

TWENTY NINTH ANNUAL REPORT

2010-2011



VBC FERRO ALLOYS LIMITED

(AN ISO 9001 - 2008 COMPANY)
6-2-913/914, Third Floor, Progressive Towers,
Khairatabad, Hyderabad - 500 004,
Andhra Pradesh, INDIA.

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TWENTY NINTH ANNUAL GENERAL MEETING

Day : Monday
Date : 12.09.2011
Time : 03.00 P.M.
Venue : Surana Udyog Auditorium, FAPCCI, 11-6-841
Red Hills, HYDERABAD - 500 004.

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

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

Important Communication to Members - Green Initiative in Corporate Governance

The Ministry of Corporate Affairs (MCA) has taken a Green Initiative in Corporate Governance by allowing paperless compliances by the companies and has issued a Circular stating that service of all documents including Annual Reports can be sent by e-mail to its Members. Your Company believes that this is a remarkable and environment friendly initiative by MCA and requests all Members to support in this noble cause. The Company has already embarked on this initiative and proposes to send documents including Annual Reports in electronic form to the Members on the email address provided by them to the R&T Agent/the Depositories. The Members who hold shares in physical form are requested to intimate/update their email address to the Company/R&T Agent while Members holding shares in demat form can intimate/update their email address to their respective Depository Participants.

Members are requested to further note that they will be entitled to be furnished, free of cost, the physical copy of the documents sent by e-mail, upon receipt of a requisition from them, any time, as a Member of the Company.

GIFTS WILL NOT BE DISTRIBUTED AT THE AGM



BOARD OF DIRECTORS

| | |
|--------------------------------|-------------------|
| Dr. M.V.V.S. MURTHI | Chairman |
| Dr. P.L. SANJEEV REDDY | Director |
| Sri M.N. RAO | Director |
| Sri M.V. ANANTHAKRISHNA | Director |
| Sri M.S. LAKSHMAN RAO | Managing Director |

AUDIT COMMITTEE

| | |
|--------------------------------|----------|
| Sri M.N. RAO | Chairman |
| Dr. P.L. SANJEEV REDDY | Member |
| Sri M.V. ANATHA KRISHNA | Member |

INVESTORS' GRIEVANCE & SHARE TRANSFER COMMITTEE

| | |
|------------------------------|----------|
| Dr. M.V.V.S. MURTHI | Chairman |
| Sri M.N. RAO | Member |
| Sri M.S. LAKSHMAN RAO | Member |

REMUNERATION COMMITTEE

| | |
|--------------------------------|----------|
| Dr. P.L. SANJEEV REDDY | Chairman |
| Sri M.N. RAO | Member |
| Sri M.V. ANANTHAKRISHNA | Member |

COMPANY SECRETARY

| | |
|-----------------------------|---|
| Sri V.V.V.S.N. MURTY | AGM (Fin.) & CS / Compliance Officer |
|-----------------------------|---|

SENIOR MANAGEMENT STAFF

| | |
|----------------------------------|--------------------------|
| Sri K. KAILASANATHA REDDY | Vice President (Finance) |
| Sri K.R.K. MURTHY | Head - Works |

AUDITORS:

M/s. BRAHMAYYA & CO.,
Chartered Accountants,
Vijayawada.

BANKERS:

BANK OF INDIA
Nampally Station Road,
Hyderabad.

SHARE TRANSFER AGENTS

VENTURE CAPITAL & CORPORATE INVESTMENTS PVT. LIMITED

12-10-167, Bharat Nagar, Hyderabad - 500 018.
Tel: +91 40 23818475 / 76, Fax: +91 40 23868024
e-mail : info@vccilindia.com

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

NOTICE OF 29th ANNUAL GENERAL MEETING

Notice is hereby given that the 29th Annual General Meeting of the Members of VBC Ferro Alloys Limited will be held on **Monday, 12th September, 2011 at 3.00 P.M.** 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 and adopt the Balance Sheet as at 31st March, 2011 and the Profit & Loss Account for the year ended on that date together with the reports of Directors and Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Dr.P.L.Sanjeev Reddy, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri M.N.Rao, who retires by rotation, and being eligible, offers himself for re-appointment.
5. To appoint Auditors for the financial year 2011-12 to hold office till the conclusion of next Annual General Meeting and fix their remuneration. M/s. Brahmayya & Co., Chartered Accountants (Firm Regd.No.000513S), the retiring auditors, being eligible, offer themselves for re-appointment.

