

THIRTY FIFTH ANNUAL REPORT

2016-2017



VBC FERRO ALLOYS LIMITED

(AN ISO 9001 - 2008 COMPANY)
CIN No : L27101TG1981PLC003223
6-2-913/914, Third Floor, Progressive Towers,
Khairatabad, Hyderabad - 500 004,
Telangana, INDIA.

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THIRTY FIFTH ANNUAL GENERAL MEETING

Day : Friday
Date : 29.09.2017
Time : 3.00 P.M.
Venue : K.L.N. Prasad Auditorium, FAPCCI, 11-6-841
Red Hills, HYDERABAD - 500 004.

REGISTERED OFFICE

6-2-913/914, Third Floor, Progressive Towers,
Khairatabad, Hyderabad - 500 004.
Telangana, India.
Tel +91 40 23301166/99, Fax +91 40 23390721

WORKS

Rudraram Village, Patancheru Mandal
Sangareddy District, Telangana.
Tel: 08455-220084, 08455-220130,
Fax: 08455-220142

GIFTS WILL NOT BE DISTRIBUTED AT THE AGM



BOARD OF DIRECTORS

| | |
|--------------------------------|-------------------|
| Sri V.S. RAO | Chairman |
| Sri M.V. ANANTHAKRISHNA | Director |
| Sri M.S. LAKSHMAN RAO | Managing Director |

KEY MANAGERIAL PERSONNEL

| | |
|--------------------------|-----|
| Sri R. DHARMENDER | CFO |
|--------------------------|-----|

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 35th ANNUAL GENERAL MEETING**

Notice is hereby given that the 35th Annual General Meeting of the Members of VBC Ferro Alloys Limited will be held on 29th September, 2017 at 3.00 P.M. at K.L.N. Prasad Auditorium of The Federation of Andhra Pradesh & Telangana 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 Audited Financial Statements of the Company for Financial Year ended 31st March, 2017 together the reports of Directors and the Auditors Report thereon.

2. **Appointment of Independent Auditors:**

To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution for appointment of Independent Auditors:

“RESOLVED THAT pursuant to the provisions of Section 139 and all other applicable provisions, if any, of the Companies Act, 2013 (the “Act”) and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), M/s. C.V. Ramana Rao & Co, Chartered Accountants, (Firm Registration No. 002197S), Visakhapatnam be and are hereby appointed as the Independent Auditors of the Company for a period of 5 (five) years and to hold office from the conclusion of this meeting until the conclusion of the 40th Annual General Meeting to be held in the Year 2022 (subject to ratification of their appointment at every Annual General Meeting), at such remuneration plus GST, out-of pocket expenses as may be mutually agreed between the Board of Directors of the Company and the Auditors.”

By Order of the Board
for VBC Ferro Alloys Limited

Sd/-

M.S. Lakshman Rao
Managing Director

Place : Hyderabad
Date : 14.08.2017

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING (THE “MEETING”) IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING THE PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTYEIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.
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 provisions of the Companies Act, 2013 and applicable provisions of the Listing Agreement, Register of Members and Share Transfer Books of the Company will be closed from 23.09.2017 to 29.09.2017 (Both days inclusive), for the purpose of Annual General Meeting.
6. Members who wish to seek any further information / clarification at the meeting, on the annual accounts of the Company are requested to send their queries at least one week in advance from the date of the Meeting to the Managing Director 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. 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.
10. The dividend, 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 accordingly Company transferred the unclaimed dividend to IEPF and filed necessary forms with Registrar of Companies, Telangana and A.P. Members who wish to claim dividends of past years, which remain unclaimed, are requested to correspond with Registrars & Share Transfer Agents of the Company.
11. Relevant documents referred to in the accompanying Notice are open for inspection by the members at the Registered Office of the Company on all working days during business hours up to the date of the Meeting.
12. In accordance with the MCA's "Green Initiative in Corporate Governance" allowing companies to share documents with its shareholders in the electronic mode and related amendments to the Listing Agreement with the Stock Exchanges, the company is sharing all documents with shareholders in the electronic mode, wherever the same has been agreed by the shareholders. Shareholders are requested to support this green initiative by registering/ updating their e-mail addresses for receiving electronic communications.
13. Voting through electronic means;
 - a. In compliance with provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies(Management and Administration) Rules, 2014, the Company is pleased to provide to members the facility to exercise their right to vote at the Annual General Meeting (AGM) by electronic means and the business may be transacted through e-Voting Services provided by Central Depository Services (India) Limited (CDSL).
 - b. The instructions for e-voting are as under:

The instructions for members for voting electronically are as under: In case of members receiving e-mail:

