

**TWENTY NINTH ANNUAL REPORT  
2010-2011**



**VBC FERRO ALLOYS LIMITED**

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

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### TWENTY NINTH ANNUAL GENERAL MEETING

Day	:	Monday
Date	:	12.09.2011
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

#### Important Communication to Members - Green Initiative in Corporate Governance

The Ministry of Corporate Affairs (MCA) has taken a Green Initiative in Corporate Governance by allowing paperless compliances by the companies and has issued a Circular stating that service of all documents including Annual Reports can be sent by e-mail to its Members. Your Company believes that this is a remarkable and environment friendly initiative by MCA and requests all Members to support in this noble cause. The Company has already embarked on this initiative and proposes to send documents including Annual Reports in electronic form to the Members on the email address provided by them to the R&T Agent/the Depositories. The Members who hold shares in physical form are requested to intimate/update their email address to the Company/R&T Agent while Members holding shares in demat form can intimate/update their email address to their respective Depository Participants.

Members are requested to further note that they will be entitled to be furnished, free of cost, the physical copy of the documents sent by e-mail, upon receipt of a requisition from them, any time, as a Member of the Company.

GIFTS WILL NOT BE DISTRIBUTED AT THE AGM



**BOARD OF DIRECTORS**

Dr. M.V.V.S. MURTHI	Chairman
Dr. P.L. SANJEEV REDDY	Director
Sri M.N. RAO	Director
Sri M.V. ANANTHAKRISHNA	Director
Sri M.S. LAKSHMAN RAO	Managing Director

**AUDIT COMMITTEE**

Sri M.N. RAO	Chairman
Dr. P.L. SANJEEV REDDY	Member
Sri M.V. ANATHA KRISHNA	Member

**INVESTORS' GRIEVANCE & SHARE TRANSFER COMMITTEE**

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

**REMUNERATION COMMITTEE**

Dr. P.L. SANJEEV REDDY	Chairman
Sri M.N. RAO	Member
Sri M.V. ANANTHAKRISHNA	Member

**COMPANY SECRETARY**

Sri V.V.V.S.N. MURTY	AGM (Fin.) & CS / Compliance Officer
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**SENIOR MANAGEMENT STAFF**

Sri K. KAILASANATHA REDDY	Vice President (Finance)
Sri K.R.K. MURTHY	Head - Works

**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 29th ANNUAL GENERAL MEETING**

Notice is hereby given that the 29<sup>th</sup> Annual General Meeting of the Members of VBC Ferro Alloys Limited will be held on **Monday, 12<sup>th</sup> September, 2011 at 3.00 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, 2011 and the Profit & Loss Account for the year ended on that date together with the reports of Directors and Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Dr.P.L.Sanjeev Reddy, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri M.N.Rao, who retires by rotation, and being eligible, offers himself for re-appointment.
5. To appoint Auditors for the financial year 2011-12 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.

**SPECIAL BUSINESS**

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

**"RESOLVED THAT** in terms of section 81 and other applicable provisions, if any, of the Companies Act, 1956 (including any amendment to or re-enactment thereof), and subject to such approvals, permissions, consents and sanctions as may be necessary from Government of India (GOI), Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), and/or any other competent authorities and enabling provisions of the Memorandum & Articles of Association of the Company, the Listing Agreement(s) entered by the Company with the Stock Exchanges, where the shares of the company are listed and in accordance with the guidelines issued by the GOI, RBI, SEBI and/or any other competent authorities and clarifications thereof, issued from time to time and subject to all such other approvals, permissions, consents and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any of them, while granting such approvals, permissions, consents and sanctions which may be agreed by the Board of Directors of the Company, (here in after called "The Board" which term shall include any committee constituted / to be constituted by the Board for exercising the powers conferred on the Board by this resolution), the consent of the members be and is hereby accorded to the Board on behalf of the Company to issue, offer and allot to the equity shareholders of the Company as on the record date (to be fixed for the purpose) up to such number of equity shares of ₹ 10/- each at a price to be determined, and the ratio to be determined as may be prescribed by SEBI (Issue of Capital Disclosure Requirements) Regulations 2009, through rights issue, in one or more tranches, in consultation with advisors or such persons and on such terms and conditions, including the number of shares to be issued, at par or at premium and for cash or other consideration on such terms and conditions as may be finalized by the Board and that the Board may finalize all matters incidental thereto as it may in its absolute discretion think fit".

**"FURTHER RESOLVED THAT** the Board be and is hereby authorized to dispose of the shares issued on Rights basis, remaining unsubscribed in such manner as it may decide in the best interest of the Company."

**"FURTHER RESOLVED THAT** for the purpose of giving effect to the above resolution the Board or a Committee thereof be and is hereby authorized to do all such acts, deeds, matters and things and execute all such deeds, documents, instruments and writings as it may in its absolute discretion deem necessary or desirable and pay any fees and commission and incur expenses in relation thereto."

**"FURTHER RESOLVED THAT** the Board or a committee thereof be and is hereby authorized to settle all questions, difficulties or doubts that may arise in regard to the issue, offer or allotment of the equity shares and the utilization of the issue proceeds as it may deem fit and to give such directions and /or instructions as it may from time to time decide and to accept and give effect to such modifications, changes, variations, alterations, deletions, additions as regards the terms and conditions, including the premium to be charged on the shares, to vary the size of the issue, appoint Lead Managers and Co Managers, Bankers and other intermediaries or agencies concerned or as



the Board may suo moto decide in its absolute discretion in the best interests of the Company without being required to seek any further consent or approval of the members or otherwise to the end and intent that the members shall be deemed to have given their consent expressly by the authority of this resolution and to do all such acts, deeds, matters and things whatsoever, including settling any question, doubt or difficulty that may arise with regard to or in relation to raising of resources as authorized herein and that all or any of the powers conferred on the Board vide this resolution may be exercised by the Board."

**"FURTHER RESOLVED THAT** the new equity shares to be issued and allotted shall be subject to the Memorandum and Articles of Association of the Company and shall in all respects rank pari-passu with the existing fully paid up equity shares of the Company."

**"FURTHER RESOLVED THAT** the Board be and is hereby authorized to delegate all or any of the powers, herein conferred by this resolution to any Director or Directors or to any Committee of Directors or to any Officer or Officers of the Company to give effect to this resolution."

**7. To consider and if thought fit, to pass with or without modification, the following as an Ordinary Resolution:**

**"RESOLVED THAT** in supercession of the resolution passed at the 25<sup>th</sup> Annual General Meeting of the Company held on 17<sup>th</sup> August, 2007, 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 the Board of Directors of the Company to mortgage and/or charge in addition to the mortgage / charge / hypothecation already created in such form and manner and with such ranking and at such time and on such terms as the Board of Directors of the Company may determine on all or any of the movable and immovable properties of the Company where so ever situate, present and/or 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 or on others behalf, subject to a maximum of ₹ 1000 Crores (Rupees One Thousand Crores only), including the existing limits."

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

**8. To consider, and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:**

**"RESOLVED THAT** in supercession of the resolution passed at the 25<sup>th</sup> Annual General Meeting of the Company held on 17<sup>th</sup> August, 2007 consent of the Company be and is hereby accorded to the Board of Directors of the Company under Section 293(1)(d) of the Companies Act, 1956 to borrow any sum or sums of money from time to time not withstanding that the money or monies to be borrowed 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) may exceed 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, provided however, the total amount up to which monies may be borrowed by the Board of Directors shall not at any one time exceed ₹ 1000 Crores (Rupees One Thousand Crores only) including the existing limits"

By Order of the Board  
for VBC Ferro Alloys Limited

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

Place: Hyderabad  
Date : 26.07.2011



**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. 6, 7 & 8 of the Notice is annexed hereto in pursuance of Section 173(2) of the Companies Act, 1956 and the same forms part of the notice.
3. 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.
4. 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.
5. 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 5<sup>th</sup> September, 2011 to Monday 12<sup>th</sup> September, 2011** (Both days inclusive), for the purpose of Annual General Meeting and ascertainment of entitlement for payment of dividend.
6. The dividend of ₹ 3/- per equity share will be Credited / Dispatched between 28.09.2011 and 30.09.2011 for the year ended 31<sup>st</sup> March, 2011 as recommended by the Board of Directors, if approved at the Annual General Meeting.
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 the 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 about the Ledger Folios of such holdings to enable them to consolidate all such shareholdings into a single folio.
10. Annual Listing Fee for the financial year 2010-11 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.
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 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, 2011 (₹)	Date of declaration	Due date for transfer to IEPF
2003-04	2,48,036.00	30.09.2004	31.10.2011
2004-05	3,96,925.00	30.09.2005	31.10.2012
2005-06	1,42,225.00	24.07.2006	24.08.2013
2006-07	4,02,100.00	17.08.2007	17.09.2014
2007-08	3,82,152.00	05.09.2008	05.10.2015
2008-09	3,65,330.00	27.08.2009	27.09.2016
2009-10	4,15,604.00	14.07.2010	14.08.2017



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

13. As required under Clause 49 of the Listing Agreements with Stock Exchanges, brief particulars of Dr.P.L.Sanjeev Reddy and Shri M.N.Rao, who are proposed to be re-appointed as Directors are provided hereunder:

**1. Dr. P.L.Sanjeev Reddy**

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 of 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.

Director ship in other Companies	:	2
Committee positions held in other Companies	:	1
Shareholding in the Company	:	Nil

**Brief Profile:**

Dr. P.L.Sanjeev Reddy, Ph.D, a Superannuated IAS Officer, during the period spanning over 43 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 signal contribution towards investment promotion and cause of industrial promotion, technology transfer, sustainable development, social development and for all round achievement and outstanding services and excellence in the fields of public administration, industrial management and strategic policy formulation and its effective implementation.

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

He was Secretary to the 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. He was also a Director on the SEBI Board. He also headed Indian Institute of Foreign Trade (IIFT) and Indian Institute of Public Administration (IIPA), the two National level apex Institutions to greater heights of excellence and professionalism. He has rich "hands on experience" in the promotion, efficient functioning of the industrial venture, promoting share holder democracy and responsive and enlightened corporate management.

Dr.P.L.Sanjeev Reddy has a highly meritorious record as an outstanding academician and researcher. He did his B.A. (Hons) in Economics, M.A.in Economics, Post Graduate Diploma in Development Studies from the 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.

He is a Director of Aurobindo Pharma Limited as well as LANCO Budhil Hydro Power Private Limited.

**2. Shri. M.N.Rao**

Name of the Director	:	Shri M.N. Rao
Date of Birth	:	01.07.1937
Occupation	:	Formerly Senior Official of IDBI
Directorships in other Companies	:	3
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. Jaya Diagnostic & Research Centre Limited, M/s. Saurashtra Cement Limited and M/s. Sai Shakti Projects Private Limited. Further, he is the Chairman of Audit Sub-Committee of Saurashtra Cement Limited.

**EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956.****Item No.6:**

You are already aware, that your Company is setting up 2x60MW(120MW) Coal based Captive Power Plant(CPP) at Bodepalli Village, Sirpur Kagaznagar Mandal, Adilabad District to meet the captive power requirements of the Company. The company is also proposing to expand its ferro alloy production capacity by setting up 3 furnaces with a rated capacity of 9MVA (3x9MVA) at Bodepalli Village, Sirpur Kagaznagar Mandal, Adilabad District and also modernization of the existing plant. The Company has approached M/s. Rural Electrification Corporation Limited (REC), PTC India Financial Services Limited (PFS), Banks and other institutions for required loans to implement the proposed projects.

Your Directors are of the opinion that once your Company sets up 2x60MW (120MW) Captive Power Project and expansion/modernization of plant and strengthen its working capital requirements, the financial as well as operational performance of the company will improve sustainability.

The proceeds of the Rights Issue will be utilized for aforesaid projects/modernization and also to strengthen the working capital requirements of the Company.

The Board recommends the proposed resolution for acceptance by the Members.

None of the Directors of the Company are interested in the proposed resolution except Dr. M.V.V.S. Murthi and Sri M.S. Lakshmana Rao, who are interested in the above resolution to the extent of their share holding in the Company.

**Item Nos.7&8:**

The Company is setting up captive power plant and also increasing its production capacity by way of expansion/modernization of the existing activities. The Company may be required to borrow funds from Financial Institutions / Banks to meet the said activities and for long term financial needs of the Company from time to time. The Company may also be required to give guarantees to financial institutions / others on behalf of other Companies in which your Company has business relationship. 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 for creation of the mortgage/charge/hypothecation in favour of the lending agencies / financial institutions.