SPECIAL BUSINESS

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 and other applicable provisions, if any, of the Companies Act, 1956 (including any amendment to or re-enactment thereof), and subject to such approvals, permissions, consents and sanctions as may be necessary from Government of India (GOI), Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), and/or any other competent authorities and enabling provisions of the Memorandum & Articles of Association of the Company, the Listing Agreement(s) entered by the Company with the Stock Exchanges, where the shares of the company are listed and in accordance with the guidelines issued by the GOI, RBI, SEBI and/or any other competent authorities and clarifications thereof, issued from time to time and subject to all such other approvals, permissions, consents and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any of them, while granting such approvals, permissions, consents and sanctions which may be agreed by the Board of Directors of the Company, (here in after called "The Board" which term shall include any committee constituted / to be constituted by the Board for exercising the powers conferred on the Board by this resolution), the consent of the members be and is hereby accorded to the Board on behalf of the Company to issue , offer and allot to the equity shareholders of the Company as on the record date (to be fixed for the purpose) up to such number of equity shares of ₹ 10/- each at a price to be determined, and the ratio to be determined as may be prescribed by SEBI (Issue of Capital Disclosure Requirements) Regulations 2009, through rights issue , in one or more tranches, in consultation with advisors or such persons and on such terms and conditions, including the number of shares to be issued, at par or at premium and for cash or other consideration on such terms and conditions as may be finalized by the Board and that the Board may finalize all matters incidental thereto as it may in its absolute discretion thinks fit".

"FURTHER RESOLVED THAT the Board be and is hereby authorized to dispose of the shares issued on Rights basis, remaining unsubscribed in such manner as it may decide in the best interest of the Company."

"FURTHER RESOLVED THAT for the purpose of giving effect to the above resolution the Board or a Committee thereof be and is hereby authorized to do all such acts, deeds, matters and things and execute all such deeds, documents, instruments and writings as it may in its absolute discretion deem necessary or desirable and pay any fees and commission and incur expenses in relation thereto."

"FURTHER RESOLVED THAT the Board or a committee thereof be and is hereby authorized to settle all questions, difficulties or doubts that may arise in regard to the issue, offer or allotment of the equity shares and the utilization of the issue proceeds as it may deem fit and to give such directions and /or instructions as it may from time to time decide and to accept and give effect to such modifications , changes, variations, alterations, deletions, additions as regards the terms and conditions, including the premium to be charged on the shares , to vary the size of the issue, appoint Lead Managers and Co Managers, Bankers and other intermediaries or agencies concerned or as



the Board may suo moto decide in its absolute discretion in the best interests of the Company without being required to seek any further consent or approval of the members or otherwise to the end and intent that the members shall be deemed to have given their consent expressly by the authority of this resolution and to do all such acts, deeds, matters and things whatsoever, including settling any question, doubt or difficulty that may arise with regard to or in relation to raising of resources as authorized herein and that all or any of the powers conferred on the Board vide this resolution may be exercised by the Board."

"FURTHER RESOLVED THAT the new equity shares to be issued and allotted shall be subject to the Memorandum and Articles of Association of the Company and shall in all respects rank pari-passu with the existing fully paid up equity shares of the Company."

"FURTHER RESOLVED THAT the Board be and is hereby authorized to delegate all or any of the powers, herein conferred by this resolution to any Director or Directors or to any Committee of Directors or to any Officer or Officers of the Company to give effect to this resolution."

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

"RESOLVED THAT in supercession of the resolution passed at the 25th Annual General Meeting of the Company held on 17th August, 2007, consent of the company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to the Board of Directors of the Company to mortgage and/or charge in addition to the mortgage / charge / hypothecation already created in such form and manner and with such ranking and at such time and on such terms as the Board of Directors of the Company may determine on all or any of the movable and immovable properties of the Company where so ever situate, present and/or future, excluding the loans obtained from the Company's bankers in the ordinary course of business, for repayment of Loans or Bank Guarantees given on Company's behalf or on behalf of others or other borrowings and interest there upon taken or accepted by the Company or on others behalf, subject to a maximum of ₹ 1000 Crores (Rupees One Thousand Crores only), including the existing limits."

"FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorized to execute necessary documents for creating the aforesaid mortgage and/or charge and to do all such acts and things as may be necessary for giving effect to the above resolution."

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

"RESOLVED THAT in supercession of the resolution passed at the 25th Annual General Meeting of the Company held on 17th August, 2007 consent of the Company be and is hereby accorded to the Board of Directors of the Company under Section 293(1)(d) of the Companies Act, 1956 to borrow any sum or sums of money from time to time not withstanding that the money or monies to be borrowed together with the monies already borrowed by the company (apart from temporary loans obtained from the company's bankers in the ordinary course of business) may exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided however, the total amount up to which monies may be borrowed by the Board of Directors shall not at any one time exceed ₹ 1000 Crores (Rupees One Thousand Crores only) including the existing limits"

By Order of the Board
for VBC Ferro Alloys Limited

Sd/-
V.V.V.S.N.Murthy
AGM(Finance)&Company Secretary

Place: Hyderabad
Date : 26.07.2011

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 and the same forms part of the notice.
3. For the convenience of Members, Attendance Slip is annexed to this Notice. Members / Proxies / Authorized 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 the Annual 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 applicable provisions of the Listing Agreement, Register of Members and Share Transfer Books of the Company will be closed from **Monday the 5th September, 2011 to Monday 12th September, 2011** (Both days inclusive), for the purpose of Annual General Meeting and ascertainment of entitlement for payment of dividend.
6. The dividend of ₹ 3/- per equity share will be Credited / Dispatched between 28.09.2011 and 30.09.2011 for the year ended 31st March, 2011 as recommended by the Board of Directors, if approved at the Annual General Meeting.
7. 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 the Registered Office of the Company.
8. 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.
9. 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 about the Ledger Folios of such holdings to enable them to consolidate all such shareholdings into a single folio.
10. Annual Listing Fee for the financial year 2010-11 has been paid to the Bombay Stock Exchange Limited, Mumbai where the Company's shares are listed. Application made to Calcutta Stock Exchange Association Limited for de-listing of its shares is under process.
11. 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.
12. The dividend for the following years if remaining unclaimed for 7 years from the date of declaration are required to be transferred by the Company to Investor Education and Protection Fund (IEPF) and the various dates for transfer of such amounts are as under:-

| Financial Year | Unclaimed Dividend as on 31 st March, 2011 (₹) | Date of declaration | Due date for transfer to IEPF |
|----------------|--|---------------------|----------------------------------|
| 2003-04 | 2,48,036.00 | 30.09.2004 | 31.10.2011 |
| 2004-05 | 3,96,925.00 | 30.09.2005 | 31.10.2012 |
| 2005-06 | 1,42,225.00 | 24.07.2006 | 24.08.2013 |
| 2006-07 | 4,02,100.00 | 17.08.2007 | 17.09.2014 |
| 2007-08 | 3,82,152.00 | 05.09.2008 | 05.10.2015 |
| 2008-09 | 3,65,330.00 | 27.08.2009 | 27.09.2016 |
| 2009-10 | 4,15,604.00 | 14.07.2010 | 14.08.2017 |



For the financial year 2002-03, the Company has transferred the unclaimed dividend to the IEPF and filed necessary forms with Registrar of Companies, Andhra Pradesh.

13. As required under Clause 49 of the Listing Agreements with Stock Exchanges, brief particulars of Dr.P.L.Sanjeev Reddy and Shri M.N.Rao, who are proposed to be re-appointed as Directors are provided hereunder:

1. Dr. P.L.Sanjeev Reddy

| | | |
|----------------------|---|-----------------------------|
| Name of the Director | : | Dr.P.L.Sanjeev Reddy, Ph.D. |
| Date of Birth | : | 05-12-1940 |
| Occupation | : | IAS (Retd) |

Expertise in specific functional areas:

Held several senior positions in the Government of India & A.P. as Secretaries to various Ministries, worked as Chairman and Managing Director for several Government Companies & Corporations during his tenure of his service.

| | | |
|---|---|-----|
| Director ship in other Companies | : | 2 |
| Committee positions held in other Companies | : | 1 |
| Shareholding in the Company | : | Nil |

Brief Profile:

Dr. P.L.Sanjeev Reddy, Ph.D, a Superannuated IAS Officer, during the period spanning over 43 years in the Indian Administrative Service, held various sensitive, responsible, challenging and top-level assignments in different fields. Specialized mainly in the fields of Industry, Finance, International Trade & Commerce and Development Administration.