- (i) Log on to the e-voting website www.evotingindia.com during the voting period.
- (ii) Click on "Shareholders" tab.
- (iii) Now, select the "COMPANY NAME" from the drop down menu and click on "SUBMIT"
- (iv) Now enter your User ID (For CDSL: 16 digits beneficiary ID, For NSDL: 8 Character DP ID followed by 8 Digits Client ID, Members holding shares in Physical Form should enter Folio Number registered with the Company and then enter the Captcha Code as displayed and Click on Login.
- (v) If you are holding shares in Demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used. If you are a first time user follow the steps given below.
- (vi) Now, fill up the following details in the appropriate boxes:
 - * Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of your name and the Folio Number in the PAN field. Eg. If your name is Ramesh Kumar with Folio Number 1 then enter RA00000001 in the PAN field.
 - # Please enter any one of the details in order to login. In case both the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field.
- (vii) After entering these details appropriately, click on "SUBMIT" tab.
- (viii) Members holding shares in physical form will then reach directly the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the Demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that



company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

- (ix) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.

Click on <Company Name> on which you choose to vote.

On the voting page, you will see Resolution Description and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.

- (x) Click on the "Resolutions File Link" if you wish to view the entire Resolutions.
- (xi) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- (xii) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (xiii) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
- (xiv) If Demat account holder has forgotten the changed password then Enter the User ID and Captcha Code click on Forgot Password & enter the details as prompted by the system.
- (xv) Institutional shareholders (i.e. other than Individuals, HUF, NRI etc.) are required to log on to <https://www.evotingindia.co.in> and register themselves as Corporates. After receiving the login details they have to link the account(s) which they wish to vote on and then cast their vote. They should upload a scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, in PDF format in the system for the scrutinizer to verify the same.

In case of members receiving the physical copy:

- (A) Please follow all steps from sl. no. (i) to sl. no. (xvii) above to cast vote.
- (B) The voting period begins on 26.09.2017 (9.30 a.m.) and ends on 28.09.2017 (5.00 p.m). During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cutoff date (Record Date) of 22.09.2017, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- (C) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.co.in under help section or write an email to helpdesk.evoting@cdslindia.com.

During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of 22nd September, 2017, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter. Once the vote on a resolution is cast by the shareholder, the shareholder shall not be allowed to change it subsequently.

The voting rights of shareholders shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date (record date) of 22nd September, 2017.

Mr. A.J.Sharma, Practicing Company Secretary (Membership No. 2120) has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.

The Scrutinizer shall within a period not exceeding three(3) working days from the conclusion of the e-voting period unblock the votes in the presence of at least two(2) witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favor or against, if any, forthwith to the Chairman of the Company.

The Results declared along with the Scrutinizer's Report shall be placed on the Company's website www.vbcindia.com and on the website of CDSL within two(2) days of passing of the resolutions at the AGM of the Company and communicated to the BSE Limited.

**DIRECTORS' REPORT**

Dear Members,

Your Directors have pleasure in presenting the 35th Annual Report of the Company together with the Audited Statements of Accounts for the Financial Year ended March 31, 2017.

FINANCIAL RESULTS:

| (₹. in Lakhs) | | |
|--|---------------------------------|----------------------------------|
| PARTICULARS | Current Year 2016-17 | Previous Year 2015-16 |
| Revenue from Operations | - | - |
| Profit/(Loss) Before Interest, Depreciation & Tax(PBIDT) | 479.39 | (34.17) |
| Finance Charges | 273.91 | 435.16 |
| Profit/(Loss) before Depreciation and Tax(PBDT) | 205.48 | (469.33) |
| Depreciation | 56.17 | 56.20 |
| Profit/(Loss) Before Tax(PBT) | 149.31 | (525.53) |
| Provision for Tax | - | - |
| Profit/(Loss) After Tax (PAT) | 149.31 | (525.53) |
| Profit/(Loss) brought forward from previous year | (1065.39) | (539.86) |
| Profit/(Loss) carried to Balance Sheet | (916.08) | (1065.39) |

Industry Overview:

The global steel industry continues to witness challenging times though the performance of the industry has been better in the Financial Year 2016-17 with improved realizations. However, there are number of geopolitical changes still create some concern about the price realizations. This situation has driven global steel prices lower and impacted profitability of steel companies. As a result, Ferro Alloys Industry could not sell its products at remunerative prices.

Performance of your Company:

Keeping in view of the above situation and to avoid further erosion of net worth, your Company suspended its manufacturing operations during the Financial Year 2016-17 also. As a result, there is no operational income to the Company.

Prospects:

The medium to long-term economic outlook in India continues to look promising and it is heartening to see the Government's drive to continue to liberalize the economy and focus on social sector spending in building both hard and soft infrastructure. Pradhan Mantri Awas Yojana, Make in India campaign and other steps by the government of India are likely to increase domestic steel consumption & production. This presents a good growth potential of Ferro Alloys industry in the Country which depends solely on the steel industry. However, the Ferro Alloy Industry can only be profitable with the availability of power at tariff lower than current levels.