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 seek your approval for creating such mortgages/charges/hypothecations on the movable and immovable properties of the Company and also to borrow for the purpose of the business of an amount not exceeding ₹.1000 Cr (Rupees One Thousand Crores only).

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

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

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

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

Place: Hyderabad

Date : 26.07.2011

**Important Communication to Members - Green Initiative in Corporate Governance**

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Members are requested to further note that they will be entitled to be furnished, free of cost, the physical copy of the documents sent by e-mail, upon receipt of a requisition from them, any time, as a Member of the Company.



**DIRECTORS' REPORT**

**Dear Members,**

Your Directors have pleasure in presenting the 29<sup>th</sup> Annual Report of VBC Ferro Alloys Limited with Audited Statements of accounts for the 12 months period ended 31<sup>st</sup> March, 2011.

**FINANCIAL RESULTS:**

	(₹. in Lakhs)	
PARTICULARS	Current Year 2010-2011	Previous Year 2009-2010
Gross Revenue	12057.49	9265.50
Profit before Interest, Depreciation & Tax (PBIDT)	2047.82	1247.43
Less: Interest	377.35	323.12
Profit before depreciation and tax (PBDT)	1670.47	924.32
Less: Depreciation	127.22	148.00
Profit before tax (PBT)	1543.25	776.31
Less: Provision for taxation including Deferred Tax Charge for the year	523.77	257.39
Profit after tax (PAT)	1019.48	518.92
Profit brought forward from previous year	2421.96	3435.38
Income tax for earlier periods	-	(809.00)
Deferred Tax for earlier years	-	(504.82)
<b>Profit available for appropriation</b>	<b>3441.44</b>	2640.48
Transfer to General Reserve	270.00	90.00
Proposed Dividend	131.83	109.85
Tax on Proposed Dividend	21.39	18.67
Profit carried to Balance Sheet	3018.22	2421.96

**DIVIDEND:**

Your Directors recommend a dividend of ₹ 3/- (30%) per Equity Share for the Financial Year ended on 31<sup>st</sup> March, 2011.

**INDUSTRY OVERVIEW:**

During the year under review, your Company had improved its performance in comparison with previous year. The manufacture of Ferro Alloys is highly power-intensive, on an average 40% of the total cost per tonne of Ferro alloys is accounted for by power. As such, producers, who have captive power generation, are protected against volatile market trends in this industry. Hence, your Company is taking steps to set up a Captive Power Plant.

**BUSINESS PERFORMANCE**

During the financial year 2010-11, your Company has produced 16386 MT of Ferro Silicon against 15,198 MT during the previous year and sold 16255 MT of Ferro Silicon at a value of ₹ 11372.16 lakhs as against 15,209 MT at a value of ₹ 8754.82 Lakhs during the previous year. Your Company has exported 1387 MT of Ferro Silicon to various countries like Italy, U.K, Netherlands, Germany, Korea, France, Poland, Romania and Belgium and Importers have acclaimed for its quality standards. The profit after tax increased to ₹ 1059.84 Lakhs from ₹ 518.92 Lakhs in the previous year.

**PROSPECTS**

The Economic recovery is expected to continue its positive momentum across the world. The Government of India has planned a spending of ₹ 1,00,000 Crores on Infrastructure in the 12<sup>th</sup> five year plan as against ₹ 46,100 Crores in the 11<sup>th</sup> five year plan. The Infrastructure industry is expected to register strong growth in the domestic sector thus boosting the steel consumption. The upward trend in the steel industry will create huge demand for Ferro Alloy Products.

With the consistent market demand and expected realizations, the prospects of your Company during the current year are expected to be very good.

**THERMAL POWER PLANT -120MW (2X60MW)**

You are kindly aware that your company is setting up a 120MW (2x60MW) coal based captive power plant at Bodepalli Village, Sirpur Kagaznagar Mandal, Adilabad Dt. The Company has obtained Coal Linkage from nearby M/s Western Coal Fields Limited and suitable land required 150 Acres (approx) has already been acquired.

Ministry of Forest & Environment (MoEF), Government of India has granted Environmental Clearance (EC) for the project. The Consent for Establishment (CFE) from State Pollution Control Board(PCB) is expected soon. Other Permissions for drawl of water and energy are also expected soon. The envisaged project cost is ₹ 632 Crores. The Company has approached Rural Electrification Corporation Limited (REC) and PTC India Financial Services Limited (PFS) for term loans. The required equity for the project will be obtained through issue of shares on Rights basis and partly internal accruals of the Company.

The financial closure of the project is expected to be completed by the end of year 2011.

**Capacity Expansion:**

Keeping in view the increase in demand for Ferro Alloys, your Company is also 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, which is a notified industrially backward area to utilize the opportunities/incentives provided by Government of Andhra Pradesh. The proposed Captive Power Plant will feed the power to the expansion unit also.

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

Konaseema Gas Power Limited (KGPL) in which your Company has a major investment of equity, has declared commercial operations with effect from 30<sup>th</sup> June, 2010. KGPL incurred a net loss of ₹ 5701.87 lakhs during its first year of operations mainly due to insufficient supply of gas. Notwithstanding the net loss, KGPL could earn a cash profit of ₹ 3090.18 lakhs for the year ended 31.03.2011.

**INVESTMENT IN OPCL 20 MW DAM BASED HYDEL POWER PLANT**

20 MW Dam Based Hydro Electric Power Project owned by Orissa Power Consortium Limited (OPCL), in which your Company has invested in equity incurred a net loss of ₹ 508 lakhs mainly due to failure of normal monsoon in the Brahmani Catchment area during the year ended 31.03.2011, which is its first year of commercial operations. Notwithstanding the net loss, OPCL could earn a cash profit of ₹ 194 lakhs for the year.

**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.P.L.Sanjeev Reddy and Shri.M.N.Rao, who are liable to retire by rotation and being eligible, offer themselves for re-appointment. Board recommends their re-appointment.

In accordance with the provisions of Clause 49 of the Listing Agreement with Stock Exchanges, brief particulars of Dr.P.L.Sanjeev Reddy and Shri.M.N.Rao are provided in the notes annexed to the Notice of the Annual General Meeting which 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 earnings 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 forms part of Directors' Report.

## **FIXED DEPOSITS**

The company has not accepted any fixed deposits.

## **PERSONNEL**

Your Company is maintaining cordial relations with all its employees. Your Directors and Management express happiness for commitment 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**

Statement under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975, as amended, is given in the Annexure forming part of this Report.

## **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 2011-12.

## **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, 2011, 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 profit 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 and place on record its appreciation for support and encouragement received from Bank of India.

Your Directors also thank all Members, Customers, Vendors, and its dedicated employees for their co-operation and dedicated hard work.

for and on behalf of the Board

Sd/-

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

Place: Hyderabad  
Date : 26.07.2011



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 2010-11</b>	Previous Year 2009-10
1. Electricity		
(a) Purchased Units (KWH)	<b>15,09,62,148</b>	13,74,19,883
Total Amount (₹ in lacs)	<b>4,131.13</b>	3395.05
Rate/Unit (in ₹)	<b>2.73</b>	2.47
(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>9,180</b>	9,042
- Silico Manganese		-
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

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



(b) Benefits derived as a result of the above R&D

Replacement of imported coke with local reductants and reduction in cost of the same.

(c) Future plan of action

- a) Production of low aluminium grade Ferro Silicon for high grade Steels and low phosphorus silico manganese  
b) Improvements in preparation of raw material facilities.

(d) Expenditure on R & D :

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

2. TECHNOLOGY ABSORPTION, ADOPTATION & INNOVATION :

(a) Efforts, in brief, made towards technology absorption, adoption and innovation

: --

Successfully used coal in place of coke for manufacture of Manganese Alloys

(b) Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution, etc.

: Reduction in cost of reductants

(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
ii) Year of Import	:	Nil
iii) Has technology been fully absorbed	:	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 (₹)	10,15,60,735	12,71,10,855
ii) Foreign Exchange outgo		
a) CIF value of imports	:	Nil
Raw Materials, Components and Spares	:	Nil
Capital Goods	:	Nil
(b) Others	:	Nil

For and on behalf of the Board

Sd/-

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

Place : Hyderabad  
Date : 26-07-2011

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT****1. BACKGROUND**

The Management Discussion and Analysis sets out the developments in the business environment and the Company's performance since our last report. This analysis supplements the Directors' Report and the Audited Financial Statements forming part of this Annual Report.

**2. INDUSTRY STRUCTURE**

Ferro Alloy Industry mainly caters to the needs of steel industry. Ferro alloys are used as additives and deoxidizing agents in steel manufacture. Steel producers use Ferro manganese, Silico manganese and Ferro silicon, while stainless steel units use Ferro chrome and charge chrome. At present, though there is surplus capacity in the country, severe power cuts is hampering the production.

Strong growth in steel and stainless steel is expected in the near future with strong demands in infrastructure industry. And it is expected that the excess capacity will be absorbed and further growth is anticipated in Ferro Alloys Industry in the years to come to match the growth of Steel Industry.

**3. OPERATIONS, OPPORTUNITIES & THREATS****OPERATIONS:**

This has been dealt with in the Directors' Report.

**OPPORTUNITIES:**

India's natural resources and geographical position is well poised to benefit from the growing demand for steel and steel making raw materials. However, for the Ferro alloys industry, high energy costs have hampered the growth and remedial measures expected to push the growth.

**THREATS:**

The manufacture of Ferro alloys is highly power intensive and therefore the cost of power is critical to the competitiveness of the products. On an average, 40% of the total cost per tonne of Ferro alloys is accounted for by power. This is the major threat that this industry is facing and in order to be competitive on a global scale, it is necessary for an Indian Ferro alloys Industry to have captive power to tide over the situation in power starved country like India.

**4. SEGMENT-WISE PERFORMANCE OR PRODUCT-WISE PERFORMANCE**

The Company has only one business segment i.e., Ferro Alloys.

**5. OUTLOOK**

Long term outlook of your company will be encouraging because of the following reasons:

- a) A Captive Power Plant of 120 MW(2x60MW) capacity is being setup by the Company at Bodepalli Village, Sirpur Kaghaznagar Mandal, Adilabad District in the State of Andhra Pradesh.
- b) Your company had already invested significant funds in 445 MW Natural Gas Based Power Project of M/s. Konaseema Gas Power Limited and 20 MW Dam Based Hydro Electric Power Project of M/s. Orissa Power Consortium Limited, which are on stream resulting in returns.

**6. RISKS & CONCERNS**

- a. In a time frame for setting up of captive power plant and coming into production will depend upon the financial closure of the project.
- b. Government regulations, like reduction in import duties, anti dumping duty and increase in power tariffs by CPDC of AP Limited, may also affect the profitability of the Company, since 40% or more production costs account for power.

**7. INTERNAL CONTROL SYSTEMS AND ADEQUACY**

The Company has sound internal control system, which ensures that all the assets are protected against loss from unauthorized use and all the transactions are recorded and reported correctly.



The internal control system is supplemented by an extensive programme of internal audits and reviews by Management. The internal control systems are designed to ensure that the financial and other records are reliable for preparing financial statements and other data and for maintaining accountability of assets.

Further, reliance of all internal control functions and its entire gamut of activities are covered by independent audit, conducted by separate internal auditors, whose findings are reviewed regularly by the Audit Committee and Management of the Company.

**8. DISCUSSIONS ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE**

This has been dealt with in the Directors' Report

**9. HUMAN RESOURCE DEVELOPMENT**

Human capital is one of the key elements of your Company. The Company has employed 258 employees who are highly motivated and have been contributing towards the growth of the Company. The company's human resource policies are aimed at motivating its employees to deliver high quality performance and reward talent with adequate compensation and accelerated career growth opportunities.

Your Company believes that an on-going learning process is vital for growth in the fast changing business environment and for this purpose, your Company has been conducting various training and development workshops for improving the knowledge levels of the employees at all levels.

**10 INDUSTRIAL RELATIONS**

This has been dealt with in the Directors' Report.

