

EIGHTEENTH ANNUAL REPORT 1999-2000



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VBC FERRO ALLOYS LIMITED

(AN ISO 9002 COMPANY)

6-2-913/914, 3rd Floor, Progressive Towers,
Khairatabad, Hyderabad - 500 004. India.



VBC FERRO ALLOYS LIMITED

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Eighteenth Annual General Meeting

Date : Thursday, the 30th November 2000

Time : 11.00 A.M.

Venue: Surana Udyog Auditorium,
The Federation of Andhra
Pradesh Chambers of
Commerce and Industry,
11-6-841, Red Hills,
HYDERABAD - 500 004

REGISTERED OFFICE :

6-2-913/914, 3rd Floor,
Progressive Towers, Khairatabad,
HYDERABAD - 500 004. INDIA
Tel +40 3390288
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FACTORY :

Rudraram Village, Sangareddy Taluk,
Medak District, ANDHRA PRADESH

BOARD OF DIRECTORS

Dr. N. TATA RAO	Chairman
M.V.V.S. MURTHI, M.P.	Vice Chairman
B.K. RAO	
M.N. RAO	
V.P. RAMA RAO	
M.S. RAMA RAO	Managing Director Upto 30-10-2000
M.S. LAKSHMANA RAO	Managing Director From 31-10-2000
V.M. RAO	Vice-President (Co-ord.)
Ch. SRI HARI	Vice-President (Finance)
V. RAVI	Sr. General Manager
M.S. MATHUR	General Manager (Comm.)
K.K. REDDY	General Manager (Finance)
K.R.K. MURTHY	General Manager (Works)

AUDITORS :

M/s. BRAHMAYYA & CO.,
Chartered Accountants,
HYDERABAD - 500 001.

BANKERS :

BANK OF INDIA
Nampally Station Road,
HYDERABAD - 500 001.

SHARE TRANSFER AGENTS :

VENTURE CAPITAL & CORPORATE
INVESTMENTS LTD.
Progressive Towers, Khairatabad,
HYDERABAD - 500 004.

As a measure of economy, copies of the Annual
Report will not be distributed at the Annual General
Meeting. Members are requested to kindly bring
their copies to the meeting.



VBC FERRO ALLOYS LIMITED

Notice of 18th Annual General Meeting

Notice is hereby given that the 18th Annual General Meeting of the Members of VBC Ferro Alloys Ltd, will be held on Thursday, the 30th November, 2000 at 11.00 AM at Surana Udyog Auditorium of the Federation of Andhra Pradesh Chambers of Commerce and Industry, 11-6-841, Red Hills, Hyderabad - 500 004 to consider the following:-

ORDINARY BUSINESS

1. To consider, approve and adopt the Balance Sheet as at 31st March, 2000 and the Profit & Loss Account for the year ended on that date and the report of the Directors and Auditors thereon.
2. To appoint a Director in place of Dr. N. Tata Rao, who retires by rotation and being eligible offers himself for re-election.
3. To appoint a Director in place of Shri M.V.V.S. Murthi, who retires by rotation and being eligible offers himself for re-election.
4. To appoint Auditors for the financial year 2000-2001 to hold office till the conclusion of the next Annual General Meeting, and fix their remuneration. M/s. Brahmayya & Company, Chartered Accountants, the retiring auditors, are eligible for reappointment.

SPECIAL BUSINESS :

5. TO CONSIDER AND IF THOUGHT FIT, TO PASS WITH OR WITHOUT MODIFICATION, THE FOLLOWING AS SPECIAL RESOLUTION.

"RESOLVED THAT pursuant to the provisions of Section 372A and other applicable provisions, if any, of the Companies Act 1956, the Board of Directors of the Company, be and is hereby authorised to lend / advance / acquire shares / invest / and/or give, to or on behalf of Konaseema EPS Oakwell Power Limited, Orissa Power Consortium Limited, Orissa Hydel Power Jalaput Limited and Orissa Hydel Power Balimela Limited any guarantee or provide any security in connection with a loan or loans made by any other person to or to any other person by any body corporate from time to time on such terms and conditions as the Board of Directors may deem fit; provided that the aggregate amount of all such loans / advances / investments / security provided in respect of any loan or loans outstanding at any time, shall not exceed (1) Rs.170 crores to Konaseema EPS Oakwell Power Limited in addition to guarantees not exceeding Rs.40 crores, (2) Rs.40 crores to Orissa Power Consortium Limited, Rs.20 crores to Orissa Hydel Power Jalaput Limited and Rs.20 crores to Orissa Hydel Power Balimela Limited in addition to guarantees not exceeding Rs.40 crores to these companies respectively.

