

# **TWENTY SECOND ANNUAL REPORT 2003-2004**



Report  Junction.com

## **VBC FERRO ALLOYS LIMITED**

(AN ISO 9001 : 2000 COMPANY)

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



## CONTENTS

Notice .....	2-4
Directors' Report .....	5-9
Management Discussion & Analysis...	10-11
Corporate Governance .....	12-21
Auditors' Report .....	22-26
Balance Sheet .....	27
Profit & Loss A/c. ....	28
Schedules Accounting Policies & Notes on Accounts .....	29-42
Cash Flow Statement .....	43
Balance Sheet Abstract .....	44

## TWENTY SECOND ANNUAL GENERAL MEETING

Day : Thursday

Date : 30.09.2004

Time : 02.30 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

## FACTORY

Rudraram Village, Patancheru Mandal  
Medak District, ANDHRA PRADESH  
Tel: +91 8455 220084, +91 8455 220130  
Fax: +91 8455 220142

## BOARD OF DIRECTORS

Dr. N. TATA RAO	Chairman
Dr. M.V.V.S. MURTHI	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.)
A.J. RAO	Vice-President (Technical)
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

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 22nd Annual General Meeting

Notice is hereby given that 22<sup>nd</sup> Annual General Meeting of the Members of VBC Ferro Alloys Limited will be held on **Thursday, the 30<sup>th</sup> September, 2004 at 2.30 pm** 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, approve and adopt Balance Sheet as at 31<sup>st</sup> March 2004 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. N. Tata Rao who retires by rotation and being eligible offers himself for re-election.
4. To appoint a Director in place of Shri. B. K. Rao, who retires by rotation and being eligible offers himself for re-election.
5. To appoint Auditors for the financial year 2004-05 to hold office till the conclusion of next Annual General Meeting and fix their remuneration. M/s. Brahmayya & Co., Chartered Accountants, 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, the following resolution as a Special Resolution:*

"RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act 1956, existing Article 99 of the Articles of Association of the Company be replaced in the following manner:

#### Article 99: Directors Fee and other Remuneration:

Until otherwise determined by a General Meeting, each Director shall receive out of the funds of the Company, by way of remuneration, for each meeting of the Board or a Committee thereof attended by him, a sum not exceeding the amount as prescribed under Rule 10-B of The Companies (Central Government's) General Rules and Forms, 1956. In addition to the above, Board of Directors may allow and pay such sum as may be considered fair and reasonable for expenses of each Director in connection with his attending the meeting."

7. *Copies of the following resolution are sent to the Members for passing the same through postal ballot in accordance with the provisions of Section 192A of the Companies Act, 1956:*

"RESOLVED THAT pursuant to the provisions of Section 372A and other applicable provisions, if any, of the Companies Act 1956, Corporate Guarantee for Rs.116.00 crores issued by the Board of Directors of the Company on 8<sup>th</sup> April 2004 in favour of Industrial Development Bank of India, 'confirming that in case the balance equity being the amount subscribed but not paid (including contingent equity) in the equity share capital of Konaseema EPS Oakwell Power Limited (KEOPL) is not brought as and when required to the satisfaction of the Lead Institution, the Company shall arrange to bring the same,' be and is hereby approved"

