

SEVENTEENTH ANNUAL REPORT 1998-99



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VBC FERRO ALLOYS LIMITED

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

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Seventeenth Annual General Meeting

Date : Thursday, the 30th September 99
Time : 10.30 A.M.

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

REGISTERED OFFICE :

6-2-913/914, 3rd Floor,
Progressive Towers, Khairatabad,
HYDERABAD - 500 004

FACTORY :

Rudramam Village, Sangareddy Taluk,
Medak District, ANDHRA PRADESH

BOARD OF DIRECTORS

Dr. N. TATA RAO	Chairman
M.V.V.S. MURTHI	Vice Chairman
B.K. RAO	
M.N. RAO	
V.P. RAMA RAO	
S. RAMACHANDRAN	(Nominee of IDBI)
M.S. RAMA RAO	Managing Director
V.M. RAO	Vice-President (Co-ord.)
Ch. SRI HARI	Vice-President (Finance)
V. RAVI	General Manager (Works)
M.S. MATHUR	General Manager (Comm.)
K.K. REDDY	General Manager (Finance)
K.R.K. MURTHY	General Manager (Co-ord.)
M. KRISHNAN	General Manager (Corp.) & Company Secretary

AUDITORS :

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

BANKERS :

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

SHARE TRANSFER AGENTS :

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

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

**VBC FERRO ALLOYS LIMITED****Notice of 17th Annual General Meeting**

Notice is hereby given that the 17th Annual General Meeting of the Members of VBC Ferro Alloys Ltd, will be held on Thursday, the 30th September, 1999 at 10.30 AM at Surana Udyog Auditorium of the Federation of Andhra Pradesh Chambers of Commerce and Industry, 11-6-841, Red Hills, Hyderabad - 500 004 to consider the following:-

1. To consider and adopt the Balance Sheet as at 31.03.1999 and the Profit & Loss Account for the year ended on that date and the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. B.K. Rao, who retires by rotation and being eligible offers himself for re-election.
3. To appoint a Director in place of Mr. M.N. Rao, who retires by rotation and being eligible offers himself for re-election.
4. To appoint Auditors for the financial year 1999-2000 to hold office till the conclusion of the next Annual General Meeting, and fix their remuneration. M/s. Brahmayya & Company, the retiring auditors, are eligible for reappointment.

SPECIAL BUSINESS :

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

"RESOLVED THAT pursuant to Section 372A and other applicable provisions, if any, of the Companies Act, 1956, the Board of Directors of the Company, be and is hereby authorised to lend and/or give, on behalf of the company, any guarantee or provide any security in connection with a loan or loans made by any other person to or to any other person by any body corporate from time to time on such terms and conditions as the board of directors may deem fit; provided that the aggregate amount of all such guarantees given or securities provided in respect of any loan or loans outstanding at any time, shall not exceed Rs. 50 crores at any time".

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

"RESOLVED THAT the 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 mortgaging and/or charging by the Board of Directors of the Company of all the immovable and movable properties of the Company where so ever situate, present and 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 upto Rs.50 crores.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to execute the 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."

By Order of the Board

Place : Hyderabad
Date : 07-08-1999

M.S. RAMA RAO
Managing Director



Notes :

1. ANY MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. IN ORDER TO BE EFFECTIVE THE PROXIES SHOULD BE RECEIVED BY THE COMPANY AT ITS REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. The Register of Members and Share Transfer Books of the Company will be closed from 29.09.99 to 30.09.99 (both days inclusive).
3. Members who wish to seek any further information/clarification, at the meeting, on the annual accounts or operations of the Company are requested to send their queries at least a week in advance of the date of the Meeting, to the Registered Office of the Company.
4. Members are requested to intimate any change in their address to the Company immediately.
5. Members who attend the meeting are requested to complete the enclosed attendance slip and deliver the same at the entrance of the meeting hall.
6. Members who have multiple folios in identical names or joint accounts in the same order are requested to intimate the Company's Registrars and Share Transfer Agents, at the aforesaid address, the ledger folios of such accounts to enable the Company to consolidate all such shareholdings into one account.
7. As per the recent amendment of the Companies Act, 1956, the members of a Company are allowed to nominate any person to whom the share shall be transmitted in the event of members death. Members are advised to contact Company's Registrars and Share Transfer Agents to avail this facility.
8. The Company's shares continue to be listed with the Hyderabad Stock Exchange Limited, The Stock Exchange, Mumbai, and Madras Stock Exchange Limited.

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

The Company is associated with several bodies corporate by way of participation in their equity share capital and management and/or by having regular dealings with them for purchase and supply of substantial quantities of raw materials and other products. By virtue of such association, the company is sometimes called upon to assist these bodies corporate by way of giving loans/guarantees or providing securities in connection with loans made by any other person to such bodies corporate. Your directors consider that it is in the interest of the company to give such loans/guarantees and/or provide such securities.

Members are, therefore, requested to approve the Special Resolution set out above.

Item No. 6 :

To meet the long term funds requirement of the Company from time to time, the Company is required to borrow money from various lending agencies. As security for these borrowings, the Company is required to create mortgages and charges on certain movable and immovable properties of the Company as may be required under the terms of the borrowings.

