

TWENTY FOURTH ANNUAL REPORT 2005 - 2006



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VBC FERRO ALLOYS LIMITED

(AN ISO 9001 : 2000 Company)
6-2-913/914, 3rd Floor, Progressive Towers,
Khairatabad, Hyderabad - 500 004.
Andhra Pradesh, India



GIFTS will not be distributed at the AGM

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TWENTY FOURTH ANNUAL GENERAL MEETING

DAY : MONDAY
 DATE : 24.07.2006
 TIME : 02.00 PM
 VENUE : Surana Udyog Auditorium, FAPCCI, 11-6-841,
 Red Hills, HYDERABAD – 500004

Registered Office:

6-2-913/914, Third Floor, Progressive Towers,
 Khairatabad, HYDERABAD - 500 004. Andhra Pradesh, INDIA
 Tel: +91 40 23301166 / 99, Fax: +91 40 23390721

Works

Unit - I : Rudraram Village, Patancheru Mandal, Medak District, Andhra Pradesh
 Tel: 08455-220084, 08455-220130, Fax: 08455-220142,

Unit - II : Rayagada - 765 002. Rayagada District, Orissa
 Phone & Fax: 06856-235724

BOARD OF DIRECTORS

| | |
|--------------------------------|--------------------|
| Dr. N. TATA RAO | Chairman |
| Dr. M. V. V. S. MURTHI | Vice Chairman |
| Sri V. P. RAMA RAO | Director |
| Sri M. N. RAO | Director |
| Dr. P. L. SANJEEV REDDY | Director |
| Sri M. S. RAMAKRISHNA | Director |
| Sri M. S. LAKSHMAN RAO | Managing Director |
| Sri N. BABU RAO | Executive Director |

AUDIT COMMITTEE

| | |
|--------------------------------|----------|
| Sri V. P. RAMA RAO | Chairman |
| Sri M. N. RAO | Member |
| Dr. P. L. SANJEEV REDDY | Member |
| Sri M. S. LAKSHMAN RAO | Member |

INVESTORS' GRIEVANCE & SHARE TRANSFER COMMITTEE

| | |
|-------------------------------|----------|
| Sri M. N. RAO | Chairman |
| Sri V. P. RAMA RAO | Member |
| Sri M. S. LAKSHMAN RAO | Member |
| Sri N. BABU RAO | Member |

REMUNERATION COMMITTEE

| | |
|------------------------------|----------|
| Sri M. S. RAMAKRISHNA | Chairman |
| Sri V. P. RAMA RAO | Member |
| Sri M. N. RAO | Member |

COMPANY SECRETARY

| | |
|----------------------------|-------------------------|
| Sri ADALAT SRIKANTH | CS & Compliance Officer |
|----------------------------|-------------------------|

SENIOR MANAGEMENT STAFF

| | |
|--------------------------------|---------------------------------|
| Sri V. RAVI | Vice President (Operations) |
| Sri A. J. RAO | Vice President (Technical) |
| Sri V. SURESH | General Manager (Works) |
| Sri M. SAI BABU | Dy. General Manager (Finance) |
| Sri B. SOMASEKHAR REDDY | Asst. General Manager (Finance) |

AUDITORS

M/s. BRAHMAYYA & Co.,
Chartered Accountants
VISA KHAPATNAM

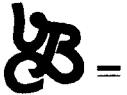
BANKERS

BANK OF INDIA
Nampally Station Road
HYDERABAD.

SHARE TRANSFER AGENTS

VENTURE CAPITAL & CORPORATE INVESTMENTS LIMITED

6-2-913/914, 3rd Floor, Progressive Towers
Khairatabad, HYDERABAD – 500 004.
Tel: +91 40 23322262 / 64; Fax: +91 40 23324803



VBC FERRO ALLOYS LIMITED

NOTICE OF 24th ANNUAL GENERAL MEETING

Notice is hereby given that 24th Annual General Meeting of the Members of VBC Ferro Alloys Limited will be held on MONDAY, the 24th JULY, 2006 at 2:00 pm at Surana Udyog Auditorium of The Federation of Andhra Pradesh Chambers of Commerce & Industry situated at 11-6-841, Red Hills, Hyderabad - 500 004, to consider the following: -

