

TWENTY FIFTH ANNUAL REPORT 2006-2007



VBC FERRO ALLOYS LIMITED

(AN ISO 9001 : 2000 COMPANY)
6-2-913/914, Third Floor, Progressive Towers,
Khairatabad, Hyderabad - 500 004,
Andhra Pradesh, INDIA.

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TWENTY FIFTH ANNUAL GENERAL MEETING

Day : Friday
 Date : 17.08.2007
 Time : 03.00 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

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

**VBC FERRO ALLOYS LIMITED****BOARD OF DIRECTORS**

Dr. M.V.V.S. MURTHI, Ph.D.	Chairman
Dr. P.L. SANJEEV REDDY, Ph.D.	Director
M.N. RAO	Director
M.S. LAKSHMAN RAO	Managing Director

AUDIT COMMITTEE

M.N. RAO	Chairman
Dr. M.V.V.S. MURTHI, Ph.D.	Member
Dr. P.L. SANJEEV REDDY, Ph.D.	Member

INVESTORS' GRIEVANCE & SHARE TRANSFER COMMITTEE

Dr. M. V. V. S. MURTHI, Ph.D.	Chairman
Sri M. N. RAO	Member
Sri M. S. LAKSHMAN RAO	Member

REMUNERATION COMMITTEE

Dr. P.L. SANJEEV REDDY, Ph.D.	Chairman
Dr. M.V.V.S. MURTHI, Ph.D.	Member
M.N. RAO	Member

COMPANY SECRETARY

V.V.V.S.N. MURTY	CS & Compliance Officer
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SENIOR MANAGEMENT STAFF

K. KAILASNATHA REDDY	Vice President (Finance)
V. RAVI	Vice-President (Operations)

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 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

7. Authorisation to invest in securities under section 372A of the Companies Act, 1956.

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

"RESOLVED THAT pursuant to the provisions of Section 372A and other applicable provisions, if any, of the Companies Act 1956, and subject to the approval of financial institutions wherever necessary, the Board of Directors of the Company, be and is hereby authorised to acquire shares / invest in 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 investments shall not exceed Rs.250 crore in all such body corporates, in addition to the existing guarantee limits.

By Order of the Board
for VBC Ferro Alloys Limited

Sd/-

V.V.V.S.N. MURTY
Company Secretary

Place : Hyderabad
Date : 30-06-2007

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. Explanatory Statement in respect of item Nos. 5, 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 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 **FRIDAY the 10th AUGUST, 2007 to FRIDAY the 17th AUGUST, 2007 (Both days inclusive)**.
6. The dividend @ 20% for the year ended March 31, 2007 as recommended by the Board of Directors, if approved at the Annual General Meeting, will be payable to those shareholders whose names appear on the Company's Register of Members
 - a) as beneficial owners at the end of the business hours on 9th August, 2007 as per the list to be furnished by National Securities Depository Limited(NSDL) and Central Depository Services(India) Limited(CDSL) in respect of shares held on Dematerialised form.
 - b) as the shareholders whose names registered in the Register of Members of the Company as on 17th August, 2007.



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7. 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 Registered Office of the Company.
8. 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.
9. 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.
10. In accordance with the Special Resolution passed at 21st Annual General Meeting, Company's shares have been delisted from The Hyderabad Stock Exchange Limited and The Madras Stock Exchange. Application made to Calcutta Stock Exchange Association Limited for de-listing of its shares is under process. Annual Listing Fee for the financial year 2007-08 has been paid to The Stock Exchange, Mumbai where the Company's shares are listed.
11. 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.
12. The dividend warrants are not encashed, if any within 7 years from the date of declaration of dividend, the same will be transferred to Investor Education and Protection Fund (IEPF) constituted by the Central Government under section 205 C of the Companies Act, 1956, thereafter shareholder ceases their right to claim unpaid dividend. The particulars of unclaimed dividend as on 31st March, 2007 are as follows :

Financial Year	Unclaimed Dividend as on 31 st March, 2007(Rs)	Date of declaration	Due for transfer to IEPF
2002-03	2,25,379/-	30-09-2003	31.10.2010
2003-04	2,50,876/-	30-09-2004	31-10-2011
2004-05	4,05,125/-	30-09-2005	31-10-2012
2005-06	10,44,766/-	24-07-2006	24-08-2013

13. As required under Clause 49 of the Listing Agreements with Stock Exchanges, brief particulars of Dr. P.L. Sanjeev Reddy who is proposed to be re-appointed as Director are provided below:

