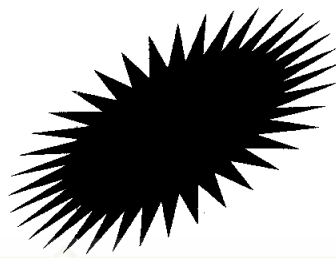


NAVA BHARAT FERRO ALLOYS LIMITED



29th ANNUAL REPORT 2000-2001

NAVA BHARAT FERRO ALLOYS LIMITED

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

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NAVA BHARAT FERRO ALLOYS LIMITED

Five Years at a Glance

	(Rs. in Lakhs)				
	2000-01	1999-2000	1998-99	1997-98	1996-97
Sources of Funds :					
Share Capital	1774.75	2074.75	2073.32	1543.27	1039.29
Reserves	7806.55	7484.86	7260.42	7602.48	6463.13
Loans	18300.85	19838.85	17863.37	17515.25	15981.52
	<u>27882.15</u>	<u>29398.46</u>	<u>27197.11</u>	<u>26661.00</u>	<u>23483.94</u>
Application of Funds :					
Fixed Assets less Depreciation	17576.09	21694.71	19284.07	19530.69	14241.06
Investments	290.40	288.08	374.30	439.17	479.30
Net Current Assets	10007.37	7403.01	7521.72	6669.30	8737.37
Miscellaneous Expenditure	8.29	12.66	17.02	21.84	26.21
	<u>27882.15</u>	<u>29398.46</u>	<u>27197.11</u>	<u>26661.00</u>	<u>23483.94</u>
Profits :					
Profit after Taxation	593.95	529.55	420.34	1433.46	1049.68
Dividend and Corporate Dividend Tax	272.26	306.61	249.75	313.99	271.99
Retained Profit	<u>321.69</u>	<u>222.94</u>	<u>170.59</u>	<u>1119.47</u>	<u>777.69</u>
Other Data :					
Dividend per Share (Rs.)	1.20	1.20	1.50	2.50	2.50
Debt Equity Ratio	1.43	1.62	1.52	1.47	1.74
OUR CONTRIBUTION TO REVENUE					
Sales Tax, Purchase Tax etc.	1356.81	1053.20	662.62	574.73	396.77
Excise Duty	1291.89	1359.84	1018.09	1317.88	1166.30
	<u>2648.70</u>	<u>2413.04</u>	<u>1680.71</u>	<u>1892.61</u>	<u>1563.07</u>

NAVA BHARAT FERRO ALLOYS LIMITED

Board of Directors

Sri D. Ashok

Managing Director

Sri P. Punnaiah

Sri J. Narayana Murthy

IDBI Nominee

Dr. G. Sreeramjee

Dr. E.R.C. Shekar

Dr. M.V.G. Rao

Sri K. Balarama Reddi

Sri V.S. Prasad

Executive Director

Sri P. Trivikrama Prasad

Executive Director

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

Registered Office
"Nava Bharat Chambers"
6-3-1109/1
Raj Bhavan Road
Hyderabad - 500 082

Auditors

Messrs Brahmayya & Co.
Chartered Accountants
Flat No. 403
Golden Green apartments
Irrum Manzil Colony
Somajiguda, Hyderabad - 500 082

Works :

Electrometallurgical Division
**Ferro Alloy Plant (A.P.) &
Power Plant**
Paloncha - 507 154
Khammam District
Andhra Pradesh

Sugar Division

Samalkot - 533 440
East Godavari District
Andhra Pradesh

Bankers

State Bank of India
Andhra Bank
Bank of India
IDBI Bank Limited

Ferro Alloy Plant (Orissa)

Khadgaprasad Village
Dhenkanal District - 759 121
Orissa

Machine Building Division

Nacharam
Hyderabad - 500 076
Andhra Pradesh

Registrars and Share Transfer Agents

Karvy Consultants Limited
"Karvy House"
46, Avenue 4, Street No. 1
Banjara Hills
Hyderabad - 500 034

Ferro Alloy Plant (Chhattisgarh)

Plot 114 to 122, Sector 'C'
Urla Industrial Area
Raipur - 493 221
Chhattisgarh

Marine Products Division

Victory Court
Nowroji Road
Maharanipeta
Visakhapatnam - 530 002
Andhra Pradesh

NABA BHARAT FERRO ALLOYS LIMITED

Directors' Report**Dear Members,**

Your Directors have pleasure in presenting their Twenty Ninth Annual Report of the Company together with the Audited Accounts and the Report of the Auditors for the year ended 31st March, 2001.

