

ROHIT FERRO-TECH LIMITED

ANNUAL REPORT 2006-07



ALLOYING
INNOVATION
QUALITY

Board of Directors

| | |
|-------------------------|------------------------------|
| Mr. Suresh Kumar Patni | <i>Chairman</i> |
| Mr. Rohit Patni | <i>Managing Director</i> |
| Mr. Ankit Patni | <i>Jt. Managing Director</i> |
| Mr. Binit Jain | <i>Executive Director</i> |
| Mrs. Sarita Patni | <i>Director</i> |
| Mr. Kailash Chand Jain | <i>Director</i> |
| Mr. Jayant Chatterjee | <i>Director</i> |
| Mr. Jatindra Nath Rudra | <i>Director</i> |

CFO & Company Secretary

Mr. Pramod Kumar Jain

Auditors

M/s. S. Jaykishan
Chartered Accountants
12, Ho-Chi Minh Sarani
Kolkata - 700 071

Bankers

State Bank of India
State Bank of Travancore
State Bank of Hyderabad
United Bank of India

Registered and Corporate Office

35, Chittaranjan Avenue
Kolkata - 700 012
Phone : +91-33-2211 9805/9806
Fax : +91-33-22114134
E-mail : enquiry@rohitterrotech.com
Website : www.rohitterrotech.com

Plant Information

Bishnupur

WBIIDC Road, P.S. : Bishnupur
P.O. : Dwarika - 722 122
Dist : Bankura, West Bengal

Jajpur

Kalinganagar Industrial Complex
P.O. : Duburi - 755 026
District : Jajpur, Orissa

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*"A Winning
Statement"*



Directors' Report



DIRECTORS' REPORT

To The Shareholders

Your Directors have pleasure in presenting their 7th Annual Report together with Audited Statement of Accounts for the Financial year ending March 31st, 2007.

FINANCIAL RESULTS :

(Rs. in lacs)

| Particulars | Current Year March 31st 2007 | Previous Year March 31st 2006 |
|--|---------------------------------|----------------------------------|
| Net Sales | 20,211.11 | 13,132.96 |
| Earning Before Interest Depreciation and Tax (EBIDTA) | 3,265.02 | 1,684.06 |
| Interest | 745.40 | 350.13 |
| Depreciation | 233.55 | 155.73 |
| Profit Before Tax (PBT) | 2,286.07 | 1,178.20 |
| Provision for Taxation | (461.19) | (173.12) |
| MAT Credit Entitlement | 218.85 | 99.14 |
| Profit After Tax (PAT) | 2,043.73 | 1,104.22 |
| Adjustment for earlier years | (28.71) | — |
| Adjustment for Extra-ordinary Items (Net of Tax) | (93.20) | 1,520.09 |
| Balance brought forward from previous year | 3,337.53 | 1,106.18 |
| Profit available for Appropriation | 5,259.35 | 3,730.49 |
| Less : Appropriated as under : | | |
| - Proposed Dividend (including Tax) | 403.20 | 392.96 |
| Surplus carried to Balance Sheet | 4,856.15 | 3,337.53 |

DIVIDEND

The Board has recommended a dividend @ 10% (Re.1/- per share) on Equity Share Capital for the year ended 31st March, 2007.

OPERATIONAL REVIEW

Your Directors are pleased to inform that the commercial production of the Company's Jajpur unit in Orissa has started. Presently, two furnaces are in operation and the remaining two will start production shortly.

The Bishnupur unit of the Company has maintained production at its full capacity during the year under review. The Company has added fourth furnace of 9 MVA which has started production from February, 2007.

Some operational highlights of the financial year 2007 vis-à-vis 2006 are :

Production of 51,157 M.T. as compared to 39,439 M.T.

Turnover of Rs. 202 crores as compared to Rs. 131 crores

Export of Rs. 104 crores as compared to Rs. 56 crores

DIRECTORS' REPORT

With firm commitment and persistent quality & efforts, your Company continues to maintain cordial relation with its global customers and added a number of new customers during the year. Our quality product and timely delivery have found wide acceptance in the highly competitive world market. During the year under review the Company generated a Net Profit of Rs. 20.44 crores, a growth of 85% as compared to Rs. 11.04 crores in the previous year.

The product of the Company is marketed worldwide and are internationally acclaimed for its premium quality and customisation, to suit individual needs of the end-users. Your Company exports High Carbon Ferro Chrome to all major user countries, particularly quality conscious countries in Europe, Middle-East and China.