He has to his honour several outstanding National Awards for managerial excellence, productivity enhancement, trade promotion and for signal contribution towards investment promotion and cause of industrial promotion, technology transfer, sustainable development, social development and for all round achievement and outstanding services and excellence in the fields of public administration, industrial management and strategic policy formulation and its effective implementation.

In the year 2002, he was awarded Golden Peacock Award instituted by the Institute of Directors London (UK) for "Excellence in Public Services" by His Ex. P.C.Alexander, Governor of Maharashtra at Mumbai.

He was Secretary to the Government of India, Department of Company Affairs, Department of Rural Development & Land Resources, Principal Secretary to Chief Minister, Government of Andhra Pradesh, Director General, Indian Institute of Foreign Trade, Director General of Foreign Trade, Secretary, MRTTP Commission, Special Assistant to the President of India, National President, Council of State Industrial Development and Investment Corporation of India (COSIDICL), Vice Chairman and Managing Director of AP Industrial Development Corporation, Vice Chairman and Managing Director for AP State Agro Industries Development Corporation Limited, Director of Agriculture, Govt. of Andhra Pradesh and held many other important assignments. He was also a Director on the SEBI Board. He also headed Indian Institute of Foreign Trade (IIFT) and Indian Institute of Public Administration (IIPA), the two National level apex Institutions to greater heights of excellence and professionalism. He has rich "hands on experience" in the promotion, efficient functioning of the industrial venture, promoting share holder democracy and responsive and enlightened corporate management.

Dr.P.L.Sanjeev Reddy has a highly meritorious record as an outstanding academician and researcher. He did his B.A. (Hons) in Economics, M.A.in Economics, Post Graduate Diploma in Development Studies from the University of Cambridge (UK) and Ph.D.in Industrial Management. He is an empanelled Examiner for Doctorate (Ph.D.) Degree of Several Universities in the Fields of Economics, Industry, Trade Management and Corporate Governance.

He is a Director of Aurobindo Pharma Limited as well as LANCO Budhil Hydro Power Private Limited.

2. Shri. M.N.Rao

| | | |
|---|---|----------------------------------|
| Name of the Director | : | Shri M.N. Rao |
| Date of Birth | : | 01.07.1937 |
| Occupation | : | Formerly Senior Official of IDBI |
| Directorships in other Companies | : | 3 |
| Committee positions held in other Companies | : | 1 |
| Shareholding in the Company | : | Nil |

Brief Profile:

Shri. M.N.Rao is basically is an Engineer having done his Bachelors in Mechanical Engineering from REC, Warangal. He is well versed with project financing. He has served in senior management cadre of IDBI for more than a decade and was involved in the processing of proposals for Mineral and Metal based Industries including cement industry. He is also a Director of M/s. Jaya Diagnostic & Research Centre Limited, M/s. Saurashtra Cement Limited and M/s. Sai Shakti Projects Private Limited. Further, he is the Chairman of Audit Sub-Committee of Saurashtra Cement Limited.

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

You are already aware, that your Company is setting up 2x60MW(120MW) Coal based Captive Power Plant(CPP) at Bodepalli Village, Sirpur Kagaznagar Mandal, Adilabad District to meet the captive power requirements of the Company. The company is also proposing to expand its ferro alloy production capacity by setting up 3 furnaces with a rated capacity of 9MVA (3x9MVA) at Bodepalli Village, Sirpur Kagaznagar Mandal, Adilabad District and also modernization of the existing plant. The Company has approached M/s. Rural Electrification Corporation Limited (REC), PTC India Financial Services Limited (PFS), Banks and other institutions for required loans to implement the proposed projects.

Your Directors are of the opinion that once your Company sets up 2x60MW (120MW) Captive Power Project and expansion/modernization of plant and strengthen its working capital requirements, the financial as well as operational performance of the company will improve sustainability.