6. To consider and if thought fit to pass, with or without modification, the following as an ordinary resolution:

"RESOLVED THAT pursuant to the provisions of Section 255 and other applicable provisions of the Companies Act 1956, Shri M.S. Lakshman Rao who has been appointed as an additional director on the board be and is hereby appointed as the Director of the Company.

7. To consider and if through fit to pass with or without modification the following as an ordinary resolution.

RESOLVED THAT pursuant to the provisions of Article-117 of the Articles of Association of the Company and subject to provisions of Section 198, 269, 309, 314 and Schedule-XIII and other applicable provisions if any of the Companies Act, 1956, or any amendments thereto, the Company hereby approve the appointment of Sri M.S. Lakshman Rao as Managing Director of the Company for a period of 5 years with effect from 31st October, 2000 in place of Shri M.S. Rama Rao on the following terms and conditions, with liberty to the Directors to alter or vary the terms and conditions of the said appointment so as not to exceed the limits specified in Schedule-XIII or other relevant provisions of the Companies Act, 1956 or any other amendments thereto, as may be agreed between the Board and Shri M.S. Lakshman Rao.

- | | | |
|----------------|---|--|
| a) Designation | : | Managing Director |
| b) Salary | : | Rs.40,000/- PM (Rupees Forty Thousand Only) |
| c) Commission | : | 3% of the net profits of the Company |
| d) Perquisites | : | As per Schedule-XIII, which shall be restricted to an amount equivalent to the annual salary |

Contribution to Provident Fund, Gratuity payment etc., applicable as per rules of the Company.

"RESOLVED FURTHER THAT THE Board of Directors and is hereby authorised to take such steps and do all other acts, deeds and things as may be necessary or desirable to give effect to the above resolution."

By Order of the Board

Place : Hyderabad
Date : 30-10-2000

M.S. RAMA RAO
Managing Director

**Notes :**

1. ANY MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. IN ORDER TO BE EFFECTIVE THE PROXIES SHOULD BE RECEIVED BY THE COMPANY AT ITS REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. The Register of Members and Share Transfer Books of the Company will be closed from 28th November, 2000 to 30th November, 2000 (both days inclusive).
3. Members who wish to seek any further information/clarification, at the meeting, on the annual accounts or operations of the Company are requested to send their queries at least a week in advance of the date of the Meeting, to the Registered Office of the Company.
4. Members are requested to intimate any change in their address to the Company immediately.
5. Members who attend the meeting are requested to complete the enclosed attendance slip and deliver the same at the entrance of the meeting hall.
6. Members who have multiple folios in identical names or joint accounts in the same order are requested to intimate the Company's Registrars and Share Transfer Agents, at the aforesaid address, the ledger folios of such accounts to enable the Company to consolidate all such shareholdings into one account.
7. As per the recent amendment of the Companies Act, 1956, the members of a Company are allowed to nominate any person to whom the share shall be transmitted in the event of member's death. Members are advised to contact the Company to avail this facility.
8. The Company's shares continue to be listed with the Hyderabad Stock Exchange Limited, The Stock Exchange, Mumbai. The Madras Stock Exchange and the Calcutta Stock Exchange.
9. Members are requested to bring their copies of Annual Reports at the time of attending the meeting.

EXPLANATORY STATEMENT UNDER SEC 173(2) OF THE COMPANIES ACT, 1956.**Item No. 5 :**

The Company is associated with several Bodies Corporate by way of participation in their equity share capital and management and/or by having regular dealings in the course of its business. By virtue of such association, the company is sometimes called upon to assist these bodies corporate by way of giving loans/advances/guarantees/investment in the Share Capital or providing securities in connection with loans made by any other person to such bodies corporate. Your directors consider that it is in the interest of the company to give such loans/advances/provide guarantees/invest in shares and/or provide such securities.

In view of the considerable progress made by the respective Companies, it is proposed to increase the investment/advances/provision of security and guarantee limits aggregating upto a maximum of Rs.330 crores as detailed in the above resolution.

None of the Directors other than Shri M.S. Rama Rao and Shri M.V.V.S. Murthi and Shri M.S. Lakshman Rao are interested in this resolution.

Your directors recommend for the approval by the members.