FINANCIAL RESULTS

	Year ended 31.03.2001 Rs. Lakhs	Year ended 31.03.2000 Rs. Lakhs
Turnover and Income	32299.51	29159.61
Profit before Interest, Depreciation and Taxation	4626.12	4675.24
Less : Interest (net of interest income and interest capitalised)	2845.99	2809.62
Profit before Depreciation and Taxation	1780.13	1865.62
Depreciation	1131.18	1266.07
Profit after Depreciation	648.95	599.55
Provision for Taxation	55.00	70.00
Profit after Tax	593.95	529.55
Balance brought forward from last year	654.37	681.43
Profit available for Appropriation	1248.32	1210.98

Appropriations :

Proposed Dividend - Equity	143.15	143.15
- Preference	103.91	106.31
Corporate Dividend Tax	25.20	57.15
Capital Redemption Reserve	150.00	200.00
General Reserve	50.00	50.00
Surplus carried to Balance Sheet	776.06	654.37
	1248.32	1210.98

NAVA BHARAT FERRO ALLOYS LIMITED

REVIEW OF OPERATIONS :

Members will be pleased to note that the Ferro Alloy Plants of the Company in Andhra Pradesh and Orissa operated at their optimum capacity during the year and achieved commendable performance in the production and sale of ferro alloys. An all time record was established with production and sales of the ferro alloys of 102149 MT and 108536 MT respectively, in the year compared to 89698 MT of production and 89130 MT of sales for the previous year reflecting an increase by 14% in production and 22% in sales. It is also gratifying to report that the export turnover has doubled from Rs. 31.22 crores in the previous year to Rs. 62.84 crores during the year under review.

The Scheme of Balancing cum Expansion of the Power Plant from 30 MW to 50 MW was commissioned during the year as per schedule. The Power Generation went up from 300.4 million units to 340.3 million units following commissioning of the expanded capacity and improved operating efficiencies. During the year under review, a fire accident took place in the second boiler commissioned by the Company. Fortunately there were no casualties in the accident. This accident had only a marginal effect on the operations of the Power Plant since the repair work was carried out at a fast pace during the scheduled maintenance period so as to minimise overall down time. The Company's claim for insurance is under active process.

The Sugar Plant crushed 427621 tonnes of cane compared to 365360 and sustained crushing rate @ 2500 TCD. The modernisation of sugar plant has yielded desired results by increase in sugar recovery from 9.53% to 9.84%, besides quality improvement.

While the Company has improved manifold in the areas of production and sales at optimum levels of capacity in ferro alloys, power generation and sugar plant, stiff pressure on margins continued this year also, with the ferro alloy plant in Orissa taking the brunt of this recession. This unit is in an unenviable situation of not having captive chromite ore mines and is also subject to higher power cost from Grid and NTPC. While AP unit of ferro alloys capitalised on the availability of captive power, the unit in Orissa could not obtain the full recovery of costs despite operating at above 70% capacity. The ferro alloy price line generally moved in tandem with lack lustre international prices. The Company has barely managed to stay afloat in its principal business only because of captive power generation, while many domestic players have either shut down their operations or operated at reduced scales.

Although, the crushing of sugar cane and sugar recovery improved, these were negated by less than expected production of rectified spirit and reduced generation in the co-generation plant. The Company found that further modernisation is required in the sugar plant in the areas of quality improvement, grading and storage and there is scope for enhancement in co-generation capacity.

Members are aware that the Engineering Industry has not turned around even after 4 years. As a result, the Machine Building Division reported net loss for the year although the turnover based on carried over works has shown improvement.

On the whole, sales of the Company improved to Rs. 313.32 crores from Rs. 271.34 crores during the year under review, while net profit for the year was Rs. 6.49 cores compared to Rs. 6 crores during the previous year. Considering that the operations for the year under review did not have any extraneous revenue as in the previous year(s), the performance should be considered satisfactory.