Projects under Implementation - Thermal Power Plant -120 MW (2x60MW):

You are aware that your Company is setting up 120MW (2x60MW) Coal Based Captive Power Plant at Bodepalli (V&GP), Sirpur Kagaznagar Mandal, Adilabad Dt. Telangana State. The estimated project cost is Rs. 696 Cr. The Company has obtained most of the clearances such as Environmental Clearance (EC), Consent for Establishment (CFE), NoC from Forest Department, Permission for water drawl and Airport Authority. Your Company has decided to setup the



power project on priority basis through VBC Power Company Limited, a Special Purpose Vehicle (SPV) formed for this express purpose, and initiated steps to hive off the power project division to become part of the SPV. The members and unsecured creditors have accorded their approval for the scheme and arrangement between VBC Ferro Alloys Limited and VBC Power Company Limited at their meetings held on 5th December 2015. Your Company is awaiting No-objection letter from Bank of India, a Secured Creditor to complete the demerger formalities.

Dividend & Reserves:

During the year under review, the Directors could not recommend dividend for the Financial Year 2016-17 due to insufficeint cashflow. No amount has been transferred to Reserves due to inadequate profits.

Share Capital:

The Paid-up Share Capital as on 31st March 2017 was Rs.4.39 Cr. During the year under review, the company has not issued Equity Shares/ shares with differential voting rights/ granted stock options/ sweat equity.

Deposits:

Your Company has not accepted any deposits within the meaning of Section 73 of the Companies Act, 2013 read with the Companies (Acceptance of Deposits) Rules, 2014 and as such, no amount of principal and interest was outstanding as on 31st March 2017.

Details of Subsidiary/Joint Ventures/Associate Companies:

Information pursuant to sub-section (3) of section 129 of the Act, i.e., the statement containing the salient features of the financial statement of a company's subsidiary or subsidiaries, associate company or companies and joint venture or ventures is not applicable during the year, as there are no Subsidiary/Joint Venture Companies.

However, your Company has promoted the following three power companies by way of Equity Investments:

Investment in KGPL 445 MW Gas Based Power Plant:

Konaseema Gas Power Limited (KGPL), in which your Company has invested in equity, could not operate its plant during the financial year under review as there is no natural gas supply.

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 equity has generated 61.43 million units during the financial year 2016-17. Failure of monsoon and low inflow to the Plant from upstream Rengali HEPP resulted in low generation which is below the designed energy level. OPCL established 3.42 MWp Solar Power Project and achieved COD on 31.10.2016. Your Company is holding Equity Shares Capital of about 13.43% in OPCL.

Investment in KREL:

Karthik Rukmini Energy Limited is a special purpose vehicle for setting up a coal based captive power plant to supply power to investors for their captive consumption requirements. KREL approached Rural Electrification Corporation Limited(REC) for debt finance and the same is under process.

Consolidated Financial Statements:

As per the provisions of the Companies Act, 2013, Company should consolidate the financial results of Konaseema Gas Power Limited (KGPL) and Karthik Rukmini Energy Limited (KREL). Accordingly, KGPL submitted its Audited Financial Statements but Karthik Rumini Energy Limited was unable submit its financial statements before the due date for declaring financial results as per the Listing Agreement. Therefore, Company published the Consolidated Financial Statements of VBC Ferro Alloys Limited and Konaseema Gas Power Limited, an Associate Company.

Presentation of Financial Statements:

The Financial Statements for the year ended 31st March 2017 are prepared in due compliance of the Schedule III of the Companies Act, 2013.

**Corporate Social Responsibility Policy:**

Section 135 of the Companies Act, 2013 relating to Corporate Social Responsibility is not applicable and hence the Company has not adopted any Corporate Social Responsibility Policy.

Cash Flow Statement:

A Cash Flow Statement for the year 2016-17 is annexed to the Statement of Accounts.

Board of Directors and Key Managerial Personnel:**1) Resignation of Directors:**

- i) Shri Pramod Kumar Thatte resigned from the office of Directorship w.e.f. 14.07.2016 and Board acknowledges his invaluable services given to the Company.
- ii) Dr. D. Kinnera Murthy resigned from the office of Directorship w.e.f. 17.04.2017 and Board acknowledges her invaluable services given to the Company.

2) Reappointment of Directors:

There are no Directors liable to retire at ensuing Annual General Meeting.

None of the directors of the company is disqualified under the provisions of the Act or under the Listing Agreement with the Stock Exchanges.

Number of Meetings of Board:

During the year, four meetings of the Board of Directors were held, the details of which forms part of the report on Corporate Governance.

