

TWENTY FIRST ANNUAL REPORT 2002-2003



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VBC FERRO ALLOYS LIMITED

(AN ISO 9002 COMPANY)

6-2-913/914, 3rd Floor, Progressive Towers,
Khairatabad, Hyderabad - 500 004,
Andhra Pradesh, INDIA.



VBC FERRO ALLOYS LIMITED

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Twenty First Annual General Meeting

Day : Tuesday
 Date : 30.09.2003
 Time : 10.00 A.M.
 Venue: Hotel Pearl Regency
 11-5-431, Red Hills
 Near Lakdi-Ka-Pul Bridge
 HYDERABAD - 500 004

REGISTERED OFFICE :

6-2-913/914, Third Floor,
 Progressive Towers, Khairatabad,
 HYDERABAD - 500 004.
 ANDHRA PRADESH, INDIA
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FACTORY :

Rudraram Village, Sangareddy Taluk,
 Medak District, ANDHRA PRADESH
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BOARD OF DIRECTORS

Dr. N. TATA RAO	Chairman
Dr. M.V.V.S. MURTHI, M.P.	Vice Chairman
V.P. RAMA RAO	Director
B.K. RAO	Director
M.N. RAO	Director
M.S. LAKSHMAN RAO	Managing Director

AUDIT COMMITTEE MEMBERS

V.P. RAMA RAO	Chairman
M.N. RAO	Member
B.K. RAO	Member

INVESTORS' GRIEVANCE & SHARE TRANSFER COMMITTEE MEMBERS

M.N. RAO	Chairman
B.K. RAO	Member
M.S. LAKSHMAN RAO	Member

REMUNERATION COMMITTEE MEMBERS

B.K. RAO	Chairman
V.P. RAMA RAO	Member
M.N. RAO	Member

COMPANY SECRETARY

MD. ABDUL SALEEM CS&Compliance Officer

SENIOR MANAGEMENT STAFF :

N. BABU RAO	Chief Executive Officer
V. RAVI	Vice-President (Comml.)
V. SURESH	General Manager (Works)
M.R. PRASADA REDDY	General Manager (Finance)

AUDITORS :

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

BANKERS :

BANK OF INDIA
 Nampally Station Road,
 HYDERABAD.

SHARE TRANSFER AGENTS

VENTURE CAPITAL & CORPORATE
 INVESTMENTS LIMITED (Physical & Demate)
 6-2-913/914, Third Floor,
 Progressive Towers, Khairatabad,
 HYDERABAD - 500 004.
 Tel: +91 40 23322262 / 64
 Fax: +91 40 23324803

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 the 21st Annual General Meeting

Notice is hereby given that the 21st Annual General Meeting of the Members of VBC Ferro Alloys Limited will be held on **Tuesday, the 30th September, 2003 at 10.00 am** at Hotel Pearl Regency, 11-5-431, Near Lakdi-Ka-Pul Bridge, Red Hills, Hyderabad - 500 004 to consider the following: -

ORDINARY BUSINESS

1. To receive, consider, approve and adopt the Balance Sheet as at 31st March 2003 and the Profit & Loss Account for the year ended on that date and the report of Directors and Auditors thereon.
2. To declare dividend on equity shares
3. To appoint a Director in place of Dr. M. V. V. S. Murthi, who retires by rotation and being eligible offers himself for re-election.
4. To appoint a Director in place of Shri M. N. Rao who retires by rotation and being eligible offers himself for re-election.
5. To appoint Auditors for the Financial Year 2003-04 to hold office till the conclusion of next Annual General Meeting and fix their remuneration. M/s. Brahmayya & Co., Chartered Accountants, the retiring auditors, is eligible for re-appointment.

SPECIAL BUSINESS:

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

"RESOLVED THAT pursuant to the provisions of Section 61 and other applicable provisions, if any, of the Companies Act 1956, Clause 6.1 and other applicable provisions, if any, of the Securities and Exchange Board of India (De-listing of Securities) Guidelines 2003 (hereinafter referred to as 'De-listing guidelines') and subject to such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any authority while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company ('the Board' which term shall be deemed to include any Committee thereof), consent of the Company be and is hereby accorded to the Board to de-list the Equity Shares of the Company from the Hyderabad Stock Exchange Limited, Madras Stock Exchange Limited and The Calcutta Stock Exchange Association Limited."

"RESOLVED FURTHER THAT the Board be and is hereby authorized to settle all questions, difficulties or doubts that may arise in regard to the aforesaid voluntary de-listing of shares as may in its absolute discretion deem fit without being required to seek any further approval of the Members or otherwise to the end and intent that the Members shall be deemed to have given their approval expressly by the authority of this resolution"

"RESOLVED FURTHER THAT the Board be and is hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this resolution and to do all such acts, deeds and things as may be required or necessary to effectuate this resolution."