RESTRUCTURING OF HIGH COST DEBT :

The sustained efforts of the Company to restructure costly rupee debt successfully culminated during the year under review. Your Company obtained a term loan of JPY 2 Billion from Bank of India and substituted the high cost rupee debt from IDBI obtained for the Power Plant with this JPY loan. IDBI was kind enough to agree to this restructuring by providing guarantee assistance against the JPY loan. The company has since prevailed upon ICICI also to reduce the rate of interest on the outstanding rupee term loans and is pursuing with IDBI for similar reduction on the balance term loans outstanding. The benefit of this restructuring of loans and interest reduction is expected to accrue from the current year onwards.

OTHER FINANCIAL ASSISTANCE :

During the year under review, the Company has obtained Long Term Lease Assistance from ICICI and a rupee term loan from UCO Bank to part finance the expansion of the Power Plant from 30 MW to 50 MW and to replace a part of the high cost rupee debt from IDBI.

OUTLOOK FOR THE CURRENT YEAR :

A sudden and unforeseen implementation of anti-dumping duty in USA and some other countries during the current year against Silico Manganese from India created a set

NAVA BHARAT FERRO ALLOYS LIMITED

back in the exports. The Company has been exploring possibilities of strengthening its presence on the export front to countries such as Japan, Indonesia, Middle East, Turkey and European countries.

Owing to a steep fall in the ferro chrome prices internationally, production was reduced both in Orissa Plant and A.P. Plant. The power tariff in Orissa was subjected to volatile fluctuations with OERC directing for higher power tariff than was proposed by CESCO. Faced with the higher tariff and reduction in ferro chrome prices, the Company had no other option but to temporarily stop the production in this unit till such time as prices for Ferro Chrome improve.

Members will be glad to know that the long pending issue of Chromite Ore Mining Lease was decided in favour of the Company by the Orissa High Court. Formal orders are awaited to commence the mining activity. The Company stands to benefit by captively sourcing the Chromite Ore for its operations. This will add to core strength of the Company henceforth and imparts further competitiveness in the Ferro Chrome production.

The Company has switched product mix to avoid stock piling of Ferro Alloys on account of exports becoming slower. Although during first quarter the Orissa unit did not produce, the Company hopes to make up the deficit in the balance nine months and achieve targeted production and sales.

The Company has renewed the power purchase arrangement with APTRANSCO, and is hopeful of sustaining a healthy Plant Load Factor in the Power Plant. It is expected that the captive power generation will provide the resilience in this tough industry scenario.

The Company proposes to modernise the sugar plant further to improve upon the quality of sugar and achieve higher value addition and also increase the co-generation capacity to match the expected crushing of cane. The Company is of the view that this measure will enable the sugar division to contribute significantly to the overall profitability of the Company.

As the operations of the Machine Building Division continued to be bogged down by the downtrend in the engineering industry, the Company is considering alternative solutions to re-deploy the available man and machine resources in this unit to achieve viability in the long run.

DIVIDEND ON PREFERENCE SHARE CAPITAL :

A sum of Rs.103.91 lakhs being dividend for 2000-2001 on

the Cumulative and Non-cumulative Redeemable Preference Share Capital is proposed to be appropriated out of the current year's profit.

DIVIDEND ON EQUITY SHARE CAPITAL :

Your Directors recommend Dividend @ 12% on the Paid-up Equity Share Capital subject to necessary approvals absorbing a sum of Rs. 143.15 lakhs.

The aggregate dividend pay-out including Corporate Dividend Tax for the year 2000-2001 amounts to Rs. 272.26 lakhs as against Rs. 306.61 lakhs for the previous year.

INFORMATION TECHNOLOGY :

Members will be glad to know that the SAP R/3 ERP package ensures a smooth dissemination of information in the operation of FAP (AP) and Power Plant. The Company is fine-tuning certain features of the package to make it more user friendly. This enthruses the Company to extend this application for other Plants also to improve productivity.

Although, Information Technology Business has slowed down globally, a few niche areas still have good potential for growth and offer a good investment opportunity. Your Company proposes to make strategic investment in some companies which have the potential to grow and which are not affected by the general slow down in the industry. It is expected that this calculated investment will yield good return in the long run.

FIXED DEPOSITS :

There are no overdue deposits remaining unpaid beyond the date of maturity.

INSURANCE :

All the properties of the Company including Buildings, Plant and Machinery and Stocks have been adequately insured.

DIRECTORS :

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Dr. M.V.G.Rao and Sri V.S.Prasad will be retiring by rotation at this Annual General Meeting and are eligible for reappointment.