NEW PROJECTS AND EXPANSION

The Jajpur (Orissa) project of the Company to set-up Four 16.5 MVA furnaces has been completed smoothly, despite some delay in implementation due to late delivery of critical components by the machinery suppliers, etc. This unit has started production from December, 2006 and currently, two out of its four furnaces are operating. The other two furnaces are awaiting power supply from the utility to start its production, which is expected to be received soon. The Company is having sufficient power supply agreement with the power supply utility NESCO.

Further, the Company recently announced addition of another 9MVA furnace (fifth) at Bishnupur, to be funded with Bank Loan and Internal Accruals. This will add another 15,000 MTPA to Bishnupur plant's capacity. This fifth furnace is expected to start its production by the end of this financial year.

After this expansion, the Company shall be the largest Merchant Producer of High Carbon Ferro Chrome in India as the total combined capacity of the Company after the expansion shall stand at 180,000 MTPA. The total furnace capacity will be 111 MVA comprising of five 9 MVA and four 16.5 MVA furnaces at Bishnupur and Jajpur respectively.

PUBLIC ISSUE PROCEEDS

During the year under review, the Company has deployed its entire IPO proceeds of Rs. 50.84 crores in the Jajpur project as mentioned in the 'Object of the Issue' in the prospectus.

DIRECTORS

Mr. Kailash Chand Jain and Mr. Jayant Kumar Chatterjee, Directors of your Company, are retiring by rotation at this Annual General Meeting and being eligible, offers themselves for re-appointment.

A notice under Section 257 has been received from a member for the appointment of Mr. Rohit Patni as a Director of your company, not liable to retire by rotation. Mr. Rohit Patni was appointed as an Additional Director of your Company on 27th August, 2007 and was subsequently appointed as a Managing Director w.e.f. 27th August, 2007. Your Directors recommend his appointment.

A notice under Section 257 has also been received from a member for the appointment of Mr. Ankit Patni as a Director of your company, not liable to retire by rotation. Mr. Ankit Patni was appointed as an Additional Director of your Company on 30th October, 2006 and was subsequently appointed as a Jt. Managing Director w.e.f. 27th August, 2007. Your Directors recommend his appointment.

During the year under review, Mr. S. K. Patni released the post of Chairman of the Company on 30th October, 2006 and re-designated as Managing Director. He has resigned from the post of Managing Director on 27th August, 2007 and appointed as Non-executive Chairman of the Company from the same date.

A brief resume/details relating to Directors seeking appointment/re-appointment is furnished in the explanatory statement to the notice of the ensuing Annual General Meeting.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm :

- i) that in the preparation of the annual accounts, the applicable accounting standards have been followed and no material departures have been made from the same;
- ii) that 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 and of the profit or loss of the Company for that period;



DIRECTORS' REPORT

iii) that they 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

iv) that they have prepared the accounts for the financial year on a 'going concern' basis.

AUDITORS AND AUDITORS' REPORT

M/s. S. Jaykishan, Chartered Accountants, Statutory Auditors of the Company hold the office until the conclusion of the ensuing AGM and are eligible for re-appointment.

The notes to the accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further comments.

FIXED DEPOSITS

Your Company has not accepted any Fixed Deposits from the Public and as such, no amount of principal and interest was outstanding on the date of the Balance Sheet.

CORPORATE GOVERNANCE

A Management Discussion and Analysis Report, and a Report on Corporate Governance along with Certificate from Company Secretary in practice regarding compliance with mandatory requirements as stipulated under Clause 49 of the listing agreement with stock exchanges, form part of the annual report.

PARTICULARS OF EMPLOYEES

Details of employees during the year drawing remuneration in excess of the limit specified under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended :

| Name | Age | Qualification | Date of Employment | Designation | Remuneration Received (Gross) | Experience | Last Employment |
|------------------------|----------|---------------|--------------------|-------------------|-------------------------------|------------|--|
| Mr. Suresh Kumar Patni | 47 Years | B.Com | April 07, 2000 | Managing Director | Rs. 46,50,000/- | 22 years | M/s Impex Ferro Tech Limited (Continuing as M.D.) |

DISCLOSURE OF PARTICULARS

A statement giving details of Conservation of Energy, Technology Absorption, and Foreign Exchange Earning and Outgo 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, 1988, is annexed to this report.

HUMAN RESOURCES & TRADE RELATIONS

Employees represent the backbone of our organisation, enhancing profitability & growth. The Company intends to continuously upgrade the professional and human resource skill of its employees. 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 and unstinting efforts of the employees have enabled your Company to grow steadily.