**Cautionary Statement:**

Certain statements made in the Management Discussion and Analysis Report relating to the Company's objectives, projections, outlook, expectations, estimates, etc., may constitute 'forward looking statements' within the meaning of applicable laws and regulations. Actual results may differ from such expectations, projections, etc., whether expressed or implied. Several factors could make a significant difference to the Company's operations. These include climatic conditions, economic conditions affecting demand and supply, Government Regulations and taxation, natural calamities etc., over which the Company does not have any control.

for and on behalf of the Board

Place: Hyderabad  
Date : 26.07.2011

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

**ANNEXURE TO DIRECTORS' REPORT**

Statement showing particulars of Employees of the Company as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31<sup>st</sup> March, 2011.

Sl. No.	Name	Qualification	Experience (Years)	Designisation/ Nature of Duties	Age (Years)	Date of Employment with the company	Remune-ration ₹	Previous Employment
1.	Shri M.S. Lakshman Rao	B.Tech.	25	Managing Director	48	30-10-2000	81,47,105	Managing Director VBC Exports Ltd.

Notes :

1. Remuneration includes Salary, Commission, House Rent Allowance, Company's contribution to Provident Fund, Gratuity and the monetary value of perquisites provided to the employee.
2. Nature of employment is contractual.

## CORPORATE GOVERNANCE

### 1. **A brief statement on the Company's philosophy on code of governance**

Corporate Governance is about directing and controlling the company with the overriding objective of optimizing return for the shareholders. A good governance process aims to achieve this by providing long-term visibility of its business, ensuring effective relationship with stakeholders, establishing systems that help the Board in understanding risk appetite and monitoring risk at every stage of corporate evolution process.

The Company believes that any meaningful policy on corporate governance must provide empowerment to the executive management of the Company and simultaneously create a mechanism of checks & balances which ensure that the decision making powers vested in the executive management is used with care and responsibility to meet stakeholders aspirations and societal expectations.

### 2. **Board of Directors**

- Composition and Category of Directors as on 31.03.2011

Category	No. of Directors	%
Executive Directors	1	20.00
Non-Executive Promoter Directors	1	20.00
Independent Non-Executive Directors	3	60.00
Total	5	100.00

The Attendance record of the Directors at the Board Meetings held during the financial year ended on 31<sup>st</sup> March, 2011 and the last Annual General Meeting (AGM) and the details of their other Directorships and Committee Chairmanships and Memberships are given below:

Name of the Director	Category	Designation	Attendance at Last AGM (YES/NO)	Attendance in Board Meetings		No. of Directorships and No. of Committee positions in other public companies		
				No. of Board Meetings held during his tenure	Present	Other Directorships#	Committee Memberships*	Committee Chairmanships*
Dr. M.V.V.S. Murthi	Non Executive Promoter	Chairman	Yes	4	4	2	NIL	1
Shri M.N. Rao	Non Executive Independent	Director	Yes	4	4	2	Nil	1
Dr. P.L. Sanjeev Reddy	Non Executive Independent	Director	Yes	4	4	1	NIL	NIL
Shri M.V. Anantha Krishna	Non Executive Independent	Director	Yes	4	4	1	NIL	NIL
Shri M.S. Lakshman Rao	Executive	Managing Director	Yes	4	4	6	1	NIL

# Excluding Directorships in Private Limited Companies.

\* Chairmanship/Membership of only Audit Committee and Shareholders/Investor Grievance Committee have been considered.





- **Number of Board Meetings held, dates on which held:**

Four Board Meetings were held during the financial year 2010-11 on 14<sup>th</sup> May 2010, 14<sup>th</sup> July 2010, 29<sup>th</sup> October 2010, and 27<sup>th</sup> January 2011.

### 3. **Audit Committee**

- Brief description of Terms of Reference

The Audit Committee of the Board is responsible for overseeing of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, adequate, credible, and reviewing with management the annual financial statements before submission to the Board. The Committee periodically reviews with the management, external and internal auditors about the adequacy of internal control systems.

The Committee periodically interacts with the internal auditors to review the manner in which they are discharging their responsibilities. The Committee holds discussion with external auditors before the commencement of statutory audit on the nature and scope of audit and ascertains any areas of concern and review of their written comments. The Committee reviews the financial and risk management policies of the Company. The Committee has full access to financial data and to the company's staff. The Committee also reviews the quarterly (un-audited) and annual financial statements before they are presented to the Board.

- Composition of the Audit Committee as on 31<sup>st</sup> March, 2011

Shri M.N. Rao	Chairman	Independent Non-executive Director
Dr. M. V. V. S. Murthi(upto 14.07.2010)	Member	Non-executive Promoter Director
Dr. P. L. Sanjeev Reddy	Member	Independent Non-executive Director
Shri.M.V.Ananthakrishna (From 14.07.2010)	Member	Independent Non-executive Director

Mr.V.V.V.S.N.Murthy, AGM (Finance) & Company Secretary of the Company acts as the Secretary of the Audit Committee.

\* The Audit Committee was reconstituted on 14.07.2010 with Shri M.N.Rao as the Chairman and Dr.P.L.Sanjeev Reddy and Shri M.V.Ananthakrishna as Members.

- Meetings and Attendance during the year

Date	Shri M. N. Rao	Dr. M.V.V.S. Murthi	Dr.P L Sanjeev Reddy	Shri.M.V.Ananthakrishna*
14.05.2010	YES	YES	YES	-
14.07.2010	YES	YES	YES	-
29.10.2010	YES	-	YES	YES
27.01.2011	YES	-	YES	YES

\* Dr.M.V.V.S.Murthi ceased to be a Member w.e.f 14.07.2010.

\*Shri M.V.Ananthakrishna was nominated as a Member on 14.07.2010.



**4. Remuneration Committee**

- Brief description of terms of reference

To recommend compensation terms for Executive Directors.

- Composition, name of members, Chairman and Secretary as on 31<sup>st</sup> March, 2011.

Dr. P. L. Sanjeev Reddy	Chairman	Independent non-executive Director
Shri M.N. Rao	Member	Independent non-executive Director
Shri M.V. Ananthakrishna	Member	Independent non-executive Director

Mr.V.V.V.S.N.Murthy, AGM (Finance) & Company Secretary of the Company acts as the Secretary of the Committee

- Meetings and Attendance during the year

Date	Dr. P. L. Sanjeev Reddy	Shri M. N. Rao	Shri M.V. Ananthakrishna
14.05.2010	YES	YES	YES

- Remuneration policy

The remuneration policy is to pay remuneration and benefits adequately so as to attract, motivate and retain talent.

**5. Remuneration of Directors**

Details of remuneration paid to Directors during the financial year 2010-11.

(in ₹)

Name	Designation	Sitting fee	Remuneration	Benefits	Total
Dr. M. V. V. S. Murthi	Non-Executive Chairman	1,00,000	Nil	Nil	1,00,000
Shri M. N. Rao	Independent Non-Executive Director	1,60,000	Nil	Nil	1,60,000
Dr. P. L. Sanjeev Reddy	Independent Non-Executive Director	1,20,000	Nil	Nil	1,20,000
Shri. M.V.Ananthakrishna	Independent Non-Executive Director	90,000	Nil	Nil	90,000
Shri M. S. Lakshman Rao	Managing Director	Nil	72,95,256*	8,51,849	81,47,105

\* Remuneration includes Salary and Commission. Benefits include contribution to Provident Fund, Gratuity Fund and payment of Perquisites.

There was no Employee Stock Option Scheme during the financial year ended 31<sup>st</sup> March, 2011.

**6. Investors' Grievance & Share Transfer Committee**

The Investors' Grievance & Share Transfer Committee met 4 times during the financial year 2010-11 on 14<sup>th</sup> May 2010, 14<sup>th</sup> July 2010, 29<sup>th</sup> October 2010, and 27<sup>th</sup> January 2011.

The Constitution of the Committee as on 31.03.2011 and attendance of each Member is as given below:

Name of the Director	Designation	Category	No. of Meetings Attended
Dr. M. V. V. S. Murthi	Chairman	Non-executive Promoter Director	4
Shri M. N. Rao	Member	Independent Non-Executive Director	4
Shri M. S. Lakshman Rao	Member	Managing Director	4

Mr.V.V.V.S.N.Murthy, AGM (Finance) & Company Secretary of the Company acts as the Secretary of the Investors' Grievance & Share Transfer Committee.

Name and Designation of Compliance officer:

Mr. V.V.V.S.N.Murthy, Assistant General Manager (Finance) & Company Secretary.

- Number of shareholder complaints received, number solved to the satisfaction of the shareholder and number of pending transfers:

Investor grievances received and attended during the year 2010-11 and pending as on 31.03.2011.

Nature of grievances	Received	Attended	Pending
1. Non-receipt of dividend warrants	2	2	NIL
2.Non-receipt of share certificates after transfer/duplicate	1	1	NIL
3. Non-receipt of Annual Report	9	9	NIL
4. Other Miscellaneous	4	4	NIL

The Company generally attends to all queries of investors within a period of fortnight from the date of receipt.

**7. General Body Meetings****a) Details of the Last 3 AGMs**

- The last 3 Annual General Meeting (AGMs) were held at Surana Udyog Auditorium of the Federation of Andhra Pradesh Chambers of Commerce & Industry, situated at 11-6-841, Red Hills, Hyderabad-500 004.
- **Date , Time and Special Resolutions passed:**

S.No.	Financial Year	Date	Time	Special Resolutions
26 <sup>th</sup> AGM	2007-08	05-09-2008	3.00 PM	<b>One Special Resolution</b> Rights Issue of Equity Shares.
27 <sup>th</sup> AGM	2008-09	27-08-2009	11.00 AM	<b>One Special Resolution</b> Preferential Issue of 2 Lakhs Equity Shares of Rs.10/-each.
28 <sup>th</sup> AGM	2009-10	14-07-2010	3.00 PM	<b>-NIL-</b>



**b) Special Resolutions passed through Postal Ballot during last year and person who conducted the postal ballot exercise:**

No Special Resolution was passed through postal ballot during 2010-11.

**8. Management Discussion & Analysis Report**

Management Discussion & Analysis Report forms part of the Annual Report.

**9. Disclosures**

- There are no transactions, which may have potential conflict with the interests of the Company. Schedule 18 of the Annual Accounts contains the details of related party transactions as required by the Accounting Standard 18 (AS-18) on 'Related Party Disclosures' issued by the Institute of Chartered Accountants of India.
- There is no non-compliance by the Company and no penalties, strictures have been imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.
- The Company has complied with all the mandatory requirements of Clause 49 and is in the process of implementation of Non-mandatory requirements.
- A Certificate duly signed by the Managing Director & CEO and Vice President(Finance) relating to financial statements and internal controls and internal control systems for financial reporting as per the format provided in Clause 49(V) of the listing agreement was placed before the Board, who took the same on record.
- Profile and other information regarding the Directors being re-appointed as required under Clause 49 IV (G) (i) of the Listing Agreement have been given in the Notice of the Annual General Meeting annexed to this Annual Report.

**10. Means of Communication**

The quarterly financial results are generally published in Financial Express and Andhra Prabha Newspapers. Copies of the Results published are forwarded to Stock Exchange. The Company's website [www.vbcindia.com](http://www.vbcindia.com) contains separate section "Investor information" where shareholders information is made available. The Annual Report of the Company is also available on the website in a downloadable form.

**11. Code of Conduct**

The Company has laid down a Code of Conduct for all its Board Members and Senior Management Personnel of the Company. The declaration of Managing Director is provided in this annual report. The Code of Conduct is available on the Company's website i.e., [www.vbcindia.com](http://www.vbcindia.com)

**12. GENERAL SHAREHOLDERS' INFORMATION**

**i) Date, Time and Venue of the 29<sup>th</sup> Annual General Meeting**

Monday, the 12<sup>th</sup> September, 2011 at 3.00 P.M at Surana Udyog Auditorium of the Federation of Andhra Pradesh Chambers of Commerce and Industry (FAPCCI), situated at 11-6-841, Red Hills, Hyderabad-500 004.