AUDITORS' COMMENTS :

The Note No.9 of Schedule 22 to the attached Balance Sheet

NAVA BHARAT FERRO ALLOYS LIMITED

referred to by the Auditors in their report is self-explanatory. The Company has been pursuing for recovery of the outstanding amounts and has initiated legal proceedings against parties who have defaulted in paying lease rentals and repayment of short term loans and other receivables. It is not considered necessary or advisable to make a provision at this stage.

Regarding the Auditors' comments on capitalisation of Exchange Variation, your Directors feel that this is in line with the spirit of the relevant Accounting standard as the indirect use of proceeds of the Foreign Currency Loan is not explicitly covered by the Accounting standards. As such the accounting treatment of the exchange variation is considered appropriate and is in accordance with the accepted practice of capitalisation of exchange difference of Foreign Currency Loan, funding fixed assets.

AUDITORS :

M/s.Brahmayya & Co., Chartered Accountants, Hyderabad, the Auditors of the Company will retire at the conclusion of the ensuing Annual General Meeting and they have conveyed their consent for reappointment.

COST AUDIT :

The approval of the Central Government for the appointment of Sri A.V.Ramana Rao, FICWA, Cost Accountant to conduct the Cost Audit in respect of Sugar and Industrial Alcohol manufactured by the Company for the year ended 31st March, 2001 as recommended by the Board has been received vide Order Nos. 52/261/CAB-89 (CLB) dt.20.12.2000 and 52/236/CAB-88 (CLB) dt. 20.12.2000.

CORPORATE GOVERNANCE :

The Company has been pursuing the code of Corporate Governance, enunciated by SEBI, even before it has been mandatory to us.

You will be glad to note that :

- a) The Board of Directors has an optimum combination of executive and non-executive Directors of not less than 50% being non-executive Directors and not less than 1/3rd of the members of the Board being independent Directors.
- b) The Board of Directors meets at least 4 times in a year, each Director discloses the interest in other companies at the beginning of each financial year.

Annual operating and capital budgets, quarterly operating results, statutory compliances etc., are deliberated at the meetings. During the Financial Year 2000-2001 the Board met 6 times.

- c) A Committee of 3 Directors has been formed which, apart from considering the share transfers and transmissions, takes special care of the shareholders' grievances and complaints. The Company had obtained approval for dematerialisation of its equity shares and entered into agreements with NSDL, CDSL (Depositories) and Karvy Consultants Ltd. (Registrars).
- d) An Audit Committee has been constituted to address specific areas of internal audit control system and related areas with Sri K.Balarama Reddi, Sri J.Narayana Murthy and Sri P.Trivikrama Prasad as the members.

DIRECTORS' RESPONSIBILITY STATEMENT :

The Directors confirm that in the preparation of Annual Accounts for the year ended 31.03.2001 ;

- Applicable accounting standards have been followed including the capitalization of exchange variation on Foreign Currency Loan as explained above.
- The accounting policies framed in accordance with the guidelines of the Institute of Chartered Accountants of India have been applied.
- Reasonable and prudent judgement and estimates were made so as to give a true and fair view of the state of affairs of the Company.
- Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, as applicable.
- The accounts have been prepared on 'a going concern' basis.

VOLUNTARY DELISTING ON MADRAS STOCK EXCHANGE :

The shares of the Company have not been traded on the Madras Stock Exchange for several years. The number of shares held by the members in Tamil Nadu region is very few. Moreover, the Company's shares are listed on the National Stock Exchange and it is also mandatory to deal the shares in the dematerialised form for which the

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Company has already taken necessary steps. As a cost saving measure, the Board has decided to voluntarily delist the securities from Madras Stock Exchange.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE :

As required under the provisions of Section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in Report of Board of Directors) Rules, 1988, the particulars relating to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo have been given in the annexure, which forms part of this Report.

PARTICULARS OF EMPLOYEES :

None of the employees of the Company are covered by the provisions of Section 217(2A) of the Companies Act, 1956.

INDUSTRIAL RELATIONS :

Industrial relations have been cordial and your Directors

appreciate the sincere and efficient services rendered by the employees of the Company at all levels towards successful working of the Company.