Item No. 6 :

Shri M.S. Lakshman Rao was originally appointed as an Additional Director of the Company on 30th October, 2000 pursuant to the provisions of Article No.104 of the Articles of Association and the provisions of Section 260 of the Companies Act, 1956.

None of the Directors other than Shri M.S. Rama Rao and Shri M.V.V.S. Murthi are interested in this resolution.

Your Directors recommend for the approval of his appointment.

ITEM No.7

Shri M.S. Lakshman Rao was originally appointed as an Additional Director of the Company on 30th October, 2000 pursuant to the provisions of Article No.104 of the Articles of Association and the provisions of Section 260 of the Companies Act, 1956. Consequent to resignation of Shri M.S. Rama Rao as Managing Director of the Company on account of his pre-occupation and other commitments, the Board has appointed Shri M.S. Lakshman Rao as Managing Director of the company for a period of five years with effect from 31st October, 2000 on the terms and conditions as agreed between the Board and Shri M.S. Lakshman Rao.

None of the Directors other than Shri M.S. Rama Rao and Shri M.V.V.S. Murthi and Shri M.S. Lakshman Rao are interested in this resolution.

Your Directors recommend for the approval of his appointment.

**VBC FERRO ALLOYS LIMITED****DIRECTORS' REPORT**

Dear Shareholder,

Your Directors are glad to present herein the Company's 18th Annual Report & Audited Accounts for the Year ended 31st March, 2000.

FINANCIAL RESULTS :

	1999-2000 (Rs. lacs)	1998-99 (Rs. lacs)
Profit before interest and depreciation	806.89	984.32
Interest	(522.67)	(625.30)
Depreciation	(190.11)	(172.56)
Profit before taxation	94.11	186.46
Provision for taxation	(12.50)	(19.58)
Profit after tax	81.61	166.88
Other Income	--	455.52
Profit brought forward	1087.57	465.17
Add : Investment Allowance Reserve withdrawn	93.10	--
Profit carried over	1180.67	1087.57

PERFORMANCE & PROSPECTS :**PERFORMANCE :****PRODUCTION :**

	1999-2000 (MT)	1998-99 (MT)
1. Ferro Silicon	11065	10,494
2. Ferro Chrome	17249	15,494

Ferro Silicon and Ferro Chrome output has been maintained at better levels as of last year. Profitability has been effected due to lower average realisation and breakdown.

**PROSPECTS :**

The Ferro Alloy units continue to be under sever strain due to increasing power costs, continued uncertainty in the market conditions, on account of heavy imports due to dumping and the continued recession in the steel industry. The fortunes of the Ferro Alloy Industry is closely inter-linked with that of the Steel Industry and even though steel industry has shown slight trends of improved performance, the future appears very bleak for the Ferro Alloys Industry as a whole. Representations have been made to the appropriate ministry of the Central Government for taking up action on anti-dumping for the very survival of the Indian Ferro Alloy Industry.

DIVIDEND :

Your Directors regret their inability to recommend dividend for the year to conserve the resources.

ISO CERTIFICATION :

Your Directors are pleased to inform that M/s. TUV Germany have awarded the Company ISO 9002 Certificate after a very exhaustive audit of the Company's systems and procedures.

FIXED ASSETS :

During the year the Company's Land, Buildings and Plant & Machinery were revalued as at 31st March 2000 by an approved valuer resulting in an increase in the net value of the Assets after depreciation by Rs.38,03,11,455/-, adding this the total gross value of Fixed Assets is Rs.76,17,41,297/-.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION :

In compliance with the requirements of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, the statement showing the particulars in relation to conservation of energy and technology absorbed and foreign exchange earning and outgoings are furnished and form part of this report.

PERSONNEL :

The relations between the employees and Management have been cordial and your Directors express their appreciation for the valuable and untiring efforts put in by employees at all levels.

Information in accordance with the provisions of section 217(2)(A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975, as amended, regarding employees is given as Annexure-B to the Directors' Report.

DIRECTORS :

In accordance with provisions of the Companies Act, 1956 and clause 108 of Articles of Association of the company. Dr. N. Tata Rao and Sri M.V.V.S. Murthi retire by rotation and being eligible, offer themselves for re-election.

Shri S. Ramachandran, Nominee Director of Industrial and Development Bank of India (IDBI) has been withdrawn by IDBI with effect from 7th February 2000 consequent to the Company having paid up its term loans to IDBI in full. Your Directors place on record their appreciation for his valuable contribution during his tenure on the Board.