**ii) Financial Calendar (tentative and subject to change)**

Financial Reporting for the quarter ended 30 <sup>th</sup> September, 2011	29 <sup>th</sup> October, 2011
Financial Reporting for the quarter ended 31 <sup>st</sup> December, 2011	28 <sup>th</sup> January, 2012
Financial Reporting for the quarter ended 31 <sup>st</sup> March, 2012	27 <sup>th</sup> April, 2012
Financial Reporting for the quarter ended 30 <sup>th</sup> June, 2012	28 <sup>th</sup> July, 2012

iii) Dates of Book Closure**5<sup>th</sup> September, 2011 to 12<sup>th</sup> September, 2011 (Both days inclusive).**iv) Dividend Payment Date: Credit/Dispatch between **28<sup>th</sup> September,2011 and 30<sup>th</sup> September,2011**v) Listing on Stock Exchanges

The Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers, Dalal Street Mumbai – 400 021.	The Calcutta Stock Exchange Association Ltd* 7, Lyons Range, Kolkatta – 700 001.
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\* Application for de-listing from The Calcutta Stock Exchange Association Limited is under process.

Listing Fees

The Company has paid annual listing fee for the year 2011-12 to the Bombay Stock Exchange Limited, where the securities are listed.

vi) Stock Code

- BSE - 513005
- Under the Depository System the International Securities Identification Number (ISIN) allotted to the Company's Equity Shares is INE114E01013

vii) Monthly High and Low Quotation of Shares traded on the Bombay Stock Exchange Limited, Mumbai:

<b>Month</b>	<b>High (₹)</b>	<b>Low (₹)</b>	<b>Close (₹)</b>	<b>No. of Shares</b>
Apr 2010	424.20	299.15	394.10	8,73,988
May 2010	395.00	302.35	309.85	92,243
Jun 2010	378.00	301.10	376.90	1,17,685
Jul 2010	451.00	342.15	393.40	1,14,354
Aug 2010	409.00	345.30	346.75	95,296
Sep 2010	427.70	349.00	359.90	83,227
Oct 2010	384.00	335.00	335.60	84,057
Nov 2010	390.00	282.10	306.70	1,07,442
Dec 2010	332.00	235.95	307.45	55,898
Jan 2011	318.00	240.00	242.95	41,753
Feb 2011	304.70	200.00	243.20	1,62,501
Mar 2011	265.00	220.50	249.20	1,07,768

viii) Registrar and Share Transfer Agents

M/s Venture Capital and Corporate Investments Private Limited having registered office at 12-10-167, Bharat Nagar, Hyderabad – 500 018, Ph:040-23818475/6 are the Company's Share Transfer Agents in both physical and dematerialized form.



ix) Share Transfer System

The Managing Director and the Company Secretary have been individually authorized to attend to share transfers and issue of duplicate share certificates once a fortnight.

The Investors' Grievance & Share Transfer Committee shall approve the share transfers affected by the above under the delegated authority once in a quarter.

The average time taken for processing of share transfers including dispatch of share certificates was approximately 15 days, if the documents are clear in all respects. As the Company's shares are currently traded in dematerialized form the transfers are processed and approved in the electronic form by NSDL/CDSL through their depository participants.

There are no pending share transfer requests as on 31<sup>st</sup> March, 2011.

(x) (a) Distribution of Shareholding as on 31<sup>st</sup> March, 2011

Category		No. of shareholders	%	Shares held	%
From	To				
Upto	500	8,355	93.67	7,63,174	17.36
501	1000	299	3.35	2,29,057	5.21
1001	2000	128	1.43	1,85,408	4.21
2001	3000	51	0.57	1,27,080	2.89
3001	4000	12	0.13	42,936	0.97
4001	5000	8	0.09	38,404	0.87
5001	10000	23	0.25	1,61,807	3.68
10001	And above	43	0.48	28,46,484	64.77
Total		8919	100.00	43,94,350	100.00

(b) Distribution of Shareholding according to categories of shareholders as on 31<sup>st</sup> March, 2011.

Categories	No. of Shares	% to Total
Promoters, Directors / Relatives and associated Persons	16,14,459	36.74
Financial Institutions & Banks/Mutual Funds/Central & State Governments	7,160	0.17
Foreign Institutional Investors	-	-
Non-resident Indians	2,38,512	5.43
Private Corporate Bodies	7,16,303	16.30
Indian Public	18,17,916	41.36
<b>TOTAL</b>	<b>43,94,350</b>	<b>100.00</b>

xi) Dematerialisation of Shares and Liquidity

Trading of securities of your Company has been made compulsorily in dematerialized form under rolling settlement with effect from 2<sup>nd</sup> January, 2002 and available for trading under both the Depository Systems in India - NSDL (National Securities Depository Limited) and CDSL (Central Depository Services (India) Limited). Under the Depository System, the International Securities Identification Number (ISIN) allotted to the Company's shares is INE114E01013.



As at 31<sup>st</sup> March, 2011, 79.61% of the Equity Share Capital, representing 34,98,412 shares were held in depository mode.

Investors who wish to exercise the option of dematerialisation of their shares are required to submit Dematerializations Request Form (DRF) duly filled in along with the original share certificate to the Depository Participant (DP).

For guidance on Depository services, shareholders may write to the Company or to the Registrars and Share Transfer Agents.

xii) There are no outstanding GDRs / ADRs / Warrants or any Convertible Instruments due for conversion.

xiii) Plant Location: Rudraram Village  
Patancheru Mandal  
Medak District, A.P.

xiv) Address for Correspondence	Contact Numbers:
Company Secretary	Phone : 040-23301166 / 99
VBC Ferro Alloys Limited	040-23320904 - 7
6-2-913/914, 3 <sup>rd</sup> Floor,	Fax : 040-23390721
Progressive Towers, Khairatabad	Email : hyd1_vbcfal@sancharnet.in
Hyderabad -500 004.	investor@vbcindia.com

xv) Investor Relations

All the queries received from shareholders during the financial year 2010-11 have been resolved. The Company generally replies to the queries within a week of their receipt. The Company has designated e-mail [investor@vbcindia.com](mailto:investor@vbcindia.com) for investor services.

xvi) Nomination Facility

Shareholders holding shares in physical form and desirous of making a nomination in respect of their shareholding in the Company, as permitted under Section 109A of the Companies Act, 1956, are requested to submit to the Company's Share Transfer Agents M/s Venture Capital & Corporate Investments Private Limited, 12-10-167, Bharat Nagar, Hyderabad – 500 018, Ph:040-23818475/6. Prescribed Form (Form 2B) is annexed to this report. Nomination facility in respect of shares held in Electronic form is also available with the Depository Participant (DP) as per the Byelaws and Business rules applicable to NSDL and CDSL.



**13. Compliance**

The Company shall obtain a certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated in Clause 49 of the listing agreement with stock exchanges and annexed the certificate with the Directors' report, which is sent annually to all the shareholders of the company.

***Auditor's Certificate is annexed to the Report of the Directors.***

for and on behalf of the Board

Place: Hyderabad  
Date : 26.07.2011

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

To  
The Members of  
VBC FERRO ALLOYS LTD.,

**DECLARATION**

All the Board members and the Senior Management Personnel have affirmed their compliance of the 'Code of Conduct for the Members of the Board and Senior Management' for the period from 1<sup>st</sup> April, 2010 to 31<sup>st</sup> March, 2011 in terms of the clause 49(1) (D)(ii) of the Listing Agreement with the Stock Exchange.

Place: Hyderabad  
Date : 26.07.2011

Sd/-  
**M.S. LAKSHMAN RAO**  
MANAGING DIRECTOR & CEO





**AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE**

To

**The Members of  
VBC Ferro Alloys Limited,  
Hyderabad**

We have examined the compliance of conditions of Corporate Governance by VBC Ferro Alloys Limited for the year ended 31<sup>st</sup> March 2011, as stipulated in Clause 49 of the Listing Agreement of the Company with stock exchange.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that generally no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Company.

We further state that such compliance is neither an assurance as to the future liability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

**For BRAHMAYYA & Co.,**  
Chartered Accountants  
(Firm Regd. No. 000513S)

Camp : Hyderabad  
Date : 26-07-2011

Sd/-  
**(C.V. RAMANA RAO)**  
PARTNER  
Membership No.018545

**AUDITORS' REPORT**

**To  
The Members of  
VBC Ferro Alloys Limited,  
Hyderabad**

1. We have audited the attached Balance Sheet of VBC Ferro Alloys Limited, as at 31<sup>st</sup> March, 2011, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956 of India (the 'Act') and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we set out in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - b) In our opinion, the company has kept proper books of account, as required by law so far, as appears from our examination of such books.
  - c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
  - d) In our opinion the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in Sub Section (3c) of Section 211 of the Companies Act, 1956.
  - e) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India:
    - i) In the case of the Balance Sheet, of the state of affairs of the company as at 31<sup>st</sup> March 2011.
    - ii) In the case of the Profit and Loss account, of the Profit for the year ended on that date.
    - iii) In case of the cash flow statement, of the cash flows for the year ended on that date.
  - f) On the basis of written representations received from the Directors as on March, 31, 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

**For BRAHMAYYA & CO.,**  
Chartered Accountants  
(Firm Regd. No.000513S)  
Sd/-

**(C.V.RAMANA RAO)**  
PARTNER

Membership No. 018545

Camp : Hyderabad  
Date : 26-07-2011



**ANNEXURE TO THE AUDITORS REPORT REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE:**

- 1.1 The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets, except in the case of few assets in respect of which particulars required to be updated, the value in respect of which is not material.
- 1.2 The fixed assets have been physically verified by the management during the year in accordance with a phased programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. According to the information furnished to us, no material discrepancies have been noticed on such verification.
- 1.3 During the year under report the company has not disposed off any of its fixed assets.
- 2.1 Physical verification of inventory has been conducted during the year by the management at reasonable intervals.
- 2.2 The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- 2.3 On the basis of our examination of the records of inventory, we are of the opinion that the company is maintaining proper records of inventory. The discrepancies noticed on such verification between the physical stocks and the book records were not material.
- 3.1 The Company has not granted any loans either secured or unsecured to companies, firms or other parties which are covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly sub-clauses (b), (c) and (d) of clause (iii) of paragraph 4 of the order are not applicable.
- 3.2 The Company has not taken any new loans during the year. However it has taken a loan of ₹ 500 lakhs in an earlier year from a party, who is covered in the register maintained under section 301 of the Companies Act. 1956.
- 3.3 In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions in respect of the loans are not prima facie prejudicial to the interest of the Company.
- 3.4 The company in arrears of payment of interest of Rs 101.76 lakhs as on the date of Balance Sheet. However, the date of repayment of principal amount has not been stipulated.
- 4.1 In our opinion and according to the information and explanations given to us, there are adequate internal control systems, commensurate with the size of the company and the nature of its business with regard to purchase of inventory and fixed assets and sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control systems.
- 5.1 According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered



- 5.2 In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable, having regard to prevailing market prices at the relevant time.
- 6.1 The company has not accepted deposits from public. Accordingly the Clause (vi) of paragraph 4 of the Order is not applicable to the company.
- 7.1 In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- 8.1 According to the information and explanations given to us, maintenance of cost records is not required under section 209(1) (d) of the Companies Act, 1956 in respect of the business activities carried out by the company.
- 9.1 According to the records of the company, the company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, Investor education and protection fund, employees state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.
- 9.2 According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, service tax, customs duty, excise duty and cess and other material statutory dues applicable to it were in arrears as at 31<sup>st</sup> March 2011 for a period of more than six months from the date they became payable.
- 9.3 As at 31<sup>st</sup> March 2011, there have been no disputed dues, which have not been deposited with the respective authorities in respect of Sales Tax, income-tax, Wealth-tax, Service tax, Excise Duty and Cess, except the following:

<b>Name of the Statute</b>	<b>Nature of the Dues</b>	<b>(*)Amount (₹ in lakhs)</b>	<b>Period of which the amount relates</b>	<b>Forum where dispute is pending</b>
AP General Sales Tax Act	Sales Tax	2.61	1991-92	Hon'ble High Court of Andhra Pradesh
Central Sales Tax Act	Non submission of 'C' and 'F' forms	25.69	1996-97	Dy. Commissioner (Appeals)
Income Tax Act	Income Tax	197.24	Assessment Year 2008-09	CIT (Appeals), Hyderabad

(\*) Net of pre deposits made

- 10.1 The company has no accumulated losses and has not incurred any cash loss during the financial year covered by our audit and the immediately preceding financial year.
- 11.1 The company has neither taken any term loan from a financial institution or a bank nor issued any debentures. Accordingly clause (xi) of paragraph 4 of the order is not applicable.