By Order of the Board

Place : Hyderabad
Date : 26-08-2003

MD. ABDUL SALEEM
Company Secretary

**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 Explanatory Statement in respect of item No.5 of the Notice is annexed hereto in pursuance of Section 173(2) of the Companies Act, 1956.
3. The dividend on Equity Shares, as recommended by the Board of Directors, if declared at the Annual General Meeting, will be paid on or after 1st October 2003.
4. In order to provide protection against fraudulent encashment of the dividend warrants, shareholders holding shares in physical form are requested to intimate the Company under the signature of the Sole / First Joint holder, the following information to be incorporated on the Dividend Warrants:
 - (i) Name of the Sole / First Joint Holder and the Folio Number
 - (ii) Particulars of Bank Account, viz.: (a) Name of the Bank (b) Name of the Branch (c) Complete address of the Bank with Pin code Number (d) Account Type; whether Savings (SB) or Current Account (CA) (e) Bank Account Number allotted by the Bank.
5. Shareholders holding shares in electronic form may kindly note that their Bank Account details as furnished by their Depositories to the Company will be printed on their Dividend Warrants as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such shareholders for deletion of / change in such Bank Details. Further, instructions, if any, already given by them in respect of shares held in physical form will not be automatically applicable to shares held in the electronic mode. Shareholders who wish to change such Bank Account details are therefore requested to advise their Depository Participants about such change, with complete details of Bank Account.
6. Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, the Company has transferred all unclaimed debenture interests declared and deposited in a separate account up to the financial year ended 31st March 1996 to the Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the Companies Act, 1956
7. For the convenience of Members, Attendance Slip is annexed to this Notice. Members / Proxies / Authorised Representatives are requested to fill in and affix their signatures at the space provided therein and submit the same at the venue of the Annual General Meeting.
8. Copies of Annual Report will not be distributed at the venue of the 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.
9. Pursuant to Section 154 of the Companies Act, 1956 and Clause 41 of the Listing Agreement, Register of Members and Share Transfer Books of the Company will be closed from 27th September 2003 to 30th September 2003 (both days inclusive).
10. 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 Company Secretary at the Registered Office of the Company.
11. Members are requested to quote Folio No. / DP ID and Client ID in all correspondence.
12. Members are requested to intimate any change in their address to the Company promptly.
13. Members who have multiple folios in identical names or joint holding in the same order are requested to intimate the Company's Registrars and Share Transfer Agents, the Ledger Folios of such holding to enable them consolidate all such shareholdings into a single folio.
14. Pursuant to the provisions of Section 109A of the Companies Act, 1956, Members are allowed to nominate any person to whom the shares shall be transmitted in the event of Member's death. Members are advised to submit Form2B (enclosed) to the Share Transfer Agents M/s Venture Capital and Corporate Investments Limited to avail this facility. Nomination facility in respect of shares held in Electronic form is also available with the Depository Participant (DP) as per the Bye-Laws and Business rules applicable to NSDL and CDSL.



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15. The Company's shares continue to be listed with The Hyderabad Stock Exchange Limited, The Stock Exchange, Mumbai, The Madras Stock Exchange and the Calcutta Stock Exchange Association Limited. Annual Listing Fee has been paid to all the Stock Exchanges where the Company's shares are listed.
16. 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.
17. Information required under the Listing Agreement

As required under the Listing Agreements with the Stock Exchanges, the brief particulars of Directors who are proposed to be re-appointed are given below:

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

Dr. M. V. V. S. Murthi is the promoter of VBC Ferro Alloys Limited and VBC Industries Limited. He is basically a Post Graduate in Arts and did his Ph.D in Economics. Before transforming into an industrialist he was a practicing Advocate in the High Court of Andhra Pradesh. He is a distinguished personality in politics since he is a Member of Lower House of the Parliament i.e., Lok Sabha.

Apart from being the Vice Chairman of VBC Ferro Alloys Limited, he is the Chairman of VBC Industries Limited and holds directorship in Techno Pack Private Limited.

2. Shri M. N. RAO

Shri M. N. Rao is basically a Science graduate (B.Sc) and did his Bachelors in Mechanical Engineering from REC, Warangal. He has served in senior management cadre of IDBI for more than a decade and was involved in the processing of loan proposals of Mineral and Metal based Industries.

He is also a Director of Coromandal Cements Limited, Deccan Polypacks Limited, Jaya Diagnostic & Research Centre Limited, Prasanthi Finance & Consultants Private Limited, Progressive Constructions Limited, Saurashtra Cement Limited, and Spartek Ceramics India Limited.