The Board also desires to place on record its appreciation for the support and co-operation received from State and Central Government, Suppliers, Customers, Bankers, Investors, as well as the Government Agencies. Your Company has always looked upon them as partners in its progress.

For and on behalf of the Board

Kolkata
27th August, 2007

Suresh Kumar Patni
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 :

- Close monitoring of high energy consuming equipments in plant.
- Using power factor controller/capacitors to maintain power factor.
- Keeping maximum demand under control by scheduling other loads during equipments' testing etc.
- Continuation and increasing scale of measures taken.

FORM - A

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

| Particulars | 2006-07 | 2005-06 |
|---|-------------|-------------|
| POWER & FUEL CONSUMPTION | | |
| 1. Electricity : | | |
| Total units Consumed | 208,083,850 | 167,139,50 |
| Amount (Rs.) | 397,736,574 | 313,993,678 |
| Average Rate Per Unit (Rs.) | 1.91 | 1.88 |
| 2. Coal & Coke : | | |
| Quantity (M.T.) | 37,898 | 26,454 |
| Total cost (Rs.) | 272,585,980 | 207,815,766 |
| Average Rate Per M.T. (Rs.) | 7,193 | 7,856 |
| CONSUMPTION PER M.T. OF PRODUCTION | | |
| 1. Electricity (Unit/M.T.) | 4,068 | 4,238 |
| 2. Coal & Coke (Kg/M.T.) | 741 | 670 |

B. TECHNOLOGY, ABSORPTION, ADAPTATION & INNOVATION

Research and Development

Intensive R & D activity is an over riding priority at the Company. With the help of our Technology Partner - National Metallurgical Laboratory (NML), the Company mainly focus on :

- Improving & optimizing furnace efficiency, developing process for pre-heating and pre-reduction of inputs, utilisation of natural gas for pre-reduction, alternative process logic & reactors,
- constant process improvement for increasing output quality to customer's specification,
- Testing and Certification of products,
- Participation in Conference and Seminars,
- Analyzing feedback from the users to improve products.

C. FOREIGN EXCHANGE EARNING AND OUTGO

During the year under review, the Company is NET FOREIGN EXCHANGE EARNER for the Country. Total Foreign Exchange used and earned :

| | |
|--------|--------------------|
| Used | Rs. 2,696.38 lacs |
| Earned | Rs. 10,439.40 lacs |

