

**THIRTY FIRST ANNUAL REPORT**  
**2012-2013**



**VBC FERRO ALLOYS LIMITED**

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

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## THIRTYFIRST ANNUAL GENERAL MEETING

Day : Monday  
Date : 30.09.2013  
Time : 2.30 P.M.  
Venue : Surana Udyog Auditorium, FAPCCI, 11-6-841  
Red Hills, HYDERABAD - 500 004.

### REGISTERED OFFICE

6-2-913/914, Third Floor, Progressive Towers,  
Khairatabad, Hyderabad - 500 004.  
Andhra Pradesh, India.  
Tel +91 40 23301166/99, Fax +91 40 23390721

### WORKS

Rudraram Village, Patancheru Mandal  
Medak District, Andhra Pradesh.  
Tel: 08455-220084, 08455-220130,  
Fax: 08455-220142

GIFTS WILL NOT BE DISTRIBUTED AT THE AGM



**BOARD OF DIRECTORS**

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

**AUDIT COMMITTEE**

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

**INVESTORS' GRIEVANCE & SHARE TRANSFER COMMITTEE**

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

**REMUNERATION COMMITTEE**

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

**COMPANY SECRETARY**

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

**SENIOR MANAGEMENT STAFF**

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

**AUDITORS :**

**M/s. BRAHMAYYA & CO.,**  
Chartered Accountants,  
Vijayawada.

**BANKERS :**

**BANK OF INDIA**  
Nampally Station Road,  
Hyderabad.

**SHARE TRANSFER AGENTS**

**VENTURE CAPITAL & CORPORATE INVESTMENTS PVT. LIMITED**

12-10-167, Bharat Nagar, Hyderabad - 500 018.  
Tel: +91 40 23818475 / 76, Fax: +91 40 23868024  
e-mail : info@vccilindia.com

As a measure of economy, copies of Annual Report will not be distributed at the Annual General Meeting. Members are requested to kindly bring their copies to the meeting.



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

Notice is hereby given that the 31<sup>st</sup> Annual General Meeting of the Members of VBC Ferro Alloys Limited will be held on 30<sup>th</sup> September, 2013 at 2.30 P.M. at Surana Udyog Auditorium of The Federation of Andhra Pradesh Chambers of Commerce & Industry, situated at 11-6-841, Red Hills, Hyderabad - 500 004, to consider the following:

**ORDINARY BUSINESS:**

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

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

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

Place : Hyderabad  
Date : 14.08.2013

**NOTES:**

1. ANY MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. IN ORDER TO BE EFFECTIVE THE PROXIES SHOULD BE RECEIVED BY THE COMPANY AT ITS REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. For the convenience of Members, Attendance Slip is annexed to this Notice. Members / Proxies / Authorized Representatives are requested to fill in and affix their signatures at the space provided therein and submit the same at the venue of the Annual General Meeting.
3. Copies of Annual Report will not be distributed at the venue of the Annual General Meeting and therefore, Members are requested to bring their copies of the Annual Report which are mailed by the Company to them at their registered addresses.
4. Pursuant to Section 154 of the Companies Act, 1956 and applicable provisions of the Listing Agreement, Register of Members and Share Transfer Books of the Company will be closed from **Monday, the 23<sup>rd</sup> September, 2013 to Monday the 30<sup>th</sup> September, 2013 (Both days inclusive)**, for the purpose of Annual General Meeting.
5. Members who wish to seek any further information / clarification at the meeting, on the annual accounts or operations of the Company are requested to send their queries at least one week in advance from the date of the Meeting to the Company Secretary at the Registered Office of the Company.
6. Members are requested to quote Folio No. / DP ID and Client ID in all correspondence and intimate any change in their address to the Company's Share Transfer Agents promptly.
7. Members who have multiple folios in identical names or joint holding in the same order are requested to intimate the Company's Registrars and Share Transfer Agents about the Ledger Folios of such holdings to enable them to consolidate all such shareholdings into a single folio.
8. Annual Listing Fee for the financial year 2013-14 has been paid to the Bombay Stock Exchange Limited, Mumbai where the Company's shares are listed. Application made to Calcutta Stock Exchange Association Limited for de-listing of its shares is under process.



