

# **THIRTY FIRST ANNUAL REPORT**

## **2012-2013**



**VBC FERRO ALLOYS LIMITED**

(AN ISO 9001 - 2008 COMPANY)  
6-2-913/914, Third Floor, Progressive Towers,  
Khairatabad, Hyderabad - 500 004,  
Andhra Pradesh, INDIA.

## CONTENTS

Notice .....	2-3
Directors' Report .....	4-9
Management Discussion & Analysis .....	10-11
Corporate Governance .....	12-20
Independent Auditors' Report .....	21-25
Balance Sheet .....	26
Statement of Profit & Loss .....	27
Cash Flow Statement .....	28
Notes .....	29-44

## THIRTYFIRST ANNUAL GENERAL MEETING

Day : Monday  
Date : 30.09.2013  
Time : 2.30 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

### 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



**BOARD OF DIRECTORS**

<b>Dr. M.V.V.S. MURTHI</b>	Chairman
<b>Sri M.N. RAO</b>	Director
<b>Sri M.V. ANANTHAKRISHNA</b>	Director
<b>Sri M.S. LAKSHMAN RAO</b>	Managing Director

**AUDIT COMMITTEE**

<b>Sri M.N. RAO</b>	Chairman
<b>Dr. M.V.V.V.S. MURTHI</b>	Member
<b>Sri M.V. ANANTHAKRISHNA</b>	Member

**INVESTORS' GRIEVANCE & SHARE TRANSFER COMMITTEE**

<b>Dr. M.V.V.S. MURTHI</b>	Chairman
<b>Sri M.N. RAO</b>	Member
<b>Sri M.S. LAKSHMAN RAO</b>	Member

**REMUNERATION COMMITTEE**

<b>Sri M.N. RAO</b>	Chairman
<b>Dr. M.V.V.S. MURTHI</b>	Member
<b>Sri M.V. ANANTHAKRISHNA</b>	Member

**COMPANY SECRETARY**

<b>Sri V.V.V.S.N. MURTY</b>	AGM (Fin.) & CS / Compliance Officer
-----------------------------	---

**SENIOR MANAGEMENT STAFF**

<b>Sri K. KAILASANATHA REDDY</b>	Vice President (Finance)
----------------------------------	--------------------------

**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 31<sup>st</sup> ANNUAL GENERAL MEETING**

Notice is hereby given that the 31<sup>st</sup> Annual General Meeting of the Members of VBC Ferro Alloys Limited will be held on 30<sup>th</sup> September, 2013 at 2.30 P.M. 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 and adopt the Balance Sheet as at 31<sup>st</sup> March, 2013 and the Statement of Profit & Loss and the Cash Flow statement for the year ended on that date together with the reports of Directors and Auditors thereon.
2. To appoint a Director in place of Shri.M.N.Rao, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint Auditors for the financial year 2013-14 to hold office till the conclusion of next Annual General Meeting and fix their remuneration. M/s. Brahmayya & Co., Chartered Accountants (Firm Regd.No.000513S), the retiring auditors, being eligible, offer themselves for re-appointment.

By Order of the Board  
for VBC Ferro Alloys Limited  
Sd/-

V.V.V.S.N.Murty  
AGM(Finance)&Company Secretary

Place : Hyderabad  
Date : 14.08.2013

**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. 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.
3. 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.
4. Pursuant to Section 154 of the Companies Act, 1956 and applicable provisions of the Listing Agreement, Register of Members and Share Transfer Books of the Company will be closed from **Monday, the 23<sup>rd</sup> September, 2013 to Monday the 30<sup>th</sup> September, 2013 (Both days inclusive)**, for the purpose of Annual General Meeting.
5. 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.
6. 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.
7. 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.
8. Annual Listing Fee for the financial year 2013-14 has been paid to the Bombay Stock Exchange Limited, Mumbai where the Company's shares are listed. Application made to Calcutta Stock Exchange Association Limited for de-listing of its shares is under process.



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 for the following years 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 the various dates for transfer of such amounts are as under:

Financial Year	Unclaimed Dividend as on 31 <sup>st</sup> March, 2013(₹)	Date of Declaration	Due for transfer to IEPF
2005-06	1,41,225.00	24.07.2006	24.08.2013
2006-07	4,00,400.00	17.08.2007	17.09.2014
2007-08	3,80,224.00	05.09.2008	05.10.2015
2008-09	3,63,370.00	27.08.2009	27.09.2016
2009-10	4,10,269.00	14.07.2010	14.08.2017
2010-11	5,01,654.00	12.09.2011	12.10.2018
2011-12	5,70,339.00	29.09.2012	29.10.2019

For the financial year 2002-03, 2003-04 and 2004-05 the Company has transferred the unclaimed dividend to IEPF and filed necessary forms with the Registrar of Companies, Andhra Pradesh.