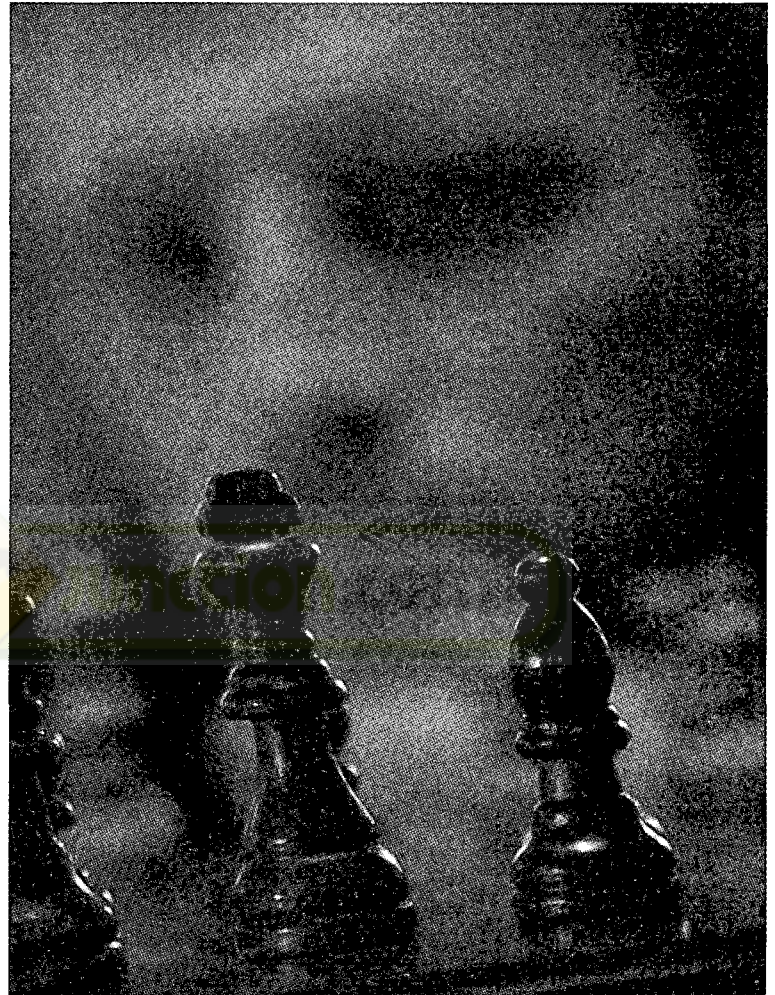
For and on behalf of the Board

Kolkata
27th August, 2007

Suresh Kumar Patni
Chairman



*"Planning a
winning strategy"*



Management Discussion and Analysis Report

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY STRUCTURE AND DEVELOPMENTS

Your Company (RFTL) is in the manufacturing of High Carbon Ferro Chrome, a kind of Ferro Alloy produced by the pyrometallurgical reduction of Chromite Ore with Carbon and/or Silicon in high temperature Electric Arc Furnaces. This is essentially an alloy of Iron and Chromium which may intentionally contain substantial levels of carbon and silicon.

Chromium is the most abundant of the Group-VIA family of metallic elements. At a concentration of nearly 400 parts per million in the earth's crust as various minerals, it is the 13th most common element. It is the supreme additive, endowing alloys or materials with new properties : **Strength, Hardness, Permanence, Hygiene, Colour and Resistance to Temperature, Wear and Corrosion.** This versatility has made chromium indispensable in countless everyday applications.

Reserves & Mine Production of the Chromium

At present consumption levels, the demonstrated reserves will last for several centuries, whilst less economical identified resources are sufficient to double that availability. As per the data available for 2005, active mining operations are widely dispersed worldwide mainly in South Africa, Kazakhstan and India, India being ranked 3rd in Chromite ore production (Source: *Investment Commission of India*). Other producer of chromium includes Brazil, Finland, Turkey and Zimbabwe etc.

The largest Chrome Ore deposit of India is situated in the Sukinda valley of Jajpur district surrounded by the Daitari Hill range on one side and the Mahagiri Hill range on the other side. The deposit contains here is 97% of the Chrome Ore reserve in India. (Source : *Kaliapani Mines-OMC Limited*)

High Carbon Ferro Chrome is easily recycled as Stainless Steel and in its metallic form, poses no threat to the environment

Ferro Chrome

The primary commercial supply of Chromium is in the form of Ferro Chrome for the ferrous and non-ferrous metal industries. Chromium is introduced into irons, steels and many super alloys by alloying with the intermediate product, Ferro Chrome.

High Carbon Ferro Chrome is easily recycled as stainless steel and in its metallic form, poses no threat to the environment.

Stainless Steel & Ferro Chrome

About 90% of the High Carbon Ferro Chrome produced is used in the making of Stainless Steel, where chromium is the unique ingredient. **Unique**, because it is Chromium that makes stainless steel 'stainless', the alloying element that allows its remarkable corrosion and oxidation resistance.

Stainless Steel will normally have a 10-30% chromium content and whilst other elements, such as molybdenum and nickel may be added to further enhance particular properties. There is no substitute for chromium for stainless steel production.

The additions of Ferro Chrome in low alloy steels contribute towards a range of improved properties, especially to achieve a balance of through-section hardness and toughness in Engineering Steels such as bearing, tool, high strength/low-alloy and high speed steels, pumps, valves, pipes, rolls and wear plates.

OUTLOOK

The Stainless Steel consumption around world has been growing with China maintaining its role as the largest consumer. This growing consumption of Stainless Steel all around the world is the key driver for the demand of High Carbon Ferro Chrome. The overall economic growth led by US, Japan, Europe, China and India being sustained, and with the boom in the steel market witnessed over last 3 years still continuing, the countries like China, India, Russia and other developing economies will be the major demand driver.

The growth of Ferro Alloys Industry is directly or indirectly linked with the growth of Iron & Steel Industry. In India, the average compounded growth rate of steel production during last 3 years was 11.1%, and the consumption growth during the same period was 11.3%. This further is supported by the user industries for steel namely utensils, automobiles, engineering, machinery and construction which continue to perform strongly. The public investment in infrastructure development of the nation has also risen, leading to the growing demand of steel. Thus, the industrial outlook for the country remains positive.