ACKNOWLEDGEMENT :

Your Directors wish to place on record their appreciation of the co-operation extended by the Financial Institutions and the Company's Bankers from time to time. Your Directors wish to thank the Governments of Andhra Pradesh, Orissa and the State utilities for their continued support. The Board is thankful to the Shareholders for their continued warm co-operation to the Company.

For and on behalf of the Board
D. Ashok
Managing Director

Hyderabad
30th June, 2001

P. Trivikrama Prasad
Executive Director

Annexure to Directors' Report

INFORMATION PURSUANT TO SECTION 217(1)(e) OF THE COMPANIES ACT, 1956, READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31st MARCH, 2001.

A. CONSERVATION OF ENERGY :

a. Energy conservation measures taken :

Modifications for fans and impellers have been carried out to save power consumption in the Ferro Alloy Plant. In the Power Plant, Boiler feed pump of higher capacity and a booster pump for de-aeration of warm up water were installed to save on energy and heat loss, respectively.

In the Sugar Plant, flow meters for weighing cane juice replacing conventional weighing system were installed resulting to reduction in power consumption.

b. Additional investments and proposals, if any, being implemented for reduction of consumption of energy :

Automation for continuous operation of boiling pan is proposed in the sugar plant.

Provisions of fluid coupling, variable frequency drives for the fans in both the boilers are proposed in the Power Plant.

c. Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods :

Improvement in the quality of Sugar and reduction in power consumption in the Sugar Plant are achieved.

The proposed modifications will result in reduction of auxiliary power consumption and improve efficiency of the boilers through increased steam input in the Power Plant.

NAVA BHARAT FERRO ALLOYS LIMITED

d. Total energy consumption and energy consumption per unit of production :

	Current Year	Previous Year
1. Power & Fuel Consumption		
a. Electricity		
i) Purchased :		
Units (KWH)	470341	765106
Total Amount (Rs. in lakhs)	27.67	34.83
Rate/Unit (Rs.)	5.88	4.55
b. Own Generation		
i) Through Diesel		
Generator Units	62401	112662
Units per Litre of Diesel	2.86	3.02
Cost/Unit (Rs.)	6.26	4.45
ii) Through Steam		
Turbine/Generator :		
Units	11984880	10972543
2. Coal (Distillery)		
Quantity (Tonnes)	124	804
Total Cost in Lakhs Rs.	1.65	11.36
Average rate (Rs.)	1329.87	1413.27
3. Furnace Oil		
Quantity (K. Ltrs.)	—	—
Total Amount	—	—
Average rate (Rs.)	—	—
4. Other/Internal		
Generation Quantity	—	—
Total Amount	—	—
Average rate (Rs.)	—	—

As per the prevailing rules, Ferro Alloys, Power Generation and Machine Building are excluded industries for the purpose of this information and hence the above particulars pertain to sugar plant only.

B. TECHNOLOGY ABSORPTION :**a) Research and Development :****i) Areas in which R&D is carried out by the Company :**

Continuous casting machine was installed to reduce fines generation in the finished product and sintering and briquetting of Manganese and Silico Manganese fines were taken up for efficient use of inputs.

Conservation of water, reduction in auxiliary power consumption, and reduced furnace down time for ferro alloys are some of the areas where R&D has been applied.

ii) Benefits derived as a result of above R&D :

Reduction in the cost of production, improving the product value and quality of finished products are some of the achievements as a result of R&D efforts.

Control over frequent tripping has been achieved and consequent frequency disturbances are considerably reduced.

iii) Future plan of Action :

Provision for variable frequency drives for SA Fans, Fluid couplings for ID Fans for the Boilers, recovery of un-burnt carbon in bed ash for utilisation for the Boiler of the Power Plant, diversification into production of Ferro Manganese low and medium carbon Silico Manganese are some of the areas that will be covered under R&D.

b) Technology Absorption, Adaptation and Innovation :

The Company has not used any imported technology in its operations.

C. FOREIGN EXCHANGE EARNINGS & OUT-GO :

	Current Year Rs. in lakhs	Previous Year Rs. in lakhs
1. Foreign Exchange Earnings at FOB Value	6285.00	3122.13
2. Foreign Exchange outgo :		
i. CIF Value of Imports	546.76	730.61
ii. Others	19.15	26.97

For and on behalf of the Board

D. Ashok

Managing Director

Hyderabad
30th June, 2001

P. Trivikrama Prasad
Executive Director