Further, he is the Chairman of Audit Sub-Committees of Coromandal Cements Limited and Saurashtra Cement Limited apart from being a Member of Audit Sub-Committees of Deccan Polypacks Limited, Spartek Ceramics India Limited, Member of Remuneration Sub-Committees of Deccan Polypacks Limited, Saurashtra Cement Limited, Member of Investors' Grievances & Share Transfer Sub-Committee of Coromandal Cements Limited.

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

The equity shares of the Company are listed on The Hyderabad Stock Exchange Limited (HSE), The Stock Exchange, Mumbai (BSE), Madras Stock Exchange Limited (MSE) and The Calcutta Stock Exchange Association Limited (CSE).

As per the Securities and Exchange Board of India (De-listing of Securities) Guidelines, 2003 (hereinafter referred to 'Delisting Guidelines'), it is open to the Company to voluntarily delist securities from any stock exchange(s), provided that the Company's securities continue to remain listed in a Stock Exchange having nation-wide trading terminals. The BSE and the National Stock Exchange, (NSE) are the Stock Exchanges, which fulfill this condition and the Company's Equity Shares are listed on BSE.

For the last few years, it has been observed that the equity shares of the Company are being traded on BSE alone and the trading of Company's Securities on HSE, MSE and CSE (the said Stock Exchanges) has been almost NIL. Also the listing fee paid to the said Stock Exchanges is disproportionate to the volume handled by them when compared to that of BSE. Moreover, owing to the expansion of BSE and their extensive networking and extension of their terminals to other cities, investors now have access to online dealing in the Company's equity shares on such terminals across the Country.

The equity shares of the Company are one of the scrips, which the Securities and Exchange Board of India (SEBI) has specified for settlement only in dematerialized form with effect from 2nd January 2002.

Further, the Company has been spending considerable amount of money on listing fees, communication charges on compliance of various formalities etc., and no particular benefit accrues to the shareholders or the Company by continuing the listing of the equity shares on the said Stock Exchanges. Therefore, it is considered desirable to delist equity shares of the Company from the said Stock Exchanges subject to the Company complying with the various provisions of Delisting Guidelines and obtaining requisite approvals, permissions and sanctions in this regard.

The Company's equity shares however, will continue to be listed on BSE.

In terms of Delisting Guidelines issued by SEBI, a public announcement regarding proposed delisting will be published. The delisting will take place only after all approvals, sanctions and permissions have been received. The exact date on which delisting will take place will be suitably notified.

Owing to the availability of trading facilities on the connectivity of BSE in most of the cities across the Country, the proposed delisting of the Company's Equity Shares on the said Stock Exchanges will not be prejudicial to or affect the interest of the Investors.

The Directors commend the special resolution for the approval of the Members.

None of the Directors of the Company are interested in the said resolution.



VBC FERRO ALLOYS LIMITED

DIRECTORS' REPORT

Dear Shareholder,

Your Directors present the 21st Annual Report of the Company together with Audited Financial Statements for the financial year ended 31st March 2003.

FINANCIAL DETAILS :

	2002-2003 (Rs. lakhs)	2001-2002 (Rs. lakhs)
Profit before Interest and Depreciation	2065.83	3978.48
Interest	(359.13)	(634.05)
Depreciation	(179.88)	(849.51)
Profit before taxation	1526.82	2494.92
Provision for taxation	(75.00)	(200.00)
Profit after tax	1451.82	2294.92
Other Income / (Debits)	0.00	(54.41)
Income Tax Provision for earlier years no longer required	417.21	0.00
Transfer from Revaluation Reserve	1308.43	0.00
Profit brought forward from previous year	5171.81	2931.30
Profit available for appropriation	8349.27	5171.81
Transfer to General Reserve	662.60	0.00
Proposed Dividend (10%)	40.44	0.00
Tax on Proposed Dividend	5.18	0.00
Profit carried over	7,641.05	5,171.81

PERFORMANCE :

The Company has suspended its operations from 1st April 2002 to 20th October 2002 along with other Power Intensive Ferro Alloy Units operating in the state of Andhra Pradesh and drawing power from AP Transco on account of steep increase in wheeling charges from the existing Rs.0.22 per unit to Rs.1.27 per unit announced by Andhra Pradesh Electricity Regulatory Commission (APERC) vide order No.162 / 2000 in OP No. 510 / 2001 dated: 24th March 2002.

The Company has restarted its operations from 21st October 2002 after APERC has considered our request for revision of tariff and provided concessional power tariff. In view of the above, company's performance during the year under review is only for a period of five months. During this period, Company could produce 10,229 MTs of Ferro Silicon and 866 MTs of Ferro Chrome as against the production of 12,863 MTs and 3,596 MTs respectively during the previous year.