Name of the Director	: Dr. P.L. Sanjeev Reddy, Ph.D.
Date of Birth	: 05-12-1940
Occupation	: IAS (Retd.)
Expertise in specific functional areas	: Held several senior positions in the Government India & A.P as Secretaries to various Ministries, worked as Chairman and Managing Director for several Government Companies/ Corporations during his tenure of his service. Has Ph.D in the filed of industrial management.
Directorships in other Companies	: NIL
Committee positions held in other Companies	: NIL
Shareholding in the Company	: NIL

Brief Profile:

Dr. P. L. Sanjeev Reddy, Ph.D (aged 67 years), a Retd. IAS Officer, during the period spanning over 35 years in the Indian Administrative Service, held various sensitive, responsible, challenging and top-level assignments in different fields. Specialized mainly in the fields of Industry, Finance, International Trade & Commerce and Development Administration.

He has to his honour several outstanding National Awards for managerial excellence, productivity enhancement, trade promotion and for excellent contribution towards investment and cause of industrial promotion, technology transfer, sustainable development, social development and for allround achievement and outstanding services and excellence in the fields of public administration, industrial management and strategic policy formulation and implementation.



In the year 2002, he was awarded Golden Peacock Award instituted by the Institute of Directors London(UK) for "Excellence in Public Service" by H. E. P.C. Alexander, Governor of Maharashtra at Mumbai.

As he was a member of the Indian Administrative Service, he was Secretary to Government of India, Department of Company Affairs, Department of Rural Development & Land Resources, Principal Secretary to Chief Minister, Government of Andhra Pradesh, Director General, Indian Institute of Foreign Trade, Director General of Foreign Trade, Secretary, MRTP Commission, Special Assistant to the President of India, National President, Council of State Industrial Development and Investment Corporation of India (COSIDICL), Vice Chairman and Managing Director of AP Industrial Development Corporation, Vice Chairman and Managing Director for AP State Agro Industries Development Corporation Limited, Director of Agriculture, Govt. of Andhra Pradesh, and held many other important assignments.

Dr. P. L. Sanjeev Reddy has a highly meritorious record as an academician as well. He did his B.A. (Hons) in Economics, M. A. in Economics, Post Graduate Diploma in Development Studies from University of Cambridge (UK) and Ph.D. in Industrial Management. He is an empanelled Examiner for Doctorate (Ph.D.) Degree of several Universities in the fields of Economics, Industry, Trade, Management and Corporate Governance.

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

Item No.5

The Company may be required to borrow funds from financial institutions to meet the long term financial requirements of the Company and in accordance with the resolutions passed at the 18th /24th Annual General Meeting of the Company, it may also be required to give guarantees to financial institutions / others on behalf of other Companies. To secure the loans borrowed / guarantees given, the Company may be called upon to provide security by creating charge on its movable and immovable properties. 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 / financial institutions.

It is therefore proposed to obtain approval of the Members for creating such mortgages / charges / hypothecations on the movable and immovable properties of the Company.

Therefore the Board recommends approval of the above resolution by the Members.

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

Item No.6

The Company may be required to borrow funds from financial institutions to meet the long term financial requirements and for future expansion / diversification plans. In terms of Section 293(1)(d) of the Companies Act, 1956 it is necessary for the Company to obtain approval of the Members, to borrow any money together with the monies already borrowed by the company (apart from temporary loans obtained from the company's bankers in the ordinary course of business) exceeding the aggregate of the paid-up capital of the company and its free reserves, that is to say, reserves not set apart for any specific purpose.

It is therefore proposed to obtain approval of the Members enabling the Company to borrow money from banks / financial institutions or any other lending agencies, as it necessitates.

Therefore the Board recommends approval of the above resolution by the Members.

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

Item No.7

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 in the course of its business. By virtue of such association, the company is sometimes called upon to assist these bodies corporate by way of giving loans/advances/guarantees/investments in the

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Share Capital 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 / advances / provide guarantee / invest in shares and/ or provide such securities.

The consent of the shareholders is therefore being sought pursuant to the provisions of Section 372 (A) of the Companies Act authorizing the Board to invest in the securities of the said companies.

None of the Directors of the Company are interested in the proposed resolution except to the extent of their shareholdings in associate companies.

By Order of the Board
for VBC Ferro Alloys Limited

Place : Hyderabad
Date : 30-06-2007

Sd/-
V.V.V.S.N. MURTY
Company Secretary





DIRECTORS' REPORT

Dear Shareholder,

Your Directors present the 25th Annual Report of the Company together with Audited Financial Statements for the financial year ended 31st March 2007.