- 12.1 The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly clause (xii) of paragraph 4 of the order is not applicable.
- 13.1 In our opinion, the company is not a chit fund or a nidhi/mutual benefit fund/ society. Accordingly, clause (xii) of paragraph 4 of the order is not applicable.
- 14.1 In our opinion, the Company is not dealing in or trading in shares, debentures and other instruments. Accordingly, clause (xiv) of paragraph 4 of the Order is not applicable.
- 15.1 According to the information and explanations given to us, the company has given two guarantees for loans taken by others from financial institutions. The guarantees given by the company along with other co-promoters to financial institutions on behalf of two companies promoted by them are with the approval of shareholders in a general meeting and in accordance with the promoters' agreements. Having regard to the information and explanations given to us the said guarantees are not prejudicial to the interest of the company.
- 16.1 In our opinion, the company has not obtained any term loans, accordingly clause (xvi) of paragraph 4 of the Order is not applicable.
- 17.1 According to the information and explanations given to us and on an overall examination of the Balance Sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment.
- 18.1 According to the information and explanation given to us, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act. Accordingly clause (xviii) of paragraph 4 of the Order is not applicable.
- 19.1 The Company has not issued any debentures during the year accordingly clause (xix) of paragraph 4 of the Order is not applicable.
- 20.1 During the year, the Company has not raised money by public issue. Accordingly clause (xx) of paragraph 4 of the Order is not applicable.
- 21.1 According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

**For BRAHMAYYA & CO.,**  
Chartered Accountants  
(Firm Regd. No. 000513S)

Sd/-  
**(C.V.RAMANA RAO)**  
PARTNER  
Membership No. 018545

Camp : Hyderabad  
Date : 26-07-2011

**BALANCE SHEET AS AT 31st MARCH, 2011**

	Schedule Ref.	As at 31.03.2011 ₹	As at 31.03.2010 ₹
<b>I. SOURCES OF FUNDS</b>			
1) Shareholders' funds :			
a) Share Capital	1	4,39,49,875	4,39,49,875
b) Reserves & Surplus	2	140,31,88,963	131,65,62,235
		<b>144,71,38,838</b>	<b>136,05,12,110</b>
2) Loan Funds :			
a) Secured Loans	3	16,46,48,709	10,34,81,058
b) Unsecured Loans	4	23,54,90,596	25,81,54,624
		<b>40,01,39,305</b>	<b>36,16,35,682</b>
Deferred Tax Liability		5,04,00,632	5,38,44,850
<b>TOTAL</b>		<b>189,76,78,775</b>	<b>177,59,92,642</b>
<b>II. APPLICATION OF FUNDS</b>			
1) Fixed Assets			
a) Gross Block	5	75,29,76,613	72,46,87,419
b) Less : Depreciation		59,44,42,545	58,17,20,176
		<b>15,85,34,068</b>	<b>14,29,67,243</b>
c) Capital work-in-progress	5A	3,09,10,678	2,04,13,052
		<b>18,94,44,746</b>	<b>16,33,80,295</b>
2) Investments	6	157,50,15,244	157,42,96,894
3) Current Assets, Loans & Advances :			
a) Inventories	7	18,47,52,461	12,19,77,395
b) Sundry Debtors	8	10,29,32,109	8,86,48,442
c) Cash & Bank Balances	9	4,51,80,946	1,98,49,677
d) Interest Receivable		44,96,517	37,73,462
e) Loans & Advances	10	17,36,46,819	8,52,54,710
		<b>51,10,08,852</b>	<b>31,95,03,686</b>
Less : Current Liabilities & Provisions :			
a) Liabilities	11	29,95,31,259	22,60,37,936
b) Provisions	12	7,82,58,808	5,51,50,297
		<b>37,77,90,067</b>	<b>28,11,88,233</b>
<b>Net Current Assets</b>		<b>13,32,18,785</b>	<b>3,83,15,453</b>
<b>TOTAL</b>		<b>189,76,78,775</b>	<b>177,59,92,642</b>

Significant Accounting policies and Notes on accounts 18

Per our report of even date  
for **BRAHMAYYA & Co.,**  
Chartered Accountants  
Sd/-  
**C.V. RAMANA RAO**  
Partner  
Membership No.018545

Sd/-  
**M.S. LAKSHMAN RAO**  
Managing Director

For and on behalf of the Board

Sd/-  
**M.N. RAO**  
Director

Camp : Hyderabad  
Date : 26-07-2011

Sd/-  
**K. KAILASANATHA REDDY**  
Vice President (Finance)

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



## PROFIT &amp; LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2011

	Schedule Ref.	Current Year 31.03.2011 ₹	Previous Year 31.03.2010 ₹
<b>I. INCOME :</b>			
Sales		119,29,43,615	88,87,86,912
Less : Excise duty & VAT collections		6,85,32,114	5,05,37,951
		-----	-----
		112,44,11,501	83,82,48,961
Increase/(Decrease) in stocks	13	8,46,399	(1,89,01,238)
Other Income	14	1,28,04,935	3,77,64,548
		-----	-----
<b>TOTAL</b>		<b>113,80,62,835</b>	<b>85,71,12,271</b>
		=====	=====
<b>II. EXPENDITURE :</b>			
Raw Materials Consumed	15	38,01,15,793	26,61,40,498
Power and fuel		41,31,12,636	33,95,05,208
Staff Cost	16	7,02,67,441	5,62,50,016
Other Expenses	17	6,97,85,098	7,04,72,854
Interest & Finance Charges to Banks and others		3,77,34,511	3,23,11,701
Depreciation		1,27,22,368	1,48,00,756
		-----	-----
<b>TOTAL</b>		<b>98,37,37,847</b>	<b>77,94,81,033</b>
		=====	=====
<b>III. PROFIT BEFORE TAXATION:</b>		<b>15,43,24,988</b>	<b>7,76,31,238</b>
Provision for Taxation : Current Tax		(6,05,54,102)	(1,35,00,000)
Deferred Tax		34,44,218	(1,52,39,430)
MAT credit entitlement		47,33,294	30,00,000
		-----	-----
<b>IV. PROFIT AFTER TAXATION:</b>		<b>10,19,48,398</b>	<b>5,18,91,808</b>
Surplus brought forward from previous year		24,21,95,809	34,35,38,918
Income tax for earlier years		-	(8,09,00,422)
Deferred tax for earlier years		-	(5,04,81,570)
		-----	-----
<b>SURPLUS AVAILABLE FOR APPROPRIATION</b>		<b>34,41,44,207</b>	<b>26,40,48,734</b>
		-----	-----
<b>V. APPROPRIATIONS :</b>			
Transfer to General Reserve		2,70,00,000	90,00,000
Proposed Dividend		1,31,83,050	1,09,85,875
Tax on Proposed Dividend		21,38,620	18,67,050
Surplus carried over to Balance Sheet		30,18,22,537	24,21,95,809
		-----	-----
		<b>34,41,44,207</b>	<b>26,40,48,734</b>
		=====	=====
VI. Earnings per Share-(basic and diluted) Rs.		<b>23.20</b>	<b>11.80</b>
Significant Accounting policies and Notes on accounts	18		

Per our report of even date  
for **BRAHMAYYA & Co.,**  
Chartered Accountants  
Sd/-  
**C.V. RAMANA RAO**  
Partner  
Membership No.018545

Camp : Hyderabad  
Date : 26-07-2011

Sd/-  
**M.S. LAKSHMAN RAO**  
Managing Director

Sd/-  
**K. KAILASANATHA REDDY**  
Vice President (Finance)

For and on behalf of the Board

Sd/-  
**M.N. RAO**  
Director

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



SCHEDULES TO BALANCE SHEET AS AT 31st MARCH, 2011

Particulars	As at 31.03.2011 ₹	As at 31.03.2010 ₹
<b>1. SHARECAPITAL</b>		
Authorised :		
2,00,00,000 Equity Shares of Rs.10/- each	20,00,00,000	20,00,00,000
<b>TOTAL</b>	20,00,00,000	20,00,00,000
<b>Issued :</b>		
43,96,450 Equity Shares of Rs.10/- each	4,39,64,500	4,39,64,500
Subscribed & Paid up :		
43,94,350 Equity Shares of Rs.10/- each fully paid up	4,39,43,500	4,39,43,500
Add : Amount received on 2100 forfeited shares	6,375	6,375
<b>TOTAL</b>	4,39,49,875	4,39,49,875

**2. RESERVES AND SURPLUS**

Particulars	As at 31.03.2010 ₹	Additions ₹	As at 31.03.2011 ₹
a) Capital Reserve			
i) State Govt. Subsidy	15,00,000	--	15,00,000
ii) Share Premium	11,91,79,000	--	11,91,79,000
b) General Reserve	91,00,00,000	2,70,00,000	93,70,00,000
c) Asset Revaluation Reserve	4,36,87,426	--	4,36,87,426
d) Surplus in Profit & Loss Account	24,21,95,809	--	30,18,22,537
<b>TOTAL</b>	131,65,62,235		140,31,88,963





Particulars	As at 31.03.2011 ₹	As at 31.03.2010 ₹
<b>3. SECURED LOANS:</b>		
1) Cash credit from a bank on hypothication of Stock of Finished goods, Raw Materials, stores and spares and book debts and a first charge on all the fixed assets of the Company and guaranteed by Managing Director and a shareholder of the Company, in their personal capacity.	<b>16,25,17,440</b>	10,09,66,523
2) Due to others on hypothication of vehicles	<b>21,31,269</b>	25,14,535
<b>TOTAL</b>	<b>16,46,48,709</b>	10,34,81,058
<b>4. UNSECURED LOANS:</b>		
Short Term Loans and Advances from :		
Directors	<b>6,01,76,241</b>	6,89,41,922
Inter Corporate Deposits Bodies	<b>17,53,14,355</b>	18,80,48,427
Life Insurance Corporation of India	-	11,64,275
<b>TOTAL</b>	<b>23,54,90,596</b>	25,81,54,624



**SCHEDULE - 5 FIXED ASSETS**

(in ₹)

Sl. No.	Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK		
		As at 31.03.2010	Additions	Deletions	Upto 31.03.2011	For the Year	Deletions	Upto 31.03.2011	As at 31.03.2011	As at 31.03.2010
1	Land	4,56,10,206	2,34,28,106	-	6,90,38,312	-	-	-	6,90,38,312	4,56,10,206
2	Buildings	8,29,65,601	-	-	8,29,65,601	1,705,350	-	5,61,82,857	2,67,82,744	2,84,88,094
3	Plant & Machinery	56,50,59,100	34,56,404	-	56,85,15,504	9,582,561	-	51,58,11,255	5,27,04,249	5,88,30,406
4	Furniture	33,72,282	40,874	-	34,13,156	99,299	-	30,79,452	3,33,704	3,92,129
5	Office Equipment	89,98,685	5,38,810	-	95,37,495	406,373	-	71,10,712	24,26,783	22,94,346
6	Vehicles	1,86,81,545	8,25,000	-	1,95,06,545	9,28,785	-	1,22,58,269	72,48,276	73,52,062
	Total	72,46,87,419	2,82,89,194	-	75,29,76,613	1,27,22,368	-	59,44,42,545	15,85,34,068	14,29,67,243
	Previous Year	76,14,86,403	1,29,67,427	4,97,66,411	72,46,87,419	1,48,00,752	1,90,23,443	58,17,20,176	14,29,67,243	17,55,43,536



Particulars	As at 31.03.2011 ₹	As at 31.03.2010 ₹
<b>SCHEDULE-5A</b>		
<b>CAPITAL WORK IN PROGRESS</b>		
Capital Advances	<b>1,31,03,093</b>	2,00,39,510
Expenditure during Construction (Vide Schedule 5B annexed)	<b>1,78,07,585</b>	3,73,542
<b>TOTAL</b>	<b>3,09,10,678</b>	2,04,13,052
<b>SCHEUDLE-5B</b>		
<b>EXPENDITURE DURING CONSTRUCTION</b>		
a) Balance at the beginnig of the Year	<b>3,73,542</b>	3,71,411
b) Expenditure incurred during the year :		
1. Staff Cost	<b>73,69,584</b>	-
2. Professional and Consultancy Charges	<b>11,24,200</b>	-
3. Travelling and Conveyance	<b>16,24,760</b>	-
4. Printing and Stationery	<b>6,737</b>	-
5. Vehicle Maintenance	<b>67,377</b>	-
6. Advertisement	<b>2,37,024</b>	-
7. Bank Charges and guarantee commission	<b>52,41,877</b>	-
8. Land levelling charges	<b>5,91,185</b>	-
9. Miscellaneous Expenses	<b>11,71,299</b>	2,131
<b>Total for the year</b>	<b>1,74,34,043</b>	2,131
Total Expenditure during the construction period pending allocation to Fixed Assets	<b>1,78,07,585</b>	3,73,542