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. 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.
12. As required under Clause 49 of the Listing Agreements with Stock Exchanges, brief particulars of Shri M.N.Rao who is proposed to be re-appointed as Director is provided below:

Name of the Director	:	Shri M.N. Rao
Date of Birth	:	01.07.1937
Occupation	:	Formerly Senior Official of IDBI
Directorships in other Companies	:	2
Committee positions held in other Companies	:	1
Shareholding in the Company	:	Nil

**Brief Profile:**

Shri. M.N.Rao is basically is an Engineer having done his Bachelors in Mechanical Engineering from REC, Warangal. He is well versed with project financing. He has served in senior management cadre of IDBI for more than a decade and was involved in the processing of proposals for Mineral and Metal based Industries including cement industry. He is also a Director of M/s. Saurashtra Cement Limited and M/s. VBC Power Company Limited. Further, he is the Chairman of Audit Sub-Committee of Saurashtra Cement Limited.

By Order of the Board  
for VBC Ferro Alloys Limited

Sd/-  
V.V.V.S.N.Murty  
AGM(Finance)&Company Secretary

Place : Hyderabad  
Date : 14.08.2013



## DIRECTORS' REPORT

**Dear Members,**

Your Directors have pleasure in presenting the 31<sup>st</sup> Annual Report of VBC Ferro Alloys Limited with audited statements of account for the 12 months period ended 31<sup>st</sup> March, 2013.

### FINANCIAL RESULTS:

(₹. in Lakhs)

PARTICULARS	Current Year 2012-2013	Previous Year 2011-2012
Gross Revenue	3210.75	11627.21
Profit/(Loss) before Interest, Depreciation & Tax (PBITD)	(716.63)	1718.96
Less: Interest	347.70	453.26
Profit/(Loss) before Depreciation and Tax (PBDT)	(1064.33)	1265.70
Less: Depreciation	71.26	101.57
Profit/(Loss) before Tax (PBT)	(1135.59)	1164.13
Less: Provision for Taxation including Deferred Tax for the year	(38.43)	361.51
Profit/(Loss) after Tax (PAT)	(1174.02)	802.62
Profit brought forward from previous year	3397.63	3018.23
<b>Profit available for Appropriation</b>	<b>2223.61</b>	3820.85
Transfer to General Reserve	-	270.00
Proposed Dividend	-	131.83
Tax on Proposed Dividend	-	21.39
Profit carried to Balance Sheet	2223.61	3397.63

### INDUSTRY OVERVIEW:

The Indian economy in 2012-13, witnessed a low GDP growth of around 5%. In general, the Ferro alloys industry in India is currently passing through a very difficult financial position because of low demand coupled with low realization for Ferro Alloy products in domestic and export markets. The units in Andhra Pradesh are further hit due to severe power cuts imposed by power distribution companies coupled with steep tariff hike and collection of Fuel Surcharge Adjustment (FSA) including arrears for earlier years.

The manufacture of Ferro Alloys is highly power-intensive, on an average 40% of the total cost per ton of Ferro alloys is accounted for by power. To overcome this, your Company has already taken steps to set up a Captive Power Plant.

### BUSINESS PERFORMANCE

During the financial year 2012-13, your Company could produce only 4510 MT of Ferro Silicon as against 15459 MT in the previous year due to severe power cuts imposed by the power distribution companies resulting in lower turnover of at ₹ 2851 lakhs as against ₹10705 lakhs in the previous year.

The main reason for fall in turnover and profitability of the Company is lower capacity utilization and suspension of production activities for a long time due to power crisis in Andhra Pradesh. In addition to the power crisis, the hike in power tariff led to un remunerative operations of the Company resulting a net loss of ₹1174 Lakhs as against net profit of ₹803 lakhs in the previous year.

**PROSPECTS**

Indian steel industry plays a significant role in the country's economic growth. The World Steel Association has estimated steel consumption in India to grow at 5% in 2013. The long term future of the Iron and Steel industry is optimistic and positive as Government of India is giving utmost importance to develop infrastructure facilities and also housing needs of the population will enhance the consumption of the Iron and steel in the country. However, the steep increase in power tariff by the power distribution companies in Andhra Pradesh, has completely negated the entire growth prospectus of the Ferro Alloy industry in Andhra Pradesh.

**DIVIDEND:**

The Board of Directors have not recommended any dividend for the year 2012-13 in view of the loss incurred during the year under review.

**THERMAL POWER PLANT -120MW (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. The estimated project cost is ₹632 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 drawal and Airport Authority and is in the process of achieving financial closure.

**CAPACITY EXPANSION**

Your Company is expanding its Ferro Alloy production capacity by setting up 3 furnaces with a rated capacity of 9MVA each (3x9MVA) at Bodepalli (V&GP), Sirpur Kagaznagar Mandal, Adilabad District for which the Company is in the process of obtaining permissions and clearances. The proposed Captive Power Plant will feed power to the expansion unit also comfortably.