FINANCIAL DETAILS :

PARTICULARS	Current Year 2006-2007 (Rs. lakhs)	Previous Year 2005-2006 (Rs. lakhs)
Profit before Interest and Depreciation	736.92	(264.59)
Interest	(438.54)	(500.19)
Depreciation	(154.66)	(176.44)
Profit before taxation	143.72	(941.22)
Provision for taxation : Current Tax	(16.50)	00.00
Deferred Tax	189.89	60.22
Fringe Benefit Tax	(5.75)	(6.61)
For earlier years	44.13	261.36
MAT Credit Entitlement	16.50	-
Profit after tax	371.99	(626.25)
Profit brought forward from previous year	3533.58	4205.94
Profit available for appropriation	3905.57	3579.69
Transfer to General Reserve	120.00	-
Proposed Dividend	83.89	40.44
Tax on Proposed Dividend	14.26	5.67
Profit carried over	3687.42	3533.58

DIVIDEND:

Your Directors are pleased to recommend a dividend of Rs.2.00 per Equity Share(20%) for the Financial Year ending 31st March 2007 subject to your approval at the 25th Annual General Meeting.

PERFORMANCE:

In the financial year 2006-07 your company has produced 10486 MT Ferro Silicon, 9948 MT Silico Manganese against the production of 7376 MT Ferro Silicon and 18255 MT Silico Mananese during the previous year. There has been decrease in the net sales of the company of Rs.6502.23 lakhs as against Rs.7348.37 lakhs of the previous year. The decline in sales is attributed to lower turnover of Silico Manganese during the year due to scarcity of Manganese ore, the core raw material. However, by judicious mix of products, your company has been able to earn a profit before tax of Rs.143.72 lakhs as against the loss before tax of Rs.941.22 lakhs during the previous year. The net profit of the company after tax has also seen a marked increase of Rs.371.99 lakhs as against a net loss of Rs.626.25 lakhs of the previous year.

PROSPECTS:

The spurt in the Steel industry has resulted in higher demand for your company's products. The sale prices of Ferro Silicon and Silico Manganese have also firmed up in the current year. Your Company has initiated steps to meet the increased demand by resorting to import of core raw material, high grade Manganese ore in the current year. Your Company is optimistic to achieve significantly better results during the current year.



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CAPTIVE POWER PLANT – 65 MW COAL BASED:

The management is happy to inform the shareholders that the company has obtained all necessary statutory clearances for setting up 65 MW captive thermal power plant at Jagannadhapur, Sirpur Kagaznagar, Adilabad District of A.P. This project is being setup with M/s. Karthik Rukmini Alloys & Energy Ltd., an associate company which has coal linkage from Singareni Collieries Ltd. Your company is initially investing Rs.40 Crores in the equity capital of the said Company.

INVESTMENT IN KGPL 460 MW GAS BASED POWER PLANT:

The 460 MW Natural Gas Based power plant setup by Konaseema Gas Power Ltd., (KGPL) in which your Company has major investment of Rs.134 Crores, has successfully implemented the project and the company is awaiting the supply of natural gas to make the plant operational.

Taking advantage of long term market prospectus for energy demand in the country, the KGPL has embarked on major expansion of creating additional capacity of 820 MW, thus making a combined project of 1280 MW, one of the large projects in A.P., which will be operationally more economical.

STATUS OF RIGHTS ISSUE OF EQUITY SHARES:

Your Company has filed a draft letter of offer with SEBI offering equity shares to the existing shareholders of the company on rights basis pursuant to your approval in the 24th Annual General Meeting. Your company is in receipt of in-principle approval of the BSE and is awaiting SEBI's approval.

DIRECTORS

I. Resignation of Directors:

Shri. N. Babu Rao and Shri M.S. Rama Krishna had resigned during the financial year ended 31st March, 2007. The Board accepted their resignations and had placed on record its appreciation for the valuable services rendered by them during their tenure as Directors of the Company.

II. Sad demise of Directors:

1. Dr. N. Tata Rao who headed and guided the Company as Chairman from the beginning expired on 7th April, 2007, leaving behind a rich legacy.
2. Shri V.P. Rama Rao IAS (Retd.), Director of your Company expired on 03rd May, 2007 leaving behind his invaluable advise and guidance.

The Board of Directors deeply regret the sad demise and expressed their condolences to the berieved families.

III. Re-appointment of Director:

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. P.L. Sanjeev Reddy, Ph.D who is liable to retire by rotation and being eligible, offers himself for re-appointment. Board recommends his re-appointment. In accordance with the provisions of Clause 49 of the Listing Agreement with Stock Exchanges, brief particulars of Dr. Sanjeev Reddy, Ph.D is provided in the Notes annexed to the Notice of the AGM and 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 earning and outgoings is furnished and 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 form part of Directors' Report.