Sch. No.	Particulars	As at 31.03.2011 ₹	As at 31.03.2010 ₹
<b>6.</b>	<b>INVESTMENTS - (AT COST) NON-TRADE, LONG-TERM</b>		
	<b>a) Government Securities :</b>		
	2000 Units of Rs.10/- each in Unit Trust of India Unit Growth Scheme 2000	21,500	21,500
	<b>TOTAL (a)</b>	<b>21,500</b>	<b>21,500</b>
	<b>b) Other Investments :</b>		
	<b>I. QUOTED</b>		
	1,35,000 Equity Shares of Rs.10/- each fully paidup in Basil Infrastructure Projects Ltd.	13,50,000	13,50,000
	3,000 Equity Shares of Rs.10/- each fully paidup in Bank of India	1,35,000	1,35,000
	380 Equity Shares of Rs.10/- each fully paidup in State Bank of Travancore	2,28,000	2,28,000
	<b>TOTAL (b) (I)</b>	<b>17,13,000</b>	<b>17,13,000</b>
	<b>II. UNQUOTED</b>		
	#14,01,41,414 Equity Shares of Rs.10/- each fully paidup in Konaseema Gas Power Ltd.,	143,06,46,210	143,06,46,210
	1,00,000 Equity Shares of Rs.10/- each fully paidup in Konaseema Power Corporation Ltd.,	10,00,000	10,00,000
	*61,72,670 Equity Shares of Rs.10/- each fully paidup in Orissa Power Consortium Ltd.,	6,17,26,700	6,17,26,700
	<b>Share Application Money with :</b>		
	i) Indo-Us Coal Washeries Ltd.	1,08,57,364	1,08,57,364
	ii) Orissa Hydrel Power Balimela Ltd.	1,40,90,000	1,40,90,000
	iii) Karthik Rukmini Alloys & Energy Ltd.	5,59,60,470	5,52,42,120
	<b>TOTAL (b) (II)</b>	<b>157,42,80,744</b>	<b>157,35,62,394</b>
	<b>TOTAL (b)</b>	<b>157,59,93,744</b>	<b>157,52,75,394</b>
	<b>TOTAL (a+b)</b>	<b>157,60,15,244</b>	<b>157,52,96,894</b>
	Less : Diminution in the value of Investments	10,00,000	10,00,000
	<b>TOTAL</b>	<b>157,50,15,244</b>	<b>157,42,96,894</b>
		Book Value	Market Value
	Aggregate value of :		
	Quoted Investments	17,13,000	59,02,267
	Unquoted Investments	157,33,02,244	NA
	<b>TOTAL</b>	<b>157,50,15,244</b>	<b>59,02,267</b>
		Book Value	Market Value
	Aggregate value of :		
	Quoted Investments	17,13,000	47,98,788
	Unquoted Investments	157,25,83,894	NA
	<b>TOTAL</b>	<b>157,42,96,894</b>	<b>47,98,788</b>

# includes 184.589 lacs (P.Y.184.589 lacs) shares acquired, the title in respect of which is in the process of transfer. 1216.82 lacs equity shares of Konaseema Gas Power Ltd have been pledged with various financial institutions as a collateral security against the term loans sanctioned to the said company.

\* 5912670 Equity shares of Orissa Power Consortium Ltd have been pledged with various financial institutions as a collateral security against the term loans sanctioned to the said company.



Sch. No.	Particulars	As at 31.03.2011 ₹	As at 31.03.2010 ₹
<b>7. INVENTORIES</b>			
(As valued and certified by the Managing Director)			
Stores & Spares	2,33,68,831	1,89,23,288	
Stores in Transit	81,004	-	
Raw materials	13,13,44,181	7,39,42,061	
Finished Goods	2,99,58,445	2,91,12,046	
<b>TOTAL</b>	<b>18,47,52,461</b>	<b>12,19,77,395</b>	
<b>8. SUNDRY DEBTORS (Unsecured)</b>			
Debts outstanding over Six months			
- Considered good	1,02,98,652	1,62,65,679	
- Considered doubtful	79,49,228	79,49,228	
	1,82,47,880	2,42,14,907	
Other debts considered good	9,26,33,457	7,23,82,763	
	11,08,81,337	9,65,97,670	
Less : Provision for doubtful debts	79,49,228	79,49,228	
<b>TOTAL</b>	<b>10,29,32,109</b>	<b>8,86,48,442</b>	
<b>9. CASH &amp; BANK BALANCES</b>			
Cash on hand	2,34,267	4,90,967	
Balances with Scheduled Banks :			
- in Current Accounts	59,65,117	26,13,749	
(includes Rs.23,52,372 on amount of unpaid dividends - previous year is Rs.21,80,634)			
- in Margin Money Deposit Accounts	3,89,71,562	1,67,34,961	
(Against Bank guarantees and Letters of Credit obtained)			
Balance with Post Office in Savings Bank Account	10,000	10,000	
<b>TOTAL</b>	<b>4,51,80,946</b>	<b>1,98,49,677</b>	
<b>10. LOANS AND ADVANCES</b>			
(Unsecured, Considered good recoverable in cash or kind or for value to be received)			
Advances Recoverable	86,38,861	45,27,687	
Deposits Recoverable	4,45,05,616	4,40,05,616	
Balances with Central Excise Authorities	8,24,540	9,48,989	
Claims Receivable	40,20,047	37,93,899	
Prepaid Expenses	29,32,740	31,87,608	
Income Tax paid under protest	14,94,368	5,34,746	
MAT credit entitlement	86,78,629	39,45,335	
Advance for Purchase of Investments	10,25,52,018	2,43,10,830	
[Refer note no 2(b) of Schedule 18(II)]			
<b>TOTAL</b>	<b>17,36,46,819</b>	<b>8,52,54,710</b>	

Sch. No.	Particulars	As at 31.03.2011 ₹	As at 31.03.2010 ₹
<b>11.</b>	<b>CURRENT LIABILITIES</b>		
	Sundry Creditors	24,92,95,674	15,45,66,483
	Advances received against Sales	1,70,83,213	3,69,81,519
	Trade deposits refundable	8,00,000	8,00,000
	Un-paid Dividends	23,52,372	21,80,634
	Creditors for other finances	3,00,00,000	3,15,09,300
	<b>TOTAL</b>	<b>29,95,31,259</b>	<b>22,60,37,936</b>
<b>12.</b>	<b>PROVISIONS</b>		
	Provision for Gratuity	95,51,454	59,81,966
	Provision for compensated leaves	13,54,025	11,12,465
	Provision for Income Tax (net of Prepaid Taxes)	5,20,31,659	3,52,02,941
	Proposed Dividend	1,31,83,050	1,09,85,875
	Tax on Proposed Dividend	21,38,620	18,67,050
	<b>TOTAL</b>	<b>7,82,58,808</b>	<b>5,51,50,297</b>
<b>SCHEDULES TO PROFIT &amp; LOSS ACCOUNT :</b>			
<b>13.</b>	<b>INCREASE / (DECREASE) IN STOCKS :</b>		
	Closing Stock :	2,99,58,445	2,91,12,046
	Less: Opening Stock	2,91,12,046	4,80,13,284
		<b>8,46,399</b>	<b>(1,89,01,238)</b>
<b>14.</b>	<b>OTHER INCOME :</b>		
	Rent received	24,00,000	24,00,000
	Interest received from Banks & others	72,66,067	71,24,543
	Dividends Received	1,61,600	15,000
	Profit on Sale of Fixed Assets	- 1,57,28,030	
	Add : Transfer from revaluation reserve	- 89,55,349	
			2,46,83,379
	Miscellaneous receipts	29,75,435	28,50,301
	Provisions no longer required	-	4,85,215
	Sundry Credit Balances written back	1,833	2,06,110
	<b>TOTAL</b>	<b>1,28,04,935</b>	<b>3,77,64,548</b>



Sch. No.	Particulars	As at 31.03.2011 ₹	As at 31.03.2010 ₹
<b>15.</b>	<b>RAW MATERIALS CONSUMED :</b>		
	Opening stock	7,39,42,061	9,61,46,759
	Add : Purchases (Net)	43,75,17,913	24,39,35,800
		-----	-----
		51,14,59,974	34,00,82,559
	Less : Closing Stock	13,13,44,181	7,39,42,061
		-----	-----
	<b>TOTAL</b>	<b>38,01,15,793</b>	<b>26,61,40,498</b>
		=====	=====
<b>16.</b>	<b>STAFF COST :</b>		
	Salaries, Allowances and Bonus	5,56,44,656	4,96,91,989
	Contributions to Provident and other Funds	51,60,686	48,95,131
	Welfare expenses	52,34,357	39,95,642
	Gratuity	42,27,742	(23,32,746)
		-----	-----
	<b>TOTAL</b>	<b>7,02,67,441</b>	<b>5,62,50,016</b>
		=====	=====
<b>17.</b>	<b>OTHER EXPENSES :</b>		
	Other Manufacturing Expenses	2,14,88,770	1,86,57,483
	Stores consumed	34,87,037	42,69,107
	Repairs & Maintenance:		
	Plant & Machinery	1,14,14,347	67,31,724
	Buildings	31,737	3,21,960
	Vehicles	16,98,260	20,89,269
	Others	20,92,499	19,88,134
	Insurance	27,48,738	25,99,609
	Rent	37,79,955	35,41,120
	Rates, Taxes & Duties	11,47,511	7,49,508
	Directors' Sitting Fees	4,70,000	4,00,000
	Auditors' Remuneration :		
	As Auditors	1,75,000	1,35,000
	for Certification charges	77,500	1,33,100
	for Tax Audit	92,000	10,000
		-----	-----
		3,44,500	2,78,100
	Transport, Selling and Other Distribution expenses	1,04,81,357	1,62,98,529
	Commission on Sales	14,86,188	21,18,872
	Donations	20,200	9,24,530
	Miscellaneous Expenses	85,32,801	95,04,909
	Bad debts, Irrecoverable Claims & Advances written off	5,61,198	-
		-----	-----
	<b>TOTAL</b>	<b>6,97,85,098</b>	<b>7,04,72,854</b>
		=====	=====

**SCHEDULE-18: ACCOUNTING POLICIES AND NOTES ON ACCOUNTS**

**Annexure to and forming part of Balance Sheet as at and Profit & Loss Account for the year ended 31<sup>st</sup> March, 2011:**

**I ACCOUNTING POLICIES****(1) GENERAL:**

Financial statements are prepared on accrual basis under the historical cost convention and in accordance with the accounting standards specified in sub-section 3(c) of section 211 of the Companies Act 1956.

**(2) FIXED ASSETS:**

(a) Fixed Assets, other than Land, Building and Plant & Machinery are stated at cost less accumulated depreciation. Cost of acquisition of Fixed Assets is net of CENVAT and inclusive of freight, duties, taxes, incidental expenses including interest on specific borrowing and pre-operative expenses as allocated.

(b) Land, Buildings and Plant & Machinery were revalued during the year ended 31<sup>st</sup> March, 2000 which now appear at carrying values based on such valuation.

**(3) INVESTMENTS:**

Investments are stated at cost, inclusive of all expenses relating to acquisition. Provision for diminution in the market value of long term investments is not made, if in the opinion of the Management such diminution is temporary in nature.

**(4) INVENTORIES:**

(a) Finished goods are valued at cost, inclusive of excise duty, or market value whichever is lower.

(b) Stocks of raw materials, stores, spare parts, materials-in-transit etc are valued at cost after providing for cost of obsolescence. Cost includes expenses for procurement, excise and customs duty and is net of credits under CENVAT & VAT schemes.

(c) Scrap, including by products, is valued at estimated realisable value.

**(5) REVENUE RECOGNITION:**

(a) Sales are inclusive of excise duty, export incentives and net of trade and quantity discounts and rebates.

(b) Interest and Dividend income from investments is accounted on accrual basis.

(c) Insurance and other claims/refunds and export incentives and accounted for as and when admitted by appropriate authorities.

**(6) EMPLOYEE BENEFITS:**

(i) Defined Contribution Plans

Employee Benefits in the form of Employee Provident and Pension Funds, Employee State Insurance plan and Superannuation are considered as Defined Contribution Plans and the contributions are charged to the Profit & Loss Account of the year when the contributions to the said funds are due.