By Order of the Board  
for VBC Ferro Alloys Limited

Place : Hyderabad  
Date : 31-07-2004

M.S. LAKSHMAN 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 THAT **48 HOURS** BEFORE THE MEETING.
2. The Explanatory Statement in respect of item Nos. 6 and 7 of the Notice is annexed hereto in pursuance of Section 173(2) of the Companies Act, 1956.
3. 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.
4. 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.
5. 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 28<sup>th</sup> September 2004 to 2<sup>nd</sup> October 2004 (Both days inclusive).
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, the Ledger Folios of such holding to enable them consolidate all such shareholdings into a single folio.
9. The Company has made applications to The Hyderabad Stock Exchange Limited, The Madras Stock Exchange and the Calcutta Stock Exchange Association Limited for de-listing of its shares in accordance with the Special Resolution passed at the previous Annual General Meeting and the same is under process. Annual Listing Fee for the financial year 2004-05 has been paid to all the Stock Exchanges where the Company's shares are listed.
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. Members holding shares in physical form are advised to provide details of their bank account to the company to enable us send dividend through Electronic Clearance Service (ECS). Members holding shares in dematerialized form may provide the same to their respective depository participants.
12. An amount of Rs.4,06,172/- was still unclaimed as on 31<sup>st</sup> March 2004 out of the dividend declared on 30<sup>th</sup> September 2003 for the financial year 2002-03. Members who have not claimed the dividend are advised to claim the same at the earliest. In accordance with the provisions of Section 205C of the Companies Act, 1956 aforesaid unclaimed dividend amount shall be liable to be transferred to Investor Education and Protection Fund on 31<sup>st</sup> October 2010.
13. Pursuant to the provisions of Section 192A of the Companies Act, 1956 Special Resolution under Section 372A seeking approval of the Members for Corporate Guarantee Provided by the Company is being passed through Postal Ballot and result shall be declared at the Annual General Meeting.
14. As required under Clause 49 of the Listing Agreements with Stock Exchanges, brief particulars of Directors who are proposed to be re-appointed are given below:

**1. Dr. N. TATA RAO**

Dr. N. Tata Rao is an Honorary, Life Fellow of the Institution of Engineers (India) and a recipient of many awards including Padmasri Award from the President of India. His qualifications include B.Sc.(Engg), M.S.(EE) (Illinois Institute of Technology, Chicago, U.S.A.). He was Advisor on Power



## VBC FERRO ALLOYS LIMITED

to Chief Minister of Andhra Pradesh, Consultant for Asian Development Bank - Reorganisation of Bangladesh Power Development Board, Chairman of A. P. State Electricity Board etc.

Apart from VBC Ferro Alloys Limited, he is the Chairman of Amara Raja Power Systems Limited and Konaseema EPS Oakwell Power Limited. He is a Director on the Board of The Andhra Pradesh Paper Mills Limited, Lakshmi Finance & Industrial Corporation Limited, IMP Power Limited, Konaseema Power Corporation Limited, Orissa Hydel Power Balimela Limited, Orissa Hydel Power Jalaput Limited, Bhadrachalam Power Company Limited, and Bharat Jala Vidyut Nigam Limited.

### 2. Shri BHAGAVATHI KAMESWARA RAO

Shri B. K. Rao is an Engineering Graduate with over 48 years of experience in senior positions and he is a Director on the Board of VBC Ferro Alloys Limited for more than a decade. Apart from being a Director on our Board, he is the Managing Director of Jaya Diagnostic & Research Centre Limited (Medwin Hospitals) and Director on the Board of Progressive Constructions Limited.

## EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT 1956.

### Item No.6 - Amendment of Article 99 of the Articles of Association of the Company.

In accordance with the provisions of Section 310 of the Companies Act, 1956 read with Rule 10-B of The Companies (Central Government's) General Rules and Forms, 1956, the Directors of the company are being presently eligible for maximum payment of Rs.20,000/- towards sitting fee for attending each meeting of the Board or a Committee thereof.

Article 99. of the Articles of Association of the Company as provided at the time of incorporation of the company during the year 1981 stipulated a restriction on payment of sitting fee to a maximum of Rs.250/- only.

In view of the increased responsibility of the Directors and the recent developments, it is proposed to amend Article 99 of the Articles of Association of the Company to bring the same in line with the amendments carried out by the Central Government to Rule 10-B of The Companies (Central Government's) General Rules and Forms, 1956.

Your Directors recommend for approval by the Members.

None of the Directors of the Company are interested in the said resolution except for the sitting fee receivable by them for attending the meetings of the Board or Committee thereof.