ORDINARY BUSINESS:

1. To receive, consider, approve and adopt Balance Sheet as at 31st March 2006, Profit & Loss Account for the year ended on that date, report of Directors and Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Dr. M V V S Murthi, who retires by rotation and being eligible offers himself for re-election.
4. To appoint a Director in place of Shri M N Rao, who retires by rotation and being eligible offers himself for re-election.
5. To appoint Auditors for the financial year 2006-07 to hold office till the conclusion of next Annual General Meeting and fix their remuneration. M/s. Brahmayya & Co., Chartered Accountants, the retiring auditors, being eligible, offer themselves for re-appointment.

SPECIAL BUSINESS:

Preferential Allotment:

6. To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution:

"RESOLVED that in terms of Section 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956 and in accordance with the enabling provisions of the Memorandum and Articles of Association of the Company, Listing Agreement entered into by the Company with the Stock Exchanges where the shares of the Company are listed and subject to the Regulations/Rules/Guidelines issued by the Securities and Exchange Board of India (SEBI) and all such other bodies/institutions as may be relevant and subject to such conditions and modifications as may be stipulated while granting such permissions and approvals/sanctions and which may be agreed by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee of Directors for the time being duly authorized by the Board to exercise the powers conferred on the Board by this resolution) consent of the Company be and is hereby given to the Board to create, issue, offer and allot to the Promoter group members (which term shall include directors, promoter directors, their families, relatives, friends and associates) and/or non promoters, and to such other persons as may be considered expedient 2,00,000 number of Equity Shares of the Company of the face value of Rs.10/- each at a premium of Rs.115/- per Equity Share, the price whereof is determined on the basis of the valuation report as prepared by M/s. Brahmayya & Co, Statutory Auditors, in accordance with the provisions of Chapter XIII of SEBI (Disclosure and Investor Protection) Guidelines, 2000.

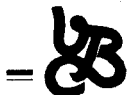
RESOLVED FURTHER that the relevant date for the proposed issue of equity shares shall be **23rd June, 2006** as per the provisions of Chapter XIII of the SEBI (Disclosure and Investor Protection) Guidelines, 2000.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution the Board/Committee of Directors be and is hereby authorized to take all such steps and do all such acts, deeds, matters and things and execute all such deeds/documents as may be necessary and settle any query or doubt that may arise with regard to the said issue and allotment of Equity Shares and utilization of the proceeds of the issue.

Rights Issue

7. To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution:

"RESOLVED that in terms of Section 81 and other applicable provisions, if any, of the Companies Act 1956 and in accordance with the provisions of the Articles of Association of the company and the listing agreement entered



into by the company with the stock exchanges where the shares of the company are listed and subject to the approvals, permissions and sanctions of the concerned authorities as may be necessary, and subject to such conditions and modifications as may be prescribed in granting such approvals, permissions and sanctions and subject to the conditions as may be imposed by the Securities and Exchange Board of India (SEBI), which may be agreed to by the Board of Directors of the company including any committee constituted thereof (hereinafter called the Board), at its sole discretion, the consent of the company be and is hereby accorded to the Board to create, offer and issue to the holders of the equity shares of the company such right shares to the existing shareholders of the company on the record date fixed by the Board and to such other persons as are set out hereunder, such number of equity shares of the company of the face value of Rs.10/- each as may be required, for subscription in cash and at such premium per share as may be determined by the Board prior to the issue and offer thereof and ranking pari passu with the then existing equity shares of the company, save and except that such new equity shares shall only be entitled to pro – rata dividend for the financial year in which they are allotted, proportionate to the capital for the time being and from time to time paid thereon and to the period and periods for which such capital shall have been paid up respectively and on such other terms and conditions as the Board in its absolute discretion may deem fit.