**(ii) Defined Benefit Plans**

Retirement Benefit in the form of Gratuity is considered as Defined Benefit Obligation and is provided for on the basis of an actuarial valuation using the projected unit credit method as at the date of Balance Sheet.

**(iii) Other Long Term Benefits**

Long-Term Compensated Absences are provided on the basis of an actuarial valuation using the Projected Unit Credit Method as at the date of Balance Sheet.

Actuarial gain/losses, if any, are immediately recognized in the Profit & Loss Account.

**(7) DEPRECIATION:**

Depreciation is charged under Straight Line Method applying the rates worked out in accordance with the provisions of Section 205(2)(b) of the Companies Act, 1956 prevalent in respective years of acquisition in respect of items acquired prior to 1.7.1986 and in accordance with Schedule XIV of the Companies Act, 1956 in respect of items acquired after 1.7.1986.

**(8) FOREIGN CURRENCY TRANSACTIONS:**

Foreign currency assets and liabilities covered by forward contracts are stated at the forward contract rates while those not covered by forward contracts are restated at rates ruling at the year end.

Exchange differences are credited/ charged to Profit and Loss Account.

**II. NOTES ON ACCOUNTS:**

	Unit	Current Year	Previous Year
1. Estimated amount of contracts remaining to be executed on Capital Account and not provided for letters of credit opened		Nil	Nil
2. Contingent liabilities			
a) Unexpired Bank Guarantees and letters of Credit	₹.	7,51,48,735	4,93,96,690
b) The company together with two other promoter companies has furnished an undertaking on behalf of Konaseema Gas Power Limited (KGPL) jointly promoted by them to the financial institutions to finance the cost over-run, if any, in respect of the power project executed by the said company. Accordingly, in an earlier year, the company has entered into an agreement with IFCI to buy back 3 crores of equity shares of ₹.10/- each in KGPL, which have been subscribed by them to meet the cost over run.			
c) Unexpired Corporate Guarantees given to Financial Institutions and strategic Investors on behalf of Body Corporates	₹.	1,57,10,00,000	57,10,00,000

	Unit	Current Year	Previous Year
d) Disputed Sales Tax Demands for non submission of "C" & "F" Forms	₹.	28,30,172	35,36,852
e) Disputed Income Tax demands an amount of ₹.64.94 lakhs (previous year ₹.5.35 lakhs) Paid under protest against item (e) is shown under the head of "Loans and advances"	₹.	2,12,17,831	1,06,16,206
f) Demands towards load factor shortfall charges for earlier years, disputed by the company	₹.	12,89,88,244	13,50,68,859
3. Dues outstanding for more than 45 days to Micro, Small and Medium Enterprises to the extent such parties have been identified from the available information are			
4. Details of Managing Director's remuneration:			
a) Details of remuneration:			
Remuneration	₹.	9,00,000	9,00,000
Contribution to Provident and other funds	₹.	2,86,269	2,43,000
Other Perquisites	₹.	5,65,580	1,70,325
Commission on profits	₹.	63,95,256	16,56,461
Total	₹.	81,47,105	29,69,786
b) Computation of net profit u/s.198 read with 309(5) of the companies act, 1956			
Profit before Income Tax	₹.	15,43,24,988	7,76,31,238
Add: Remuneration to Managing Director	₹.	8,14,71,105	29,69,786
Directors Sitting fees	₹.	4,70,000	4,00,000
	₹.	<b>16,29,42,093</b>	<b>8,10,01,024</b>
Less: Capital Profit on sale of fixed assets	₹.	0	2,16,05,299
Adjusted profits under sec 349 of the Act	₹.	<b>16,29,42,093</b>	<b>5,93,95,725</b>
Remuneration to the Managing Director at 5%	₹.	8,14,71,105	29,69,786
5. Disclosures on "Employee Benefits" as per Accounting Standard 15 – "Employee Benefits" Issued by the Institute of Chartered Accounts of India.			

### **Defined Contribution Plans**

Contribution to Defined Contribution Plans, Recognized as expense for the year, are as under:

Employer's Contribution to Provident and Pension Funds	₹.	32,40,723	37,91,624
Employer's Contribution to Employees State Insurance	₹.	14,01,923	5,94,986
Contribution to Superannuation Scheme	₹.	5,18,040	5,08,521



	Unit	Current Year	Previous Year
<b>Defined Benefit Plans:</b>			
<b>Reconciliation of opening and closing balances Of Defined Benefit obligations</b>			
<b>a. <u>Gratuity(Funded):</u></b>			
Defined Benefit obligation at beginning of the Year:	₹.	83,78,208	1,10,16,172
Interest Cost	₹.	6,54,170	7,54,571
Current Service Cost	₹.	9,63,685	11,60,817
Past Service Cost – (vested benefits)	₹.	64,362	-
Benefits paid	₹.	(4,02,168)	(4,73,181)
Actuarial loss/(gain) on obligation	₹.	26,80,251	(40,80,171)
		-----	-----
Defined Benefit obligation at the end year	₹.	1,23,38,508	83,78,208
		=====	=====
<b>b. <u>Earned leave Encashment (Non-funded):</u></b>			
Defined Benefit obligation at beginning of the Year:	₹.	11,12,465	19,39,236
Interest Cost	₹.	88,997	1,35,747
Current Service Cost	₹.	9,71,131	6,46,697
Benefits paid		-	-
Actual loss/(gain) on obligation	₹.	(8,18,568)	(16,09,215)
		-----	-----
Defined Benefit obligation at the end year, Recognized as liability in the Balance Sheet	₹.	13,54,025	11,12,465
		=====	=====
<b>Reconciliation of fair value of assets and obligations</b>			
<b>a) <u>Gratuity(Funded):</u></b>			
Fair value of plan assets*	₹.	27,87,054	23,96,242
Present value of obligation	₹.	1,23,38,508	83,78,208
		-----	-----
Amount recognized as liability in Balance Sheet	₹.	95,51,454	59,81,966
		-----	-----
<ul style="list-style-type: none"> <li>Represents fair value of assets held by the Gratuity Trust in Group Gratuity Policy with life Insurance Corporation of India.</li> </ul>			
<b>Expenses recognized during the year (in the statement of Profit &amp; Loss Account)</b>			
<b>a. <u>Gratuity(Funded):</u></b>			
Current Service Cost:	₹.	9,63,685	11,60,817
Interest cost	₹.	6,54,170	7,54,571
Past Service Cost – (non vested benefits)	₹.	-	-
Past Service Cost – (vested benefits)	₹.	64,362	-
Unrecognised Past Service Cost-non vested Benefits	₹.	-	-



	Unit	Current Year	Previous Year
Expected return on Plan Assets	₹.	(1,34,726)	(1,88,001)
Actuarial (gain)/Loss	₹.	26,80,251	(40,60,133)
<hr/>			
Expenses recognized in the statement of Profit and Loss Account	₹.	42,27,742	(23,32,746)
<hr/>			
<b>b. <u>Earned Leave Encashment (Non-funded):</u></b>			
Current Service Cost:	₹.	9,71,131	6,46,697
Interest Cost	₹.	88,997	1,35,747
Actuarial (gain)/loss	₹.	(8,18,568)	(16,09,215)
Expenses recognized in the statement of Profit and Loss Account	₹.	<b>2,41,560</b>	<b>(8,26,771)</b>
<b>Principal Actuarial Assumptions:</b>			
<b>a. <u>Gratuity (Funded) :</u></b>			
Discount Rate		8%	8%
Salary Escalation Rate		1%	5%
Attrition Rate		1%	4%
<b>b. <u>Earned Leave Encashment (Non-funded):</u></b>			
Discount Rate		8%	8%
<b>The above information is certified by an Actuary.</b>			
6. The company operates in only one business Segment of manufacture of Ferro Alloys and there are no geographical segments to be reported.			
7. Related Party Transactions:			
Related parties in terms of AS 18 issued by the Institute of Chartered Accountants of India.			
a) Associates: Konaseema Gas Power Ltd VBC Industries Limited Orissa power Consortium Limited.			
b) Key Managerial Personnel: Sri M S Lakshmana Rao, Managing Director			
c) Relatives of Key Managerial Personnel: Dr. M V V S Murthi, Sri M S Rama Rao			
d) Others: Enterprises in which key Managerial Personnel or their relatives have substantial interest			
VBC Exports Ltd. Techno Infratech project (India) Pvt. Ltd. BASIL Infrastructure projects Ltd. Indo-Us Coal Washeries Ltd			



Transactions carried out with Related Parties during 2010-11						Amount ₹	
S. No.	Nature of Transactions	Referred in (a) Above	Referred in (b) Above	Referred in (c) Above	Referred in (d) Above	Total	
1	Purchases	14,30,352 (11,31,509)	0 (0)	0 (0)	0 (0)	0 (0)	14,30,352 (11,31,509)
2	Sales	10,60,818 (3,06,09,201)	0 (0)	0 (0)	0 (0)	0 (0)	10,60,818 (3,06,09,201)
3	Remuneration	0 (0)	81,47,105 (29,69,786)	0 (0)	0 (0)	0 (0)	81,47,105 (29,69,786)
4	Interest Paid	0 (0)	0 (0)	97,04,800 (1,02,24,487)	0 (0)	0 (0)	97,04,800 (1,02,24,487)
5	Rent Paid	0 (0)	0 (0)	0 (0)	18,78,856 (16,50,000)	0 (0)	18,78,856 (16,50,000)
6	Rent Received	24,00,000 (24,00,000)	0 (0)	0 (0)	0 (0)	0 (0)	24,00,000 (24,00,000)
7	Amounts Payable as at the end of the year	0 (0)	0 (0)	6,01,76,241 (7,04,51,222)	3,98,584 (6,39,541)	0 (0)	6,05,74,825 (7,10,90,763)
8	Balance of deposits receivable at the end of the year	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)
9	Balance of deposits payable at the end of the year	4,00,000 (4,00,000)	0 (0)	0 (0)	0 (0)	0 (0)	4,00,000 (4,00,000)

Note: Figures shown in brackets relate to the previous year.

	Unit	Current Year	Previous Year
8. Earning Per Share (EPS):			
a) Net Profit available for Equity Share Holders.	₹.	10,19,48,398	5,18,91,808
b) Weighted Average Number of Equity Shares Used as denominator for calculating EPS	Nos	43,94,350	43,94,350
c) Basic and Diluted Earnings per Share of ₹. 10/- Each		23.20	11.80
9. Major Components of Deferred Tax Liability/(Asset)			
a) Deferred Tax Liability:			
1. Timing difference between book and tax Depreciation	₹.	1,27,22,368	1,47,27,787
2. Items of contingent liability in nature claimed as Expenditure for tax purposes	₹.	4,97,91,423	4,41,14,189
Total: (a)	₹.	6,25,13,791	5,88,41,976
b) Deferred Tax Asset:			
i. Sums Covered under section 40a(ia) & 43B of The Income Tax Act 1961	₹.	1,21,13,159	23,56,593
ii. Provision for Doubtful Debts	₹.	-	26,40,535
Total: (b)	₹.	1,21,13,159	49,97,128
c) Net Deferred Tax Liability (a-b)	₹.	5,04,00,632	5,38,44,849
10. According to an internal technical assessment, There is no impairment in the carrying cost of cash Generating assets of the Company in terms of Accounting Standard 28 (AS 28) issued by the Institute of Chartered Accountants of India.			
11. Additional information as required under part-II of Schedule VI to the Companies Act, 1956			
i) Licensed Capacity:			
a) Ferro Silicon	MT	15,000	15,000
b) Pig Iron / Silico Manganese/Ferro Manganese	MT	45,500	45,500
c) Ferro Chrome / Charge Chrome	MT	20,400	20,400
ii) Installed Capacity:			
Ferro Silicon	MT	10,000	10,000
Ferro Chrome	MT	31,500	31,500
Silico Manganese / Ferro Manganese (As Certified by the Managing Director)	MT	27,000	27,000
iii) Production:			
Ferro Silicon	MT	16,386	15,198



	Unit	Current Year	Previous Year
iv) Information under Paragraphs 3(i) (a) & 3(ii) (a) of Part II of Schedule VI of the Companies Act, has not been furnished as exemption has been granted vide Notification no 301 (E) dated 8 <sup>th</sup> February 2011 issued By Ministry of Corporate Affairs, Government of India.			
v) Analysis of Raw Materials & Stores consumed			
Indigenous:			
Percentage	%	100	100
Value	₹.	38,36,02,830	27,04,09,604
Imported:			
Percentage	%	-	-
Value	₹.	-	-
Total	₹.	38,36,02,830	27,04,09,604
vi) Expenditure in foreign currency during the financial year on account of traveling	₹.	2,03,136	1,35,917
vii) Earning in foreign exchange on account of third party Exports of goods calculated on FOB Basis	₹.	10,15,60,735	12,71,10,855
12. Previous Year's figures have been regrouped and rearranged wherever necessary			
13. Paise have been rounded off to the nearest rupee.			

