost of which to the Company shall not exceed one month's salary in a year or three months' salary over a period of three years.
- (iii) Leave Travel Concession:
For self and family once in a year incurred in accordance with the rules of the Company.
- (iv) Club Fees:
Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.
- (v) *Personal Accident Insurance:*
Of an amount the annual premium of which does not exceed Rs. 4,000/-.

The Perquisites under this Category shall be restricted to an amount equivalent to the annual salary proposed for each Executive Director.

CATEGORY : B

Contribution to Provident Fund, Superannuation Fund or Annuity Fund, as per the Rules of the Company to the extent these are not taxable under the Income-Tax Act either singly or put together. Gratuity, payable shall not exceed half a month's salary for each completed year of service.

The Perquisites under this Category shall not be included in the computation of the ceiling on remuneration specified in the Resolution.

CATEGORY : C

- (i) Free use of Company's car with driver for the business of the Company. Use of car for private purposes shall be billed by the Company.
- (ii) Free telephone facility at residence. All personal long distance calls shall be billed by the Company.
- (iii) Leave on full pay and allowance as applicable to other employees of the Company but not exceeding one month's salary for every 11 months service.
- (iv) They shall also be entitled to reimbursement of expenses actually and properly incurred by them for the business of the Company.
- (v) Any other perquisites that may be allowed as per the guidelines issued by the Central Government from time to time.

The Perquisites under this Category shall not be included in the computation of the ceiling on remuneration specified in the Resolution.

The remuneration payable to the Managing Director and the Executive Directors as aforesaid, shall be subject to the limit of 10% of the Net Profits of the Company, as laid down in Section 309(3) of the Companies Act, 1956 and the overall limit of 11% of the Net Profits of the Company as laid down in Section 198(1) of the said Act.

The remuneration aforesaid including the benefits and amenities shall be paid and allowed as minimum remuneration to the Executive Directors during the currency of their tenure, in the event of loss or inadequacy of profits in any financial year.

The proposed revision in the remuneration payable to the Executive Directors is well within the limits specified in Schedule XIII of the Companies Act, 1956.

Shri V.S.Prasad, Shri D.Ashok and Shri P.Trivikrama Prasad are interested in the resolutions to the extent of the remuneration payable to them. Dr.D.Subba Rao, being related to Shri D.Ashok and Shri P.Trivikrama Prasad, is also deemed to be interested.

The terms and conditions set out in the notice may, pursuant to Section 302 of the Companies Act, 1956 be treated as an abstract of the revised terms of remuneration by way of salary, commission and perquisites to each Executive Director.

By Order of the Board
For **NAVA BHARAT FERRO ALLOYS LIMITED**

T R RAO
Company Secretary &
Chief General Manager
(Corporate Affairs)

Hyderabad
25th July, 1998



NAVA BHARAT FERRO ALLOYS LIMITED

'Nava Bharat Chambers', 6-3-1109/1, Raj Bhavan Road, Hyderabad-500 082

REPORT CONTENTS .com

	Page
Five Years at a Glance	2
Management	3
Directors' Report	4-7
Annexure to the Directors' Report	8-9
Auditors' Report	10-11
Balance Sheet	12
Profit & Loss Account	13
Schedules 1 to 22	14-32
Balance Sheet Abstract	33-34
Cash Flow Statement	35-36



Five Years at a Glance

	1993-94	1994-95	1995-96	1996-97	(Rs. in Lakhs) 1997-98
Sources of Funds:					
Share Capital	354.03	528.14	639.77	1,039.29	1,543.27
Share Application/Allotment/Call Money	157.33	90.86	325.54	—	—
Reserves	1,610.84	2,190.82	3,715.59	6,463.13	7,602.48
Loans	1,560.14	2,829.23	5,523.10	15,981.52	17,510.91
	<u>3,682.34</u>	<u>5,639.05</u>	<u>10,204.00</u>	<u>23,483.94</u>	<u>26,656.66</u>
Application of Funds:					
Fixed Assets less Depreciation	1,443.19	1,907.77	4,284.57	14,241.06	19,530.69
Investments	415.46	420.52	465.76	479.30	439.17
Net Current Assets	1,815.07	3,306.45	5,453.67	8,737.37	6,664.96
Miscellaneous Expenditure	8.62	4.31	—	26.21	21.84
	<u>3,682.34</u>	<u>5,639.05</u>	<u>10,204.00</u>	<u>23,483.94</u>	<u>26,656.66</u>
Profits:					
Profit	186.00	409.53	1,143.73	1,049.68	1,433.46
Dividend	70.81	92.63	164.97	271.99 @	313.99 @
Retained Profit	<u>115.19</u>	<u>316.90</u>	<u>978.76</u>	<u>777.69</u>	<u>1,119.47</u>
Other Data:					
Dividend per Share (Rs.)	2.00	2.00	3.00	2.50	2.50
Debt Equity Ratio	1:0.30	1:0.45	1:0.90	1:1.74	1:1.47

OUR CONTRIBUTION TO NATIONAL REVENUE

Sales Tax, Purchase Tax etc.	248.19	371.35	475.65	396.77	574.73
Excise Duty	705.32	777.98	841.84	1,166.30	1,317.88
	<u>953.51</u>	<u>1,149.33</u>	<u>1,317.49</u>	<u>1,563.07</u>	<u>1,892.61</u>

@ Includes Corporate Dividend Tax