Shri M.S. Lakshman Rao has been appointed as an Additional Director on the Board of the Company with effect from 30th October 2000 and he holds office upto the ensuing Annual General Meeting. The Board recommends for his appointment as a Director on to the Board of the Company pursuant to the provisions of Section 255 of the Companies Act 1956.

Subsequent to the resignation of Shri M.S. Rama Rao from the position of Managing Director, Shri M.S. Lakshman Rao has been appointed as the Managing Director of the Company with effect from 31st October 2000 and your directors recommend for the approval of his appointment by the members.

AUDITORS :

M/s. Brahmayya & Co, Chartered Accountants retire as Auditors and are eligible for re-appointment. Board of Directors recommend for thier re-appointment.

ACKNOWLEDGEMENTS :

Your Directors place on record their appreciation for the support extended to the Company by Financial Institutions, Banks, AP Trans Co., Central & State Government Agencies at all levels.

Your Board is also grateful to the Shareholders, Debenture Holders, Suppliers and Customers for their unstinted support and co-operation to the Company.

For and on behalf of the Board of Directors

Place : Hyderabad
Date : 30-10-2000

N. TATA RAO
Chairman



VBC FERRO ALLOYS LIMITED

ANNEXURE 'A' TO DIRECTOR'S REPORT

A. CONSERVATION OF ENERGY :

Ferro Alloy industry is highly power intensive and energy charges constitute a major element in the cost of productions. The Company, therefore, gives importance to energy conservation measures.

Power and Fuel Consumption

	Current Year 1999-2000	Previous Year 1998-99
1. Electricity		
(a) Purchased Units (KWH)	163881.862	158635.020
Total Amount (Rs.in lacs)	2882.58	2636.76
Rate/Unit (in Rs.)	1.76	1.66
(b) Own Generation		
i) Through diesel generator		
Units (KWH)	Nil	Nil
Units per ltrs. of Diesel Oil	Nil	Nil
Cost/Unit (Rs.) (Fuel+Oil)	Nil	Nil
ii) Through steam Turbine/Generator		
Units	Nil	Nil
Units per ltrs. of fuel oil/gas	Nil	Nil
Cost/Unit	Nil	Nil
2. Coal (specify quality & where used)	Nil	Nil
Quantity (tonnes)		
Total Cost		
Average rate		
3. Furnace Oil	Nil	Nil
Quantity (K.ltrs.)		
Total amount		
Average rate		
4. Other internal generation	Nil	Nil
Consumption per unit of Production		
Electricity KWH/MT - Ferro Silicon	8572	8585
- Ferro Chrome	4179	4417
Furnace Oil	Nil	Nil
Coal (specify quality)	Nil	Nil
Others (specify)	Nil	Nil
B. TECHNICAL ABSORPTION		
1. RESEARCH AND DEVELOPMENT (R&D)		
(a) Specify areas in which R&D is carried out by the Company	Nil	Nil
(b) Benefits derived as a result of the above R&D	Nil	Nil



VBC FERRO ALLOYS LIMITED

- (c) Future plan of action : a) Production of special grade Ferro Silicon for high grade steels
b) Improvement in raw material preparation facilities

(d) Expenditure on R&D :

i) Capital	:	Nil	Nil
ii) Recurring	:	Nil	Nil
iii) Total	:	Nil	Nil
iv) Total R&D expenditure as a percentage of total turnover	:	Nil	Nil

2. TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION :

- (a) Efforts, in brief, made towards technology absorption, adaptation and innovation :

--

- (b) Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution, etc. :

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- (c) In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished :

--

i) Technology imported	:	Nil	Nil
ii) Year of Import	:	Nil	Nil
iii) Has technology been fully absorbed	:	Nil	Nil
iv) If not fully absorbed, areas where this has not taken place, reasons there for and future plans of action	:	Not Applicable	

(d) Foreign Exchange Earnings & Outgo

i) Foreign Exchange Earnings at FOB value (in Rs.)		2,98,69,924	49,26,236
ii) Foreign Exchange outgo			
a) CIF value of imports	:		
Raw Materials, Components and Spare Parts	:	Nil	Nil
Capital Goods	:	Nil	Nil
(b) Others (in Rs.)		2,20,796	2,26,328

For and on behalf of the Board of Directors

Place : Hyderabad
Date : 30-10-2000.

N. TATA RAO
Chairman