**STATUS OF RIGHTS ISSUE OF EQUITY SHARES**

The Members of the Company have accorded their approval in the 29<sup>th</sup> Annual General Meeting of the Members of the Company for issue of shares on Rights basis by passing necessary resolution, to mobilize the equity contribution for the Captive Power Project as well as Ferro Alloy expansion project. The company will approach Members after obtaining sanctions for entire debt funds to the Captive Power Plant from the Financial Institutions/Banks.

**INVESTMENT IN KGPL 445 MW GAS BASED POWER PLANT**

Konaseema Gas Power Limited (KGPL) in which your Company has invested in equity, was able to operate its power plant at 23.49% only during the financial year 2012-13, as the natural gas production in KG basin has been drastically comedown. Consequently KGPL could generate only 916 million units of power during the financial year. Further the power plant has to cease its generation activities due to non supply of gas from April, 2013.

**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 in equity has generated 79.92 million units of power during the financial year 2012-13 and has made a profit of ₹ 315 lakhs.

**DIRECTORS****I. Retiring by Rotation:**

In accordance with the provisions of Section 255 of the Companies Act, 1956 and clause 108 of the Articles of Association of the Company, Shri M.N.Rao 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 Shri.M.N.Rao is annexed to the Notice of the Annual General Meeting which is forming part of this Annual Report.

**II. Sad Demise of Dr.P.L.Sanjeev Reddy:**

The Board regrets to inform the members the sad demise of Dr. P.L. Sanjeev Reddy, IAS (Retd.) on 15<sup>th</sup> October, 2012 and places on record its appreciation to the guidance provided by him to the Company during his tenure.

**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 earnings and outgoings is furnished and the same 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 the same forms part of Directors' Report.

**FIXED DEPOSITS**

The Company has not accepted any fixed deposits from public.

**PERSONNEL**

Your Company has maintained cordial relations with all its employees. Your Directors and Management express their appreciation for the commitment and devotion shown by the employees.

**INSURANCE**

All the movable and immovable assets of the Company have been adequately insured against various risks.

**PARTICULARS OF EMPLOYEES READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975, AS AMENDED**

There is no employee covered under Section 217 (2A) of the Companies Act, 1956.

**AUDITORS****Statutory Auditors**

M/s Brahmayya & Co., Chartered Accountants, the Auditors of the Company, who retire at the conclusion of the forthcoming Annual General Meeting have consented to continue in office, if re-appointed. They have confirmed that their re-appointment, if made, will be in accordance with the limits specified u/s 224(1B) of the Companies Act, 1956. Your Directors recommend their re-appointment for the financial year 2013-14.

**Cost Auditors:**

Pursuant to the approval of the Central Government under Section 223B of the Companies Act, 1956, the Company has appointed M/s. Nageswara Rao & Co, Cost Accountants, Secunderabad (Firm Registration No. 332) as the Cost Auditors of the Company for the Financial Year ending 31<sup>st</sup> March, 2013. Further, the Company has filed Cost Audit Report for the financial year ended on 31<sup>st</sup> March, 2012, on 28<sup>th</sup> February 2013, within the time limit prescribed by the Central Government.

**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, 2013, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- (ii) Such accounting policies have been selected and applied and that such judgments and estimates have been made as are 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 loss of the Company for the period;





- (iii) Proper and sufficient care for the maintenance of adequate accounting records have been taken 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 annual accounts of the Company have been prepared on a 'going concern' basis.

**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 the Government of India and Government of Andhra Pradesh for their support. They also place on record their appreciation for the help and encouragement received from Bank of India, PTC India Financial Services Limited (PFS) and other Financial Institutions.

Your Directors sincerely thank Customers, Vendors and Members for their sustained support and co-operation.

for and on behalf of the Board

Place : Hyderabad  
Date : 14.08.2013

Sd/-  
**Dr. M.V.V.S. MURTHI**  
Chairman

## ANNEXURES TO DIRECTORS' REPORT

ANNEXURE

**FORM - A**  
(See Rule 2)

**Form of Disclosure of Particulars with respect to Conservation of Energy**

**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**

	<b>Current Year 2012-13</b>	<b>Previous Year 2011-12</b>
1. Electricity		
(a) Purchased Units (KWH)	<b>4,06,18,080</b>	14,11,87,957
Total Amount (₹ in lacs)	<b>1,816.98</b>	4,145.26
Rate/Unit (in ₹)	<b>4.47</b>	2.94
(b) Own Generation		
i) Through diesel generator		
Units (KWH)	Nil	Nil
Units per ltrs. of Diesel Oil	Nil	Nil
Cost/Unit (₹) (Fuel+Oil)	Nil	Nil
ii) Through steam Turbine/Generation		
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	<b>9,006</b>	9,134
Furnace Oil	Nil	Nil
Coal (specify quality)	Nil	Nil
Others (specify)	Nil	Nil

**B. TECHNICAL ABSORPTION**

## 1. RESEARCH AND DEVELOPMENT (R&amp;D)

(a) Specify areas in which R&D is carried out by the Company :	Nil	Nil
--	-----	-----

Company has successfully substituted coal as reductant in place of charcoal and coke