RESOLVED FURTHER that the offer of equity shares on right basis shall be subject to the following terms and conditions and such other terms and conditions as may be necessary or stipulated in the Letter Of Offer:

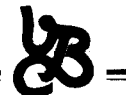
- a. The offer shall be made in the first instance to all existing shareholders of the Company whose names appear in the Register of Members on the record date fixed by the Board for this purpose
- b. The shareholders to whom new equity shares are offered shall be entitled to apply for additional shares provided that a shareholder who has renounced his right in whole or in part shall not be entitled to allotment of additional shares
- c. The offer of rights shall include a right to renounce the shares in favour of any other person(s) provided such renunciation is made before closing of the offer. The shareholders shall be entitled to apply for additional shares in their own names provided that such shareholders have subscribed to their 'Right Entitlement' in full
- d. Renouncee may also apply for additional shares in their own names provided that they have accepted all the shares renounced in their favour. Renouncee will be entitled to be allotted to additional shares only if there is any surplus after allotment to the extent of right entitlement exercised, additional shares applied by the shareholders of the company
- e. The allotment of the new equity shares to Non – Residents/Overseas Corporate Bodies/Foreign Institutional Investors will be subject to the approval of Government of India and/or Reserve Bank of India, if necessary
- f. If any shares offered as "Rights" to the shareholders still remain un – subscribed, the Board shall have full discretion and absolute authority to offer them to whomsoever they may deem fit.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board is hereby authorized to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper and desirable and to settle any question, difficulty or doubts that may arise in regard to the offer, issue, allotment and utilization of the proceeds of the right issue including power to decide, accept, agree to any alteration in the size of the issue, the price of the shares to be issued or such other terms and conditions of the said issue as may be suggested or decided in consultation with the Lead Manager/SEBI or other concerned authorities and applicable guidelines from time to time and further to do all such acts, deeds, matters and things and to effect any modification to the foregoing in the best interest of the company and its shareholders and to execute all such writings and instruments as the Board may in its absolute discretion deem necessary or desirable.

8. Authorisation to invest in Securities Under section 372A

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

"RESOLVED THAT pursuant to the provisions of Section 372A and other applicable provisions, if any, of the Companies Act 1956, and subject to the approval of financial institutions wherever necessary, the Board of Directors

VBC FERRO ALLOYS LIMITED

of the Company be and is hereby authorised to acquire shares / invest in 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 investments shall not exceed Rs.200 crore in M/s. Konaseema Gas Power Limited, in addition to the existing limits, and Rs.80 crore in M/s. Karthik Rukmini Alloys & Energy Limited.

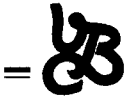
By order of the Board
for **VBC Ferro Alloys Limited**

Sd/-
ADALAT SRIKANTH
Company Secretary

Place : Hyderabad
Date : 24.06.2006

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. Explanatory Statement in respect of item Nos. 6, 7 & 8 of the Notice is annexed hereto in pursuance of Section 173(2) of the Companies Act, 1956.
3. For the convenience of Members, Attendance Slip is annexed to this Notice. Members / Proxies / Authorised Representatives are requested to fill in and affix their signatures at the space provided therein and submit the same at the venue of the Annual General Meeting.
4. Copies of Annual Report will not be distributed at the venue of General Meeting and therefore, Members are requested to bring their copies of the Annual Report which are mailed by the Company to them at their registered addresses.
5. Pursuant to Section 154 of the Companies Act, 1956 and Clause 41 of the Listing Agreement, Register of Members and Share Transfer Books of the Company will be closed from WEDNESDAY the 19th JULY, 2006 to MONDAY the 24th JULY, 2006 (Both days inclusive).
6. 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 one week in advance from the date of the Meeting to the Company Secretary at Registered Office of the Company.
7. Members are requested to quote Folio No. / DP ID and Client ID in all correspondence and intimate any change in their address to the Company's Share Transfer Agents promptly.
8. Members who have multiple folios in identical names or joint holding in the same order are requested to intimate the Company's Registrars and Share Transfer Agents, the Ledger Folios of such holding to enable them consolidate all such shareholdings into a single folio.
9. In accordance with the Special Resolution passed at 21st Annual General Meeting, Company's shares have been delisted from The Hyderabad Stock Exchange Limited and The Madras Stock Exchange. Application made to Calcutta Stock Exchange Association Limited for de-listing of its shares is under process. Annual Listing Fee for the financial year 2006-07 has been paid to The Bombay Stock Exchange Ltd. where the Company's shares are listed.
10. Members are requested to avail the facility of converting their physical shareholdings into electronic mode of holding for their own convenience coupled with increased flexibility in dealing with such shares.