### Item No.7 - Corporate Guarantee for Rs.116.00 crores to IDBI.

In accordance with the consent provided by the Share holders at the 18th Annual General Meeting of the Company held on 30th November 2000, the Company has invested in the Equity Share Capital of Konaseema EPS Oakwell Power Limited (KEOPL) which is setting up a 445MW Gas based Combined Cycle Power Project. VBC Ferro Alloys Limited, being the promoter of KEOPL, was required to provide a corporate guarantee to the extent of Rs.116.00 crores in favour of Industrial Development Bank of India (Lead Institution) confirming the subscription of balance equity of the said company. KEOPL has already achieved 100% subscription out of which some part is partly paid and this Corporate Guarantee is an interim measure to secure Financial Closure (FC) of the Project and Notice to Proceed (NTP).

None of the Directors of the Company except Dr. N. Tata Rao, Dr. M. V. V. S. Murthi and Shri M. S. Lakshman Rao are interested in the said resolution.

Board recommends for approval of the resolution by the Members.

By Order of the Board  
for VBC Ferro Alloys Limited

Place : Hyderabad  
Date : 31-07-2004

**M.S. LAKSHMAN RAO**  
Managing Director

**DIRECTORS' REPORT**

Dear Shareholder,

Your Directors present the 22<sup>nd</sup> Annual Report of the Company together with Audited Financial Statements for the financial year ended 31<sup>st</sup> March 2004.

**FINANCIAL DETAILS :**

PARTICULARS	2003-2004 (Rs. lakhs)	2002-2003 (Rs. lakhs)
Profit before Interest and Depreciation	4497.59	2065.83
Interest	(588.22)	(359.13)
Depreciation	(183.26)	(179.88)
Profit before taxation	3726.11	1526.82
Provision for taxation : Current Tax	(240.00)	(75.00)
Deferred Tax	(107.01)	0.00
Profit after tax	3379.09	1451.82
Income Tax of earlier years	(57.29)	0.00
Provision for Income Tax for earlier years no longer required	0	417.21
Transfer from Revaluation Reserve	0	1308.43
Profit brought forward from previous year	7641.04	5171.81
<b>Profit available for appropriation</b>	<b>10962.84</b>	<b>8349.27</b>
Transfer to General Reserve	7400.00	662.60
Proposed Dividend (10%)	40.44	40.44
Tax on Proposed Dividend	5.29	5.18
Profit carried over	<b>3517.11</b>	<b>7,641.05</b>

**PERFORMANCE :**

During the financial year 2003-04, Company produced 21,885MTs of Ferro Silicon and 6,709 MTs of Silico Manganese as against the production of 10,229 MTs of Ferro Silicon and 866 MTs of Ferro Chrome during the previous year. The Company exported 2,639 MTs of Silico Manganese to various countries like Singapore, Thailand and Europe. The product quality has been accepted by leading steel makers like Thyssen (Germany), NAT Steel (Singapore), Nippon (Japan) etc and the export market is expected to grow further.

**PROSPECTS:**

In view of the buoyancy of Manganese Alloys Market, company is proposing to convert one more furnace for manufacturing Ferro Manganese for domestic consumption and also for export which is expected to result in higher turnover and operating margin compared to the previous year.

Further, company has taken a Ferro Alloy Plant consisting of one 7.5MVA capacity Furnace and another 3.6MVA capacity Furnace with necessary infrastructure facilities located at Rayagada in the State of Orissa on lease for a period of three years from The Jeypore Sugar Company Limited and is expected to be commissioned during the year. In view of its proximity to chrome ores, we propose to produce 15,000 MTs of Chrome Alloys per annum with an estimated annual turnover of about Rs.60 crores.





## VBC FERRO ALLOYS LIMITED

### DIVIDEND

Your Directors are pleased to recommend payment of dividend @ 10% on 40,44,350 Equity Shares of Rs.10/- each for the year ended 31<sup>st</sup> March 2004, which if approved at the 22<sup>nd</sup> Annual General Meeting, will be paid to all those equity shareholders whose names appear in the Register of Members as on 30<sup>th</sup> September 2004 and to those whose names as beneficial owners, are furnished by the National Securities Depository Limited and Central Depository Services (India) Limited respectively.