FUTURE PROSPECTS

The Company produced High Carbon Ferro Chrome which is mainly used in making Stainless and Special grades of Steel. The demand outlook for this industry is rising in the domestic as well as international market due to massive investment in core infrastructure sector, growth in consumer durables and automobiles sectors, promotion of stainless steel uses amongst architects and engineers etc. With the growth in these sector, the demand for our product is also tend to grow at an estimated rate of more than 10% per annum in the long term. Our Company is likely to benefit most from the increase in production capacity alongwith the increased demand from all over the world.



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The growing consumption of Stainless Steel all around the world is the key driver for the demand of the High Carbon Ferro Chrome

R & D ACTIVITIES

The collaborative project of the Company with National Metallurgical Laboratory (NML), Jamshedpur taken up last year to improve various process parameters like electrical power consumption, coke consumption, pre-reduction of the Ore and also improvement of the quality turned to be fruitful whereby we have achieved a significant reduction of power consumption of approx. 7.54% during the current year. Our efforts are directed towards achieving the following technological development in a phased manner over the next few years with the help of our NML :

- Pre-heating of ore by using exit gasses from the furnace
- Prereduction outside the S.A.F.
- Utilization of natural gas for pre-reduction
- Alternative process logic
- Process modeling and control
- Alternative reactors
- Utilization of slag

Your Company has also achieved to produce specific grades of Ferro Chrome such as with low phosphorous; high carbon etc. which fetch a good premium in the international market.

OPPORTUNITIES AND THREATS

The Company has started production from its Jajpur plant this year, and also from the 4th furnace of Bishnupur Plant. Further, an addition of 5th furnace at Bishnupur is proposed this year, enhancing its' total production capacity to 180,000 MT per annum to meet the growing demand of its' product in the domestic as well as in the international market. Presently, about 60% of its' production is being exported, and it maintains a rational basis of supply between domestic & international buyers.

The location of Jajpur plant with proximity to Chrome Ore Mines and Sea Port will give an added advantage to the Company in terms of savings in logistics, and thus competitiveness in the Industry.

The availability of raw-material and power is the major areas of threats in the ferro alloys industry.

The Company has long-term agreement with WBSEB and NESCO for bulk and uninterrupted power supply at its plants. Power constitutes the major cost component in our industry, which is available to the Company at very competitive rate. The Company has enjoyed an average effective power rate of Rs.1.91 during the Financial Year 07.

The Company had also applied for the mining lease for Chromite Ore, which once allotted, gives the Company an added advantage in terms of huge savings in the cost of raw material.

With the volatility in the market of High Carbon Ferro Chrome, the Company is also capable of production of other bulk Ferro Alloys like Silico Manganese and Ferro Manganese which are relatively stable in nature. All the furnaces of the Company are designed to take care of such eventuality and to take up any challenges in the changing market scenario.

RISKS AND CONCERNS

Aggressive price rise of raw materials is the main area of concern for the Company. The prices of Chromite Ore and Coke has risen sharply in the last quarter of 2006-07, and are continue to remain high in the first quarter of 2007-08. However, this price rise was across the industry, and thus, was mitigated by the increased prices of the finished products. This is a general phenomenon, not limited to the Company alone, but to the industry as a whole.

In the normal course of business, the Company is also exposed to external risks such as fluctuation in demand, competition in the market etc. as well as internal risks like variations in operational efficiency, manpower

issues etc. The Company is also exposed to financial risks like changes in interest rates, foreign exchange fluctuations etc. The risks which are identified, are taken care of by the management by taking appropriate steps such as Insurance, Hedging of Foreign Currencies, Risk Assessment Exercises, Periodical review of the general business risks by the audit committees and the Board.

INTERNAL CONTROL SYSTEMS & AUDIT

The Company has proper and adequate system of internal controls commensurate with its size and nature of operations to provide reasonable assurance that all assets are safeguarded, transactions are authorised, recorded and reported properly and the applicable statutes are duly complied with. The Company has an internal audit system, which strives to ensure compliance of internal control systems, and the same is reviewed by the Audit committee periodically for strengthening and upgrading the system to take care of changing risk parameters.

INDUSTRIAL RELATION AND HUMAN RESOURCES

The industrial and employees relation remained cordial during the year. The Company has a team of experienced, dedicated & qualified personnel who have contributed to the growth of the Company in both the operational as well as the management level.

CAUTIONARY STATEMENT

Statements in this report in regard to projections, estimates and expectations have been made in good faith by the management. Many unforeseen factors may affect the actual results, which could be different from what the management envisages in terms of the future performance and outlook. Data and product information contained in this report have been based on the information gathered from various published and unpublished reports, and thus, their accuracy, reliability and completeness can not be assured.