VBC FERRO ALLOYS LIMITED

11. As on 31st March 2006 an amount of Rs.2,68,950/- was unclaimed out of the dividend declared on 30th September 2003 for the financial year 2002-03, an amount of Rs.2,52,826/- was unclaimed out of the dividend declared on 30th September 2004 for the financial year 2003-04 and an amount of Rs.4,26,435/- was unclaimed out of the dividend declared on 30th September 2005 for the financial year 2004-05. Members who have not claimed the dividend are advised to claim the same at the earliest. In accordance with the provisions of Section 205C of the Companies Act, 1956 aforesaid unclaimed dividend amount shall be liable to be transferred to Investor Education and Protection Fund on 31st October 2010, 31st October 2011 and 31st October 2012 respectively.
12. As required under Clause 49 of the Listing Agreements with Stock Exchanges, brief particulars of Dr. MVVS Murthi and Shri M. N. Rao, Directors who are proposed to be re-appointed are provided below:

1. Dr. M. V. V. S. MURTHI

Dr. M. V. V. S. Murthi is the promoter of VBC Ferro Alloys Limited and VBC Industries Limited. He is basically a Post Graduate in Arts and did his Ph.D in Economics. Before transforming into an industrialist he was a practicing Advocate in the High Court of Andhra Pradesh. He is a distinguished personality in politics also. Apart from being the Vice Chairman of VBC Ferro Alloys Limited, he is the Chairman of VBC Industries Limited and holds directorship in Techno Pack Private Limited. Further, he is the Chairman of Investors' Grievance & Share Transfer Committee of M/s. VBC Industries Limited. As on 31st March, 2006, Dr. M V V S Murthi is holding 92745 (2.29%) number of shares of the Company.

2. Shri M. N. RAO

Shri M. N. Rao is basically a Science graduate (B.Sc) and did his Bachelors in Mechanical Engineering from REC, Warangal. He is a person of eminence with excellence in financial and accounting areas. He has served in senior management cadre of IDBI for more than a decade and was involved in the processing of loan proposals of Mineral and Metal based Industries. He is also a Director of M/s. Jaya Diagnostic & Research Centre Limited, M/s. Progressive Constructions Limited, M/s. Saurashtra Cement Limited, M/s. Spartek Ceramics India Limited, M/s. Sai Shakti Projects Private Limited and M/s. Sai Shakti Infrastructure Private Limited. Further, he is the Chairman of Audit Sub-Committee of Saurashtra Cement Limited apart from being a Member of Audit Sub-Committee of Spartek Ceramics India Limited. As on 31st March, 2006 Shri M N Rao is not holding any shares of the Company.

Place : Hyderabad
Date : 24.06.2006

By order of the Board
for **VBC Ferro Alloys Limited**

Sd/-
ADALAT SRIKANTH
Company Secretary

EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT 1956.
Item No.6

The Company proposes to increase its capacity utilisation and reduce the cost of production by augmenting and modernisation of plant operations. Further, the company by investing in 65 MW Pit Head, Coal based Power Plant would be reducing the cost of power. This would increase the productivity of the plant resulting in increased profitability. Your company, therefore, proposes to utilise the funds for augmenting working capital requirements as well as for reducing the debt burden of the company.

To partly achieve the above objectives, the consent of the shareholders is therefore being sought pursuant to the provisions of Section 81 (1A) of the Companies Act, 1956, SEBI (Disclosure and Investor Protection) Guidelines, 2000 and the Listing Agreements entered into with the Stock Exchanges, authorizing the Board to raise additional capital by further issue of equity shares.

The information as required under SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI is given hereunder:

VBC FERRO ALLOYS LIMITED

- i) **Objects of the Issue:** The issue of equity shares vide preferential allotment is to augment the working capital requirements as well as for reducing the debt burden of the company.
- ii) **Allotment to the Promoters:** Promoters, key management persons along with others intend to subscribe to the offer
- iii) Shareholding Pattern of the Company before and after the issue of shares would be as under:

| | Category | Pre Issue Holding | | Post Issue Holding | |
|----|---------------------------|-------------------|--------------------|--------------------|--------------------|
| | | No. of shares | % of Share holding | No. of shares | % of Share holding |
| A | Promoter Holding | | | | |
| 1 | Indian Promoters | 714779 | 17.67 | 776779 | 18.30 |
| | Foreign Promoters | — | — | — | — |
| 2 | Persons Acting In Concert | 746175 | 18.45 | 882175 | 20.79 |
| | Sub Total | 1460954 | 36.12 | 1658954 | 39.09 |
| B | Non Promoter Holding | | | | |
| 3 | Institutional Investors | 2200 | 0.05 | 2200 | 0.05 |
| | Sub Total | 2200 | 0.05 | 2200 | 0.05 |
| 4 | Others | | | | |
| a. | Private Corporate Bodies | 636401 | 15.74 | 636401 | 14.99 |
| b. | Indian Public | 1882062 | 46.54 | 1884062 | 44.39 |
| c. | NRIs/OCBs/FIIs | 62733 | 1.55 | 62733 | 1.48 |
| d. | Any Other | — | — | — | — |
| | Sub Total | 2581196 | 63.83 | 2583196 | 60.86 |
| | GRAND TOTAL | 4044350 | 100.00 | 4244350 | 100.00 |

- iv) **Proposed time of allotment:** The allotment would be completed within fifteen days from the approval of the members at this meeting.
- v) **Identity of Proposed Allottees:** The Promoters viz., Shri MSP Rama Rao, Dr. MVVS Murthi and Shri MS Lakshman Rao together with their relatives and persons acting in concert hold 36.12% of the paid up capital before the proposed preferential offer. Their shareholding would be 39.09% of the post preferential offer. The issue of equity shares would be made to the following persons, the details of whereof are:

**VBC FERRO ALLOYS LIMITED****Promoters:**

| | | |
|----|-----------------------|---------------|
| a) | Dr. MVVS Murthi | 60,000 shares |
| b) | Shri MSP Rama Rao | 1,000 shares |
| c) | Shri M S Lakshman Rao | 1,000 shares |

Persons Acting In Concert:

| | | |
|----|---|---------------|
| a) | M/s. VBC Industrial Holdings Pvt. Ltd. | 36,000 shares |
| b) | M/s. Konaseema Infrastructure Pvt. Ltd. | 25,000 shares |
| c) | M/s. Yasaswini Investments Pvt. Ltd. | 25,000 shares |
| d) | M/s. Bharat Alloys & Energy Limited | 25,000 shares |
| e) | M/s. Padmakshi Investments Pvt. Ltd. | 25,000 shares |

Non Promoters:

| | | |
|----|-----------------|--------------|
| a) | Dr. N. Tata Rao | 1,000 shares |
| b) | Shri N Babu Rao | 1,000 shares |

The details of the post issue equity shareholding of the allottees would be as hereunder:

| Name | Post – issue equity holding | % to the total Post Issue share capital* |
|---|-----------------------------|--|
| I. Promoters | | |
| Dr. MVVS Murthi | 157769 | 3.72 |
| Shri MSP Rama Rao | 202900 | 4.78 |
| Shri MS Lakshman Rao | 78300 | 1.85 |
| | | |
| II. Persons Acting In Concert | | |
| M/s. VBC Industrial Holdings Pvt. Ltd. | 36000 | 0.85 |
| M/s. Konaseema Infrastructure Pvt. Ltd. | 25000 | 0.59 |
| M/s. Yasaswini Investments Pvt. Ltd. | 227315 | 5.36 |
| M/s. Bharat Alloys & Energy Ltd. | 25000 | 0.59 |
| M/s. Padmakshi Investments Pvt. Ltd. | 220495 | 5.20 |
| | | |
| III. Non Promoters | | |
| Dr. N Tata Rao | 1000 | 0.02 |
| Shri N Babu Rao | 1000 | 0.02 |

*Paid up share capital will increase from Rs.4,04,43,500/- consisting of 40,44,350 equity shares of Rs.10/- to Rs. 4,24,43,500/- consisting of 42,44,350 equity shares of Rs. 10/- each.

- vi) **Pricing of the shares:** Pricing of the shares is determined in accordance with the provisions of Chapter XIII of the SEBI (Disclosure and Investor Protection) Guidelines, 2000. Certificate from M/s. Brahmaya & Co, Statutory