The proceeds of the Rights Issue will be utilized for aforesaid projects/modernization and also to strengthen the working capital requirements of the Company.

The Board recommends the proposed resolution for acceptance by the Members.

None of the Directors of the Company are interested in the proposed resolution except Dr. M.V.V.S. Murthi and Sri M.S. Lakshmana Rao, who are interested in the above resolution to the extent of their share holding in the Company.

Item Nos.7&8:

The Company is setting up captive power plant and also increasing its production capacity by way of expansion/modernization of the existing activities. The Company may be required to borrow funds from Financial Institutions / Banks to meet the said activities and for long term financial needs of the Company from time to time. The Company may also be required to give guarantees to financial institutions / others on behalf of other Companies in which your Company has business relationship. To secure the loans borrowed/guarantees given, the Company may be called upon to provide security by creating charge on its movable and immovable properties. In terms of Section 293(1)(a) of the Companies Act,1956 it is necessary for the Company to obtain approval of the Members for creation of the mortgage/charge/hypothecation in favour of the lending agencies / financial institutions.

In terms of Section 293(1)(d) of the Companies Act,1956 it is necessary for the Company to obtain approval of the Members, to borrow any money together with the monies already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) exceeding the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose.

It is therefore proposed to seek your approval for creating such mortgages/charges/hypothecations on the movable and immovable properties of the Company and also to borrow for the purpose of the business of an amount not exceeding ₹.1000 Cr (Rupees One Thousand Crores only).

Therefore the Board recommends approval of the above resolutions by the Members.

None of the Directors of the Company are interested in the proposed resolutions.

By Order of the Board
for VBC Ferro Alloys Limited
Sd/-

Place: Hyderabad
Date : 26.07.2011

V.V.V.S.N.Murthy
AGM(Finance)&Company Secretary

Important Communication to Members - Green Initiative in Corporate Governance

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Members are requested to further note that they will be entitled to be furnished, free of cost, the physical copy of the documents sent by e-mail, upon receipt of a requisition from them, any time, as a Member of the Company.

**DIRECTORS' REPORT****Dear Members,**

Your Directors have pleasure in presenting the 29th Annual Report of VBC Ferro Alloys Limited with Audited Statements of accounts for the 12 months period ended 31st March, 2011.

FINANCIAL RESULTS:

| PARTICULARS | (₹. in Lakhs) | |
|---|---------------------------|----------------------------|
| | Current Year 2010-2011 | Previous Year 2009-2010 |
| Gross Revenue | 12057.49 | 9265.50 |
| Profit before Interest, Depreciation & Tax (PBIDT) | 2047.82 | 1247.43 |
| Less: Interest | 377.35 | 323.12 |
| Profit before depreciation and tax (PBDT) | 1670.47 | 924.32 |
| Less: Depreciation | 127.22 | 148.00 |
| Profit before tax (PBT) | 1543.25 | 776.31 |
| Less: Provision for taxation including Deferred Tax Charge for the year | 523.77 | 257.39 |
| Profit after tax (PAT) | 1019.48 | 518.92 |
| Profit brought forward from previous year | 2421.96 | 3435.38 |
| Income tax for earlier periods | - | (809.00) |
| Deferred Tax for earlier years | - | (504.82) |
| Profit available for appropriation | 3441.44 | 2640.48 |
| Transfer to General Reserve | 270.00 | 90.00 |
| Proposed Dividend | 131.83 | 109.85 |
| Tax on Proposed Dividend | 21.39 | 18.67 |
| Profit carried to Balance Sheet | 3018.22 | 2421.96 |

DIVIDEND:

Your Directors recommend a dividend of ₹ 3/- (30%) per Equity Share for the Financial Year ended on 31st March, 2011.

INDUSTRY OVERVIEW:

During the year under review, your Company had improved its performance in comparison with previous year. The manufacture of Ferro Alloys is highly power-intensive, on an average 40% of the total cost per tonne of Ferro alloys is accounted for by power. As such, producers, who have captive power generation, are protected against volatile market trends in this industry. Hence, your Company is taking steps to set up a Captive Power Plant.