Per our report of even date  
for **BRAHMAYYA & Co.,**  
Chartered Accountants  
Sd/-  
**C.V. RAMANA RAO**  
Partner  
Membership No.018545

For and on behalf of the Board

Sd/-  
**M.S. LAKSHMAN RAO**  
Managing Director

Sd/-  
**M.N. RAO**  
Director

Camp : Hyderabad  
Date : 26-07-2011

Sd/-  
**K. KAILASANATHA REDDY**  
Vice President (Finance)

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



**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2011**

	Year Ended 31.03.2011 Rs.	Year Ended 31.03.2010 Rs.
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>		
Net Profit/(Loss) before Tax and after extraordinary items	15,43,24,988	7,76,31,238
Adjustments for :		
Depreciation :	1,27,22,368	1,48,00,756
Interest Paid :	3,77,34,511	3,23,11,701
Interest Received	(72,66,067)	(71,24,543)
Provisions no longer required	-	(4,85,215)
Dividend received :	(1,61,600)	(15,000)
Profit on sale of fixed assets :	-	(2,46,83,379)
Provision for Gratuity & Leave encashment :	38,11,048	(39,11,455)
<b>Operating Profit before working capital changes</b>	<b>20,11,65,248</b>	<b>8,85,24,103</b>
Adjustments for :		
Trade and other receivables :	(2,41,98,021)	92,89,891
Inventories :	(6,27,75,066)	3,69,75,896
Trade payables :	7,34,93,324	(14,73,07,616)
Cash generated from operations :	18,76,85,485	(1,25,17,726)
Interest Paid :	(3,77,34,511)	(3,23,11,701)
Direct taxes paid :	(3,99,51,712)	71,93,203
<b>NET CASH FLOW/(USED) FROM OPERATING ACTIVITIES (A)</b> :	<b>10,99,99,262</b>	<b>(3,76,36,224)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b> :		
Purchase of Fixed Assets	(2,82,89,194)	(1,29,67,427)
(Increase)/Decrease in Capital work-in-progress	(1,04,97,626)	(78,39,552)
Purchase of Investments	(7,18,350)	(10,21,00,757)
Advance for Purchase of Investments	(7,82,41,188)	(2,43,10,830)
Interest received	72,66,067	71,24,543
Sale of Fixed Assets	-	4,64,70,998
Dividend received	1,61,600	15,000
<b>NET CASH FLOW / (USED) IN INVESTING ACTIVITIES (B)</b> :	<b>(11,03,18,691)</b>	<b>(9,36,08,025)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b> :		
Increase in share capital on preferential allotment	-	20,00,000
Share premium received on preferential issue	-	5,80,00,000
Increase / (Decrease) in Borrowings	3,85,03,623	7,90,09,837
Dividend Paid	(1,09,85,875)	(83,88,700)
Tax on dividend	(18,67,050)	(14,25,660)
<b>NET CASH GENERATED/(USED) IN FINANCING ACTIVITIES (C)</b> :	<b>2,56,50,698</b>	<b>12,91,95,477</b>
Net Increase/(decrease) in cash and cash equivalents (A+B+C)	2,53,31,269	(20,48,772)
Cash and Cash equivalents at the beginning of the year	1,98,49,677	2,18,98,449
Cash and Cash equivalents as at the close of the year	4,51,80,946	1,98,49,677

Per our report of even date  
for **BRAHMAYYA & Co.,**  
Chartered Accountants  
Sd/-  
**C.V. RAMANA RAO**  
Partner  
Membership No.018545

Sd/-  
**M.S. LAKSHMAN RAO**  
Managing Director

For and on behalf of the Board

Sd/-  
**M.N. RAO**  
Director

Camp : Hyderabad  
Date : 26-07-2011

Sd/-  
**K. KAILASANATHA REDDY**  
Vice President (Finance)

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





## Balance Sheet Abstract and Company's General Business Profile

**I. Registration Details**Company Identification No. (CIN) Registration No. State Code Balance Sheet Date **II. Capital Raised During the Year (Amount in Rs. Thousands)**

Public Issue	Rights Issue	Bonus Issue	Private Placement*
<input type="text" value="NIL"/>	<input type="text" value="NIL"/>	<input type="text" value="NIL"/>	<input type="text" value="NIL"/>

**III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**

Total Liabilities	Total Assets
<input type="text" value="18,97,678"/>	<input type="text" value="18,97,678"/>

**Sources of Funds (Amount in Rs. Thousands)**

Paid up Capital	Reserves & Surplus	Secured Loans	Unsecured Loans
<input type="text" value="43,950"/>	<input type="text" value="14,03,189"/>	<input type="text" value="1,64,649"/>	<input type="text" value="2,35,490"/>

**Application of Funds (Amount in Rs. Thousands)**

Net Fixed Assets	Investments	Net Current Assets	Misc. Expenditure
<input type="text" value="1,89,444"/>	<input type="text" value="15,75,015"/>	<input type="text" value="1,33,219"/>	<input type="text" value="NIL"/>

Accumulated Losses

**IV. Performance of Company (Amount in Rs. Thousands)**

Turnover	Total Expenditure	Profit/Loss before Tax	Profit/Loss after Tax
<input type="text" value="11,38,063"/>	<input type="text" value="9,83,738"/>	<input type="text" value="1,54,325"/>	<input type="text" value="1,01,948"/>

Earnings Per Share in Rs.

Dividend %

**V. Generic Names of Three Principal Products/Services of Company**Item Code No.   

Product Description : Manufacturers of Ferro Silicon, Ferro Chrome and Silico Manganese.



FORM 2B

Account No. :

No. of Shares:

NOMINATION FORM

(To be filled by individual(s) applying individually or jointly)

I/We \_\_\_\_\_
and \_\_\_\_\_
and \_\_\_\_\_

the Members of VBC Ferro Alloys Limited holding shares bearing Distinctive Numbers \_\_\_\_\_ wish to make a nomination and do hereby nominate the following person in whom all rights of transfer and/or amount payable in respect of shares shall vest in the event of my or our death.

Name and Address of Nominee

Name : \_\_\_\_\_

Address : \_\_\_\_\_

Date of Birth : \_\_\_\_\_

(if nominee is a minor)

Guardian of the Minor is (to be furnished only if nominee is a minor)

Name : \_\_\_\_\_

Address : \_\_\_\_\_

1 Signature : \_\_\_\_\_

Name : \_\_\_\_\_

Address : \_\_\_\_\_

Date : \_\_\_\_\_

2 Signature : \_\_\_\_\_

Name : \_\_\_\_\_

Address : \_\_\_\_\_

Date : \_\_\_\_\_

3 Signature : \_\_\_\_\_

Name : \_\_\_\_\_

Address : \_\_\_\_\_

Date : \_\_\_\_\_

Name, Address and Signature of two Witnesses

Name and Address

Signature with Date

1.

2.

**Instructions :**

1. The Nomination can be made by Individuals holding shares on their own behalf individually or jointly. Non-individuals including Society, Trust, Body Corporate, Partnership Firm, Karta of Hindu Undivided Family, Holder of Power of Attorney cannot nominate. If the Shares are held jointly, all Joint holders shall sign the nomination form.
2. A Minor can be nominated by a Holder of shares and in that event, the name and address of the Guardian should be provided.
3. The Nominee shall not be a Trust, Society, Body Corporate, Partnership firm, Karta of Hindu Undivided Family or a Power of Attorney Holder. A Non-Resident Indian can be a nominee on repatriable basis.
4. Nomination stands rescinded upon transfer of shares.
5. Transfer of shares in favour of Nominee shall be valid discharge by the Company against the Legal heir.
6. The Nomination form shall be filed in duplicate with the Company's Share Transfer Agents M/s Venture Capital and Corporate Investments Pvt. Limited, 12-10-167, Bharat Nagar, HYDERABAD - 500 018, which will return one copy thereof to the Shareholder.

**FOR OFFICE USE ONLY**

Nomination Registration Number	:
Date of Registration	:
Checked by (Name and Signature)	:



# VBC FERRO ALLOYS LIMITED

Regd. Office: D.No. 6-2-913/914, 3<sup>rd</sup> Floor, Progressive Towers, Khairatabad, Hyderabad-4

## ELECTRONIC CLEARING SERVICE (CREDIT CLEARING) ECS Mandate for payment of dividend on Equity Shares


1. First Shareholder's Name  
(IN BLOCK LETTERS) :
2. Shareholders Folio No. :
3. Particulars of Bank Account
  - A Bank Name :
  - B Branch Name, Address &  
Phone Number :
  - C Account No. :  
(as appearing on the cheque book)
  - D Account Type  
(SB Account / Credit A/c or  
Cash Credit). :  S.B A/c  Current A/c  Cash Credit A/c.  
Please tick the correct box
  - E Ledger Folio No. of the  
Bank A/c.  
(as if appearing on the Cheque Book):
  - F 9 Digit Code No. of the Bank &  
Branch appearing on the MICR  
Cheque issued by the bank. :

I hereby declare that the particulars given above are correct and complete. If the transaction is delayed or not effected at all for reasons of incomplete information, I would not hold the Company responsible.

Date :

Signature of the First Shareholder

### Notes:

- 
1. Please attach photocopy of a cheque or a blank cancelled cheque issued by your Bank relating to your above account for verifying the accuracy of the code number.
  2. You are advised to submit the ECS Bank details in the format prescribed latest by 12.09.2011 to enable us to include the same for the payment of the current years dividend.

**VBC FERRO ALLOYS LIMITED**

Regd. Office : 6-2-913/914, 3rd Floor, Progressive Towers, Khairatabad, Hyderabad - 4.

**PROXY FORM**I/We .....  
..... of .....being a member(s) of the above named Company, hereby appoint the following as my/our Proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 29<sup>th</sup> Annual General Meeting of the Company to be held on Monday the 12<sup>th</sup> September 2011 at 3.00 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 and at any adjournment thereof.

- Mr./Ms. \_\_\_\_\_, \_\_\_\_\_ or failing him/her  
(name of the proxy) (signature of proxy)
- Mr./Ms. \_\_\_\_\_, \_\_\_\_\_ or failing him/her  
(name of the proxy) (signature of proxy)
- Mr./Ms. \_\_\_\_\_, \_\_\_\_\_ or failing him/her  
(name of the proxy) (signature of proxy)

I/We direct my/our Proxy to vote on Resolutions in the manner as indicated below :

RESOLUTIONS	FOR	AGAINST
Item No.1		
Item No.2		
Item No.3		
Item No.4		

RESOLUTIONS	FOR	AGAINST
Item No.5		
Item No.6		
Item No.7		
Item No.8		

Number of Shares held \_\_\_\_\_

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2011

Folio No./DP ID &amp; Client ID No. ....

Signature(s) of Members

Affix Revenue Stamp
---------------------------

1. \_\_\_\_\_ 2. \_\_\_\_\_ 3. \_\_\_\_\_

Note: Proxies must reach the Company's Registered Office not less than 48 Hours before the time fixed for the meeting.

**VBC FERRO ALLOYS LIMITED**

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

**ATTENDANCE SLIP**

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL.

NAME &amp; ADDRESS OF THE SHARE HOLDER

Folio No. /  
DP ID & Client ID No.

.....

.....

.....

I hereby record my presence at the 29<sup>th</sup> ANNUAL GENERAL MEETING of the Company held on Monday, the 12<sup>th</sup> September, 2011 at 3.00 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.

SIGNATURE OF THE SHAREHOLDER OR PROXY

**PRINTED MATTER - BOOK POST**

***If undelivered please return to :***

**VBC FERRO ALLOYS LIMITED**

(An ISO 9001 - 2008 Company)

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