Annual Evaluation of the Board, Committees and Individual Directors:

Pursuant to the provisions of the Companies Act, 2013 and clause 49 of the Listing Agreement, the Board has carried out an annual performance evaluation of its own performance, the Directors individually as well as the evaluation of the working of its Committees as per the evaluation procedure approved by the Board.

Policy on Directors Appointment and Remuneration Policy:

The Board, on recommendation of Nomination & Remuneration Committee, has framed a policy for selection and appointment of Directors, Senior Management and their remuneration. The Policy is also available on the website of the Company i.e., www.vbcindia.co.in

Auditors:

At the Annual General Meeting held on 30th September 2014, M/s Brahmayya & Co., Chartered Accountants, were appointed as statutory Auditors of the Company to hold office till the conclusion of the Annual General Meeting to be held in the calendar year 2017 and accordingly their term of appointment will be expired on the conclusion of the 35th Annual General Meeting of the Company.

In terms of the provisions of the Section 139 of the Companies Act, 2013, the Board recommended for appointment of M/s C.V. Ramana Rao, Chartered Accountants, Visakhapatnam, who have given their consent to serve as Independent Auditors for a term of five years (FY 2017-18 to 2021-22) from the conclusion of 35th Annual General Meeting to the conclusion of the 40th Annual General Meeting of the Company to be held in the calendar year 2022. In this regard, the Company has received a certificate from the Auditors to the effect that, if they are appointed, it would be in accordance with the provisions of Section 141 of the Companies Act, 2013.

Auditors' Report:

The Auditors' Report contained a qualification regarding non-provision of Fuel Surcharge Adjustment and deemed energy charges.

Your Company has not made any provision, as advised by the Legal Counsel, for Fuel Surcharge Adjustment (FSA) charges and deemed energy charges levied by TSSPDCL due to the cases pending before various Forums / Courts. Your Directors are of the view that there are bright chances of winning the cases.



The Auditors' Report contained a further qualification for maintenance of books under going concern basis. It is reported that the Company initiated effective steps to meet the power requirements of the Company by setting up 120 MW Coal based power plant at Bodepalli V&GP, Sirpur Kagaznagar Mandal, Adilabad District, Telangana State through VBC Power Company Limited by transferring its power division by way of demerger. Accordingly, the books of accounts of the Company are maintained under "Going concern Concept" as Board is confident that construction of Captive Power Plant will start immediately on completion of demerger activities. Your Directors are confident that natural gas supply will be improved in KG basin shortly and Konaseema Gas Power Ltd. (KGPL) will resume its operations. Therefore, the diminution in KGPL net worth is of a temporary nature.

Notes to Accounts and Auditors remarks in their report are self-explanatory and do not call for any further comments.

Cost Audit Report:

The Company discontinued the Cost Audit as there are no manufacturing operations during the Financial Year 2016-17 and consequently the Company has not appointed Cost Auditors for the Financial Year 2016-17.

Secretarial Audit Report:

Pursuant to the provisions of Section 204 of the Companies Act, 2013, the Company had appointed M. Nagakishore, Practicing Company Secretary to conduct the Secretarial Audit and give a Secretarial Audit Report for the Financial Year 2016-17, in the prescribed Form MR-3. The Secretarial Audit Report is given in Annexure-I. In reply to the observations of Secretarial Auditors the Company will file certain E-forms shortly and Company is in the process of appointment of Company Secretary. The Company could not pay Annual Listing Fee to Stock Exchange, Income Tax and other dues due to insufficient cash flow. Apart from these, the Report does not contain any qualifications, reservations or adverse remarks.

Internal Audit & Controls:

The Company appointed M/s K.S. Rao & Co., Chartered Accountants, Hyderabad, as its Internal Auditors. Their scope of work includes review of: Records, Ledgers, voucher checking, internal controls practiced by the Company to ensure the Assets are safeguarded, payments with respect to the benefits received, operational expenditure, internal control procedures and systems, and internal control strengths in all areas. The internal control procedures and systems are adequate commensurate with the nature and size of the operations of the Company. Internal Auditors findings are discussed and suitable corrective actions are taken as per the directions of Audit Committee on an ongoing basis to improve efficiency in operations.

Details of Loans, Guarantees or Investments under Section 186:

The loans, guarantees and investments have been disclosed in the Financial Statements.

Extract of Annual Return (MGT-9):

Pursuant to section 92(3) of the Companies Act, 2013 read with rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of annual return in form MGT-9 is provided as Annexure-II.

Details of Employees:

The information required under Section 197 of the Act read with rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are given below:

- i) The ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year;

| Executive Director | Ratio to Median remuneration |
|--------------------|------------------------------|
| M.S. Lakshmana Rao | 0% |

Our Non-Executive Directors draw remuneration only by way of sitting fee. The details of the same are provided in the Corporate Governance Report which forms Annexure to this report. Hence, the ratio of remuneration of each Non-Executive Director to the median remuneration could not be given.