### 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.

### 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 Directors' Report.

### FIXED DEPOSITS

The company has not accepted any fixed deposits.

### 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 the employees.

Statement showing the particulars of employees, pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975, is not provided since none of the employees were paid in excess of the limits prescribed in the Section.

### 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. N. Tata Rao and Shri B. K. 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. N. Tata Rao and Shri B. K. Rao are provided in the Notes annexed to the Notice of the AGM and is forming part of 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 31<sup>st</sup> March 2004, 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 of the Company for the year under review;



- (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 31<sup>st</sup> March 2004 on a 'going concern' basis.

**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 their re-appointment.

**CORPORATE GUARANTEE**

Pursuant to the provisions of Section 372A of the Companies Act, 1956 and in accordance with the resolution passed by the Board of Directors of the Company, Corporate Guarantee for Rs.116.00 crores was issued on 8<sup>th</sup> April 2004 in favour of Industrial Development Bank of India, 'confirming that in case the balance equity being the amount subscribed but not paid (including contingent equity) in the equity share capital of Konaseema EPS Oakwell Power Limited (KEOPL) is not brought as and when required to the 'satisfaction of the Lead Institution, the Company shall arrange to bring the same'. In compliance with the provisions of Section 372A read with Section 192A of the Companies Act, 1956, approval for the said Corporate Guarantee is sought from the Members through Postal Ballot

**ISO 9001 : 2000 CERTIFICATION:**

The Company was earlier awarded ISO 9002 certificate by M/s TUV Germany and validity of the said certificate expired by the end of December 2003. The Company has upgraded its systems and has subjected itself for an audit by M/s TUV Germany and your company has been awarded ISO 9001: 2000 certificate on 4<sup>th</sup> March 2004 with validity upto 28<sup>th</sup> July 2006.

**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, Regulatory & Government Authorities and Bank of India 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 and look forward to the future with confidence.

For and on behalf of the Board

Place : Hyderabad  
Date : 31-07-2004

**M.S. LAKSHMAN RAO**  
Managing Director

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





## VBC FERRO ALLOYS LIMITED

### ANNEXURE 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. Company, therefore, gives importance to energy conservation measures.

#### Power and Fuel Consumption

	Current Year 2003-2004	Previous Year 2002-2003
1. Electricity		
(a) Purchased Units (KWH)	209813313	87442047
Total Amount (Rs.in lacs)	4679.95	1916.76
Rate/Unit (in Rs.)	2.23	2.19
(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
<b>Consumption per unit of Production</b>		
Electricity KWH/MT - Ferro Silicon	8394	8192
- Ferro Chrome	Nil	4216
- Silico Manganese	4227	Nil
Furnace Oil	Nil	Nil
Coal (specify quality)	Nil	Nil
Others (specify)	Nil	Nil
<b>B. TECHNICAL ABSORPTION</b>		
1. RESEARCH AND DEVELOPMENT (R&D)		
(a) Specify areas in which R&D is carried out by the Company :	Nil	Nil

**VBC FERRO ALLOYS LIMITED**

(b) Benefits derived as a result of the above R&D	:	Nil	Nil
(c) Future plan of action	:	a) Production of special grade Ferro Silicon for high grade steels b) Improvements in preparation of raw material 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
<b>2. TECHNOLOGY ABSORPTION, ADOPTION &amp; INNOVATION :</b>			
(a) Efforts, in brief, made towards technology absorption, adoption 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 there for and future plans of action	:	Not Applicable	
(d) Foreign Exchange Earnings & Outgo			
i) Foreign Exchange Earnings at FOB value		80749596	Nil
ii) Foreign Exchange outgo			
a) CIF value of imports	:		
Raw Materials, Components and Spares	:	Nil	Nil
Capital Goods	:	Nil	Nil
(b) Others		Nil	Nil

For and on behalf of the Board

Place : Hyderabad  
Date : 31-07-2004.

**M.S. LAKSHMAN RAO**  
Managing Director

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