BUSINESS PERFORMANCE

During the financial year 2010-11, your Company has produced 16386 MT of Ferro Silicon against 15,198 MT during the previous year and sold 16255 MT of Ferro Silicon at a value of ₹ 11372.16 lakhs as against 15,209 MT at a value of ₹ 8754.82 Lakhs during the previous year. Your Company has exported 1387 MT of Ferro Silicon to various countries like Italy, U.K, Netherlands, Germany, Korea, France, Poland, Romania and Belgium and Importers have acclaimed for its quality standards. The profit after tax increased to ₹ 1059.84 Lakhs from ₹ 518.92 Lakhs in the previous year.

PROSPECTS

The Economic recovery is expected to continue its positive momentum across the world. The Government of India has planned a spending of ₹ 1,00,000 Crores on Infrastructure in the 12th five year plan as against ₹ 46,100 Crores in the 11th five year plan. The Infrastructure industry is expected to register strong growth in the domestic sector thus boosting the steel consumption. The upward trend in the steel industry will create huge demand for Ferro Alloy Products.

With the consistent market demand and expected realizations, the prospects of your Company during the current year are expected to be very good.

THERMAL POWER PLANT -120MW (2X60MW)

You are kindly aware that your company is setting up a 120MW (2x60MW) coal based captive power plant at Bodepalli Village, Sirpur Kagaznagar Mandal, Adilabad Dt. The Company has obtained Coal Linkage from nearby M/s Western Coal Fields Limited and suitable land required 150 Acres (approx) has already been acquired.

Ministry of Forest & Environment (MoEF), Government of India has granted Environmental Clearance (EC) for the project. The Consent for Establishment (CFE) from State Pollution Control Board(PCB) is expected soon. Other Permissions for drawl of water and energy are also expected soon. The envisaged project cost is ₹ 632 Crores. The Company has approached Rural Electrification Corporation Limited (REC) and PTC India Financial Services Limited (PFS) for term loans. The required equity for the project will be obtained through issue of shares on Rights basis and partly internal accruals of the Company.

The financial closure of the project is expected to be completed by the end of year 2011.

Capacity Expansion:

Keeping in view the increase in demand for Ferro Alloys, your Company is also expanding its Ferro alloy production capacity by setting up 3 furnaces with a rated capacity of 9MVA each (3x9MVA) at Bodepalli (V&GP), Sirpur Kagaznagar Mandal, Adilabad District, which is a notified industrially backward area to utilize the opportunities/incentives provided by Government of Andhra Pradesh. The proposed Captive Power Plant will feed the power to the expansion unit also.

INVESTMENT IN KGPL 445 MW GAS BASED POWER PLANT

Konaseema Gas Power Limited (KGPL) in which your Company has a major investment of equity, has declared commercial operations with effect from 30th June, 2010. KGPL incurred a net loss of ₹ 5701.87 lakhs during its first year of operations mainly due to insufficient supply of gas. Notwithstanding the net loss, KGPL could earn a cash profit of ₹ 3090.18 lakhs for the year ended 31.03.2011.

INVESTMENT IN OPCL 20 MW DAM BASED HYDEL POWER PLANT

20 MW Dam Based Hydro Electric Power Project owned by Orissa Power Consortium Limited (OPCL), in which your Company has invested in equity incurred a net loss of ₹ 508 lakhs mainly due to failure of normal monsoon in the Brahamini Catchment area during the year ended 31.03.2011, which is its first year of commercial operations. Notwithstanding the net loss, OPCL could earn a cash profit of ₹ 194 lakhs for the year.

DIRECTORS

In accordance with the provisions of Section 255 of the Companies Act, 1956 and clause 108 of the Articles of Association of the Company, Dr.P.L.Sanjeev Reddy and Shri.M.N.Rao, who are liable to retire by rotation and being eligible, offer themselves for re-appointment. Board recommends their re-appointment.

In accordance with the provisions of Clause 49 of the Listing Agreement with Stock Exchanges, brief particulars of Dr.P.L.Sanjeev Reddy and Shri.M.N.Rao are provided in the notes annexed to the Notice of the Annual General Meeting which is forming part of this Annual Report.

CONSERVATION OF ENERGY & 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, technology absorbed and foreign exchange earnings and outgoings is furnished and forms part of this report.