

THIRTIETH ANNUAL REPORT 2011-2012



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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THIRTIETH ANNUAL GENERAL MEETING

Day : Saturday
Date : 29.09.2012
Time : 10.30 A.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

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. ANANTHAKRISHNA	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
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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 30th ANNUAL GENERAL MEETING**

Notice is hereby given that the 30th Annual General Meeting of the Members of VBC Ferro Alloys Limited will be held on 29th September, 2012 at 10.30 a.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, 2012 and the Statement of Profit & Loss 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.M.V.V.S.Murthi, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri M.V.Ananthakrishna, who retires by rotation, and being eligible, offers himself for re-appointment.
5. To appoint Auditors for the financial year 2012-13 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.

By Order of the Board
for VBC Ferro Alloys Limited

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

Place : Hyderabad
Date : 24.05.2012

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. 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.
3. 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.
4. 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 **Saturday the 22nd September, 2012 to Saturday the 29th September, 2012** (Both days inclusive), for the purpose of Annual General Meeting and ascertainment of entitlement for payment of dividend.
5. The dividend of ₹ 3 /- per equity share will be credited/dispatched between 16.10.2012 and 18.10.2012 for the year ended 31st March,2012 as recommended by the Board of Directors , if approved at the Annual General Meeting.



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 the 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 about the Ledger Folios of such holdings to enable them to consolidate all such shareholdings into a single folio.
9. Annual Listing Fee for the financial year 2012-13 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.
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.
11. 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, 2012(₹)	Date of Declaration	Due for transfer to IEPF
2004-05	3,96,625.00	30.09.2005	31.10.2012
2005-06	1,42,125.00	24.07.2006	24.08.2013
2006-07	4,01,900.00	17.08.2007	17.09.2014
2007-08	3,81,972.00	05.09.2008	05.10.2015
2008-09	3,65,230.00	27.08.2009	27.09.2016
2009-10	4,13,854.00	14.07.2010	14.08.2017
2010-11	5,10,276.00	12.09.2011	12.10.2018

For the financial year 2002-03 and 2003-04, the Company has transferred the unclaimed dividend to IEPF and filed necessary forms with Registrar of Companies, Andhra Pradesh.

Members who wish to claim dividends of past years, which remain unclaimed, are requested to correspond with Registrars & Share transfer Agents of the Company.

12. The Ministry of Corporate Affairs (vide circular nos.17/2011 and 18/2011 dated April 21st, 2011 and April 29th, 2011 respectively), has undertaken a "Green Initiative in Corporate Governance" and allowed companies to share documents with its members in the electronic mode. A recent amendment to the Listing Agreement with the Stock Exchanges permits companies to send soft copies of the Annual Report to all those shareholders who have registered their e-mail address for the said purpose. Members are requested to support this green initiative by registering/updating their e-mail addresses for receiving electronic communications.

13. As required under Clause 49 of the Listing Agreements with Stock Exchanges, brief particulars of Dr.M.V.V.S.Murthi and Shri M.V.Ananthakrishna, who are proposed to be re-appointed as Directors are provided below:

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

Dr. M. V. V. S. Murthi, aged 74 years, is the Promoter Director of VBC Ferro Alloys Limited. He is a Post Graduate in Arts, Graduate in Law and did his Ph.D in Economics. Before entering into industry, he was a practicing Advocate in the High Court of Andhra Pradesh. He is a distinguished personality in politics also, twice elected to Parliament (Loksabha) from Visakhapatnam. Apart from being the Chairman of VBC Ferro Alloys Limited, he is also the Chairman of VBC Industries Limited and Orissa Power Consortium Limited and holds directorship in Techno Infratech Projects (India) Private Limited. He is the Chairman of Investor Grievance & Share Transfer Committee of VBC Industries Limited.

Dr. M.V.V.S. Murthi holds 1,57,769 (3.59%) number of equity shares of the Company.

2. Shri. M.V. Ananthakrishna

Shri. M.V. Ananthakrishna, aged 54 years, is an MBA from the University of Michigan, Ann Arbor, USA and a BE in Electronics and Communications Engineering from the College of Engineering, Guindy, University of Madras. He worked as a consultant for the Environmental Protection Agency in USA and was responsible for setting up the Design Automation Center for Texas Instruments Inc. USA in Bangalore in 1986. He is actively involved in developing Renewable Energy Projects using biomass gasification technology from USA. He is a member of the Rotary Club of Madras, Executive Committee of Andhra Chamber of Commerce, the Institute for Energy Studies, Anna University and the International Process and Performance Institute, USA. He is a certified Management Consultant and an Immediate Past President of the Institute of Management Consultants, Chennai Chapter. He is an Executive Director of M.K.Raju Consultants Private Limited (MKRC) which has completed over 100 CHP studies and implemented 121 MW of CHP Projects with an annual savings of ₹ 125 Crores. MKRC has carried out over 500 Energy Studies with an annual savings of ₹ 250 Crores. He is also a Director in VBC Industries Limited.