DIVIDEND

Your Directors are pleased to recommend dividend at @ 10% on 40,44,350 Equity Shares of Rs.10/- each for the year ended 31st March 2003, which if approved at the 21st Annual General Meeting, will be paid to all those equity shareholders whose names appear in the Register of Members as on 30th September 2003 and to those whose names as beneficial owners, are furnished by the National Securities Depository Limited and Central Depository Services (India) Limited.

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 earning and outgoings is furnished and forms part of this report.

FIXED DEPOSITS

The company has not accepted any fixed deposits during the period under review pursuant to the provisions of Section 58A of the Companies Act 1956 and, as such, no amount of principal or interest was outstanding as on 31st March 2003.

PERSONNEL

Your Company is having cordial and harmonious relations between the employees and the Management and your Directors express their appreciation for loyalty and faithfulness exhibited by employees at all levels during the cessation of operations apart from valuable, sustained and untiring efforts put by them.

Particulars of Employees as required under Section 217(2)(A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975, as amended, are not provided since none of the employees employed through out the year or part of the financial year 2002-03 is drawing remuneration above the limit specified in Section 217(2)(A) of the Companies Act, 1956.

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. N. Rao retire by rotation and being eligible, offer themselves for re-election.

Board recommends their re-election.

In accordance with the provisions of Clause 49 of the Listing Agreements with Stock Exchanges, brief particulars of Dr. M. V. V. S. Murthi and Shri M. N. Rao are provided else where in this Annual Report.

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 2003, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) the directors have adopted appropriate accounting policies and applied them consistently and made judgements and estimates that were 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 or loss of the Company for the year under review;



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- (iii) the directors have taken proper and sufficient care for the maintenance of adequate accounting records 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 directors have prepared the accounts for the financial year ended 31st March 2003 on a 'going concern' basis.

CORPORATE GOVERNANCE

As required under Clause 49 of the Listing Agreements, 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 form part of this report.

AUDITORS:

M/s Brahmayya & Co., Chartered Accountants, Statutory Auditors of the Company hold office till the conclusion of ensuing Annual General Meeting and are eligible for reappointment. The Company has received a letter from them to the effect that their appointment, if made, would be within the limits prescribed under Section 224(1-B) of the Companies Act, 1956.

Board of Directors recommend for their re-appointment.

Auditors have made certain observations in their Report relating to delays in depositing Provident Fund and Employees State Insurance dues with appropriate authorities, regarding valuation of charcoal fines and write back of provisions made in earlier years towards interest on delayed payments of energy charges.

The Directors hereby clarify that the delays in depositing Provident Fund and Employees State Insurance dues with appropriate authorities was on account of suspension of operations by the Company from 1st April 2002 to 20th October 2002 wherein the concerned employees handling those matters have left the services of our Company. However, there are no arrears of the said dues as at the end of the year.

Regarding valuation of charcoal fines and write back of provisions made in earlier years towards interest on delayed payments of energy charges, Note No.(4b) and Note No.5 of Schedule 21(II) respectively are self-explanatory to the observations made by the Auditors.

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 all Members, Customers, Vendors, Banks, Regulatory and Government Authorities for the support extended by them. Your Directors place on record their sincere appreciation for the support and contribution of employees through their dedication, hard work and commitment. We also acknowledge the support extended by APGPCL, AP Transco and Government Agencies at all levels. Your Directors look forward to the future with confidence.

For and on behalf of the Board

Place : Hyderabad
Date : 26-08-2003

M.S. LAKSHMAN RAO
Managing Director

Dr. M.V.V.S. MURTHI
Vice Chairman

**ANNEXURE 'A' TO DIRECTORS' 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 2002-2003	Previous Year 2001-2002
1. Electricity		
(a) Purchased Units (KWH)	87442.047	119570.200
Total Amount (Rs.in lacs)	1916.76	2173.47
Rate/Unit (in Rs.)	2.19	1.82
(b) Own Generation		
i) Through diesel generator		
Units (KWH)	Nil	Nil
Units per ltrs. of Diesel Oil	Nil	Nil
Cost/Unit (Rs.) (Fuel+Oil)	Nil	Nil
ii) Through steam Turbine/Generator		
Units	Nil	Nil
Units per ltrs. of fuel oil/gas	Nil	Nil
Cost/Unit	Nil	Nil
2. Coal (specify quality & where used)	Nil	Nil
Quantity (tonnes)		
Total Cost		
Average rate		
3. Furnace Oil	Nil	Nil
Quantity (K.ltrs.)		
Total amount		
Average rate		
4. Other internal generation	Nil	Nil
Consumption per unit of Production		
Electricity KWH/MT - Ferro Silicon	8192	8294
- Ferro Chrome	4216	4265
Furnace Oil	Nil	Nil
Coal (specify quality)	Nil	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 :	Nil	Nil
(b) Benefits derived as a result of the above R&D :	Nil	Nil