In terms of Section 293(1)(a) of the Companies Act, 1956, it is necessary for the Company to obtain approval of the Members before creation of the mortgage/charge/hypothecation in favour of the lending agencies, as one of the conditions of such borrowings may provide a right to the lending agency to take over the management/undertaking of the Company in certain events.

It is therefore, proposed to obtain approval of the shareholders for creating such mortgages/charges/hypothecations on the movable and immovable properties of the Company subject to a maximum of Rs.50 crores in favour of the lending agencies as set out in the resolution.

VBC FERRO ALLOYS LIMITED**DIRECTORS' REPORT**

Dear Shareholder,

Your Directors are glad to present herein the Company's 17th Annual Report & Audited Accounts for the Year ended 31st March, 1999.

FINANCIAL RESULTS :

	1998-99 (Rs. lacs)	1997-98 (Rs. lacs)
Profit before interest and depreciation	639.03	1184.93
Interest	(280.01)	(501.54)
Depreciation	(172.56)	(162.89)
Profit before taxation	186.46	520.50
Provision for taxation	(19.58)	(70.00)
Profit after tax	166.88	450.50
Relief under OTS	455.52	--
Profit brought forward	465.17	<u>14.67</u>
Profit carried over	1087.57	<u>465.17</u>

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

	1998-99 (MT)	1997-98 (MT)
1. Ferro Silicon	10,473	12,254
2. Ferro Chrome	15,599	15,866

Ferro Chrome production has been maintained almost at the same level as in the previous year. However, the output of ferro silicon was lower due to inadequate availability of power.

The profitability for the year has been affected due to lower average realisation and higher power cost.

Your Directors are glad to report that all term loans of the Financial Institutions have fully been paid.

**PROSPECTS :**

The Ferro Alloy units continue to be under strain due to increasing power costs, continued uncertainty in the market conditions, as a result of imports and recession in the domestic steel industry. Your Directors are actively exploring avenues of diversification into power projects to overcome the power problems, and to improve the avenues of revenue.

DIVIDEND :

Your Directors regret their inability to recommend dividend for the year to conserve the resources for the projects proposed to be taken up.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION :

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

PERSONNEL :

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

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

DIRECTORS :

In accordance with provisions of the Companies Act, 1956 and clause 108 of Articles of Association of the company. Shri B.K. Rao and M.N. Rao retire by rotation and being eligible, offer themselves for re-election.

AUDITORS :

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

ACKNOWLEDGEMENTS :

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

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

For and on behalf of the Board of Directors

Place : Hyderabad
Date : 07-08-1999

M.V.V.S. MURTHI
Vice Chairman


VBC FERRO ALLOYS LIMITED
ANNEXURE 'A' TO DIRECTOR'S REPORT
A. CONSERVATION OF ENERGY :

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

Power and Fuel Consumption

	Current Year 1998-99	Previous Year 1997-98
1. Electricity		
(a) Purchased Units (KWH)	158635.020	168095.390
Total Amount (Rs.in lacs)	2955.40	2475.27
Rate/Unit (in Rs.)	1.86	1.47
(b) Own Generation		
i) Through diesel generator		
Units (KWH)	NII	Nil
Units per ltrs. of Diesel Oil	NII	Nil
Cost/Unit (Rs.) (Fuel+Oil)	NII	Nil
ii) Through steam Turbine/Generator		
Units	NII	Nil
Units per ltrs. of fuel oil/gas	NII	Nil
Cost/Unit	NII	Nil
2. Coal (specify quality & where used)	NII	Nil
Quantity (tonnes)		
Total Cost		
Average rate		
3. Furnace Oil	NII	Nil
Quantity (K.ltrs.)		
Total amount		
Average rate		
4. Other internal generation	NII	Nil
Consumption per unit Production		
Electricity KWH/MT - Ferro Silicon	8585	8227
- Ferro Chrome	4417	4240
Furnace Oil	NII	Nil
Coal (specify quality)	NII	Nil
Others (specify)	Nil	Nil
B. TECHNICAL ABSORPTION		
1. RESEARCH AND DEVELOPMENT (R&D)		
(a) Specify areas in which R&D is carried out by the Company :	NII	Nil
(b) Benefits derived as a result of the above R&D :	NII	Nil



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

(d) Expenditure on R&D :

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

2. TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION :

- (a) Efforts, in brief, made towards technology absorption, adaptation and innovation :
- (b) Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution, etc. :
- (c) In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished :
- i) Technology imported : Nil Nil
 - ii) Year of Import : Nil Nil
 - iii) Has technology been fully absorbed : Nil Nil
 - iv) If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action : Not Applicable

(d) Foreign Exchange Earnings & Outgo

i) Foreign Exchange Earnings at FOB value (in Rs.)	49,26,236	34,87,086
ii) Foreign Exchange outgo		
a) CIF value of imports		
Raw Materials, Components and Spare Parts	Nil	Nil
Capital Goods	Nil	Nil
(b) Others (in Rs.)	2,26,328	2,14,484

For and on behalf of the Board of Directors

Place : Hyderabad
Date : 07-08-1999

M.V.V.S. MURTHI
Vice Chairman