Shri. M.V. Ananthakrishna does not hold any equity shares of the Company.

By Order of the Board
for VBC Ferro Alloys Limited

Sd/-

V.V.V.S.N.Murty

AGM(Finance)&Company Secretary

Place : Hyderabad

Date : 24.05.2012

**DIRECTORS' REPORT**

Dear Members,

Your Directors have pleasure in presenting the 30th Annual Report of VBC Ferro Alloys Limited with audited statements of accounts for the 12 months period ended 31st March, 2012.

FINANCIAL RESULTS:

(₹. in Lakhs)		
PARTICULARS	Current Year 2011-2012	Previous Year 2010-2011
Gross Revenue	11627.21	12057.49
Profit before Interest, Depreciation & Tax (PBITD)	1718.96	2047.82
Less: Interest	453.26	434.88
Profit before Depreciation and Tax (PBDT)	1265.70	1612.94
Less: Depreciation	101.57	127.22
Profit before Tax (PBT)	1164.13	1485.72
Less: Provision for Taxation including Deferred Tax for the year	361.51	466.23
Profit after Tax (PAT)	802.62	1019.49
Profit brought forward from previous year	3018.23	2421.96
Profit available for Appropriation	3820.85	3441.45
Transfer to General Reserve	270.00	270.00
Proposed Dividend	131.83	131.83
Tax on Proposed Dividend	21.39	21.39
Profit carried to Balance Sheet	3397.63	3018.23

DIVIDEND:

Your Directors recommend a dividend of ₹ 3/- (30 %) per Equity Share of ₹ 10/- each, for the financial year ended 31st March, 2012, inspite of reduced profits.

INDUSTRY OVERVIEW:

During the year under review, the exports of Ferro Alloys were drastically affected due to Euro Zone debt crisis. In addition to this, the units in Andhra Pradesh suffered production losses due to severe power cuts imposed by the power distribution companies, resulting in lower profitability. To overcome energy shortages, your Company has been taking steps to establish 2x60 MW Captive Power Plant for which almost all clearances were obtained.

BUSINESS PERFORMANCE

During the financial year 2011-12, your Company produced 15459 MT of Ferro Silicon against 16386 MT in the previous year, which is lower. The Turnover during the year was also lower at ₹ 11400 lakhs as against ₹11929 lakhs in the previous year. Your Company exported 648 MT of Ferro Silicon to Italy and United Kingdom.

The power cuts and demand recession in exports led to decrease in profitability during the year under review. The profit after tax declined to ₹ 803 lakhs as against ₹1019 lakhs in the previous year.

PROSPECTS

The Government of India's support to infrastructure development in both rural and urban segments led to a significant demand for steel and allied products. The steel industry is likely to grow further due to government's proactive plans to boost economic growth by infusing funds in various industries, such as construction, infrastructure building, automobile and power. The steel consumption in India is expected to grow exponentially. This presents good potential growth of Ferro Alloys industry in the Country which is backbone of steel industry.

THERMAL POWER PLANT -120 MW (2X60MW)

You are aware that your Company is setting up 120 MW (2x60MW) coal based Captive Power Plant at Bodepalli (V&GP), Sirpur Kagaznagar Mandal, Adilabad District, A.P. The estimated project cost is ₹632 Cr. PTC India Financial Services Limited (PFS) had sanctioned term loan ₹150 Cr and our application for balance Term Loan with Rural Electrification Corporation Limited (REC) is under consideration. The Company has obtained most of the clearances such as Environmental Clearance (EC), Consent for Establishment (CFE), NoC from Forest Department and Airport Authority.

CAPACITY EXPANSION:

Your Company is expanding its Ferro Alloy production capacity by setting up 3 furnaces with a rated capacity of 9 MVA each (3x9MVA) at Bodepalli (V&GP), Sirpur Kagaznagar Mandal, Adilabad District, A.P. for which the Company is in the process of obtaining permissions and clearances. The proposed Captive Power Plant will feed power to the expansion unit also.

STATUS OF RIGHTS ISSUE OF EQUITY SHARES

The Members of the Company have accorded their approval in the 29th Annual General Meeting of the Members of the Company for issue of shares on Rights basis to mobilize the equity contribution for the Captive Power Project as well as Ferro Alloy expansion project. The Company will approach Members after obtaining sanctions for entire debt funds to the Captive Power Plant from the Financial Institutions.

INVESTMENT IN KGPL 445 MW GAS BASED POWER PLANT

Konaseema Gas Power Limited (KGPL) in which your Company has invested in equity, was able to receive natural gas to operate its power plant at 54% only during the financial year 2011-12 as the natural gas production in KG basin has been drastically comedown. Consequently KGPL could generate, only 2279 million units of power during the financial year.

INVESTMENT IN OPCL 20 MW DAM BASED HYDEL POWER PLANT

20 MW Dam Based Hydro Electric Power Project by Orissa Power Consortium Limited (OPCL), in which your Company has invested in equity has generated 90.60 million units of power during the financial year 2011-12 there by showing good results and exceeding designed capacity during 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. M.V.V.S.Murthi and Shri.M.V.Ananthakrishna, 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.M.V.V.S.Murthi and Shri.M.V.Ananthakrishna are 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 the same forms part of this report.

**CORPORATE GOVERNANCE**

As required under Clause 49 of the Listing Agreement, Reports on Management Discussion & Analysis and Corporate Governance together with the Certificate of Auditors on Corporate Governance are provided separately in this Annual Report and the same forms part of Directors' Report.

FIXED DEPOSITS

The Company has not accepted any fixed deposits.

PERSONNEL

Your Company has maintained cordial relations with all its employees. Your Directors and Management express their appreciation for the commitment and devotion shown by the employees.

INSURANCE

All the movable and immovable assets of the Company have been adequately insured against various risks.

PARTICULARS OF EMPLOYEES READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975, AS AMENDED

Statement under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, is given in the Annexure forming part of this Report.

AUDITORS

M/s Brahmayya & Co., Chartered Accountants, the Auditors of the Company, who retire at the conclusion of the forthcoming Annual General Meeting have consented to continue in office, if re-appointed. They have confirmed that their re-appointment, if made, will be in accordance with the limits specified u/s 224(1B) of the Companies Act, 1956. Your Directors recommend their re-appointment for the financial year 2012-13.

COST AUDITOR

Pursuant to section 233B(2) of the Companies Act, 1956, the Board of Directors on the recommendations of the Audit Committee appointed Shri A.V.N.S.Nageswara Rao, Cost Accountant as the Cost Auditor of the Company for the year ended 31st March, 2012. The Audit Report of the cost accounts for the year ended 31st March, 2012, will be submitted to the Central Government in due course.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- (i) In the preparation of annual accounts for the financial year ended 31st March, 2012, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- (ii) Such accounting policies have been selected and applied and that such judgments and estimates have been made as are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the period;
- (iii) Proper and sufficient care for the maintenance of adequate accounting records have been taken 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;
- (iv) The annual accounts of the Company have been prepared on a 'going concern' basis.

**DECLARATION**

The Company has been regular in filing all Forms and Returns with the Registrar of Companies as required under the Companies Act, 1956 and has not defaulted in repayment of deposits, payment of dividend, redemption of debentures and preference shares. Accordingly, the Company has not committed any of the defaults specified under Section 274(1)(g) of the Companies Act, 1956 (as amended by the Companies Amendment Act, 2000) disqualifying its Directors to act as Directors of other Public Companies.

ACKNOWLEDGEMENTS

Your Directors thank the Government of India and Government of Andhra Pradesh for their support. They also place on record their appreciation for the help and encouragement received from Bank of India, PTC India Financial Services Limited (PFS) and other Financial Institutions.

Your Directors sincerely thank Customers, Vendors and Members for their sustained support and co-operation.

for and on behalf of the Board

Place : Hyderabad
Date : 24.05.2012

Sd/-
Dr. M.V.V.S. MURTHI
Chairman

ANNEXURE TO DIRECTORS' REPORT

Statement showing particulars of Employees of the Company as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2012.

Sl. No.	Name	Qualification	Experience (Years)	Designisation/ Nature of Duties	Age (Years)	Date of Employment with the company	Remune- ration ₹	Previous Employment
1.	Shri M.S. Lakshman Rao	B.Tech.	26	Managing Director	49	30-10-2000	61,48,044	Managing Director VBC Exports Ltd.

Notes :

1. Remuneration includes Salary, Commission, House Rent Allowance, Company's contribution to Provident Fund, Gratuity and the monetary value of perquisites provided to the employee.
2. Nature of employment is contractual.