9. Members are requested to avail the facility of converting their physical shareholdings into electronic mode of holding for their own convenience coupled with increased flexibility in dealing with such shares.
10. The dividend for the following years if remaining unclaimed for 7 years from the date of declaration are required to be transferred by the Company to Investor Education and Protection Fund (IEPF) and the various dates for transfer of such amounts are as under:

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

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

Members who wish to claim dividends of past years, which remain unclaimed, are requested to correspond with Registrars & Share Transfer Agents of the Company.

11. In accordance with the MCA's "Green Initiative in Corporate Governance" allowing companies to share documents with its shareholders in the electronic mode and related amendments to the Listing Agreement with the Stock Exchanges, the company is sharing all documents with shareholders in the electronic mode, wherever the same has been agreed by the shareholders. Shareholders are requested to support this green initiative by registering/ updating their e-mail addresses for receiving electronic communications.
12. As required under Clause 49 of the Listing Agreements with Stock Exchanges, brief particulars of Shri M.N.Rao who is proposed to be re-appointed as Director is provided below:

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

**Brief Profile:**

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

By Order of the Board  
for VBC Ferro Alloys Limited

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

Place : Hyderabad  
Date : 14.08.2013



**DIRECTORS' REPORT**

**Dear Members,**

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

**FINANCIAL RESULTS:**

(₹. in Lakhs)

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

**INDUSTRY OVERVIEW:**

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

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

**BUSINESS PERFORMANCE**

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

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

**PROSPECTS**

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

**DIVIDEND:**

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

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

You are aware that your Company is setting up 120MW (2x60MW) Coal Based Captive Power Plant at Bodepalli (V&GP), Sirpur Kagaznagar Mandal, Adilabad Dt. The estimated project cost is ₹632 Cr. The Company has obtained most of the clearances such as Environmental Clearance (EC), Consent for Establishment (CFE), NoC from Forest Department, Permission for water drawal and Airport Authority and is in the process of achieving financial closure.

**CAPACITY EXPANSION**

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

**STATUS OF RIGHTS ISSUE OF EQUITY SHARES**

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

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

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

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

20 MW Dam Based Hydro Electric Power Project by Orissa Power Consortium Limited (OPCL), in which your Company has invested in equity has generated 79.92 million units of power during the financial year 2012-13 and has made a profit of ₹ 315 lakhs.

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

In accordance with the provisions of Section 255 of the Companies Act, 1956 and clause 108 of the Articles of Association of the Company, Shri M.N.Rao who is liable to retire by rotation and being eligible, offers himself for re-appointment. Board recommends his re-appointment.

In accordance with the provisions of Clause 49 of the Listing Agreement with Stock Exchanges, brief particulars of Shri.M.N.Rao is annexed to the Notice of the Annual General Meeting which is forming part of this Annual Report.

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

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



## **VBC FERRO ALLOYS LIMITED**

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### **CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION**

In compliance with the requirements of Section 217(1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988, the statement showing the particulars in relation to conservation of energy, technology absorbed and foreign exchange earnings and outgoings is furnished and the same forms part of this report.

### **CORPORATE GOVERNANCE**

As required under Clause 49 of the Listing Agreement, Reports on Management Discussion & Analysis and Corporate Governance together with the Certificate of Auditors on Corporate Governance are provided separately in this Annual Report and the same forms part of Directors' Report.

### **FIXED DEPOSITS**

The Company has not accepted any fixed deposits from public.

### **PERSONNEL**

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

### **INSURANCE**

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

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

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

### **AUDITORS**

#### **Statutory Auditors**

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

#### **Cost Auditors:**

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

### **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the requirements under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- (i) In the preparation of annual accounts for the financial year ended 31<sup>st</sup> March, 2013, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- (ii) Such accounting policies have been selected and applied and that such judgments and estimates have been made as are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for the period;





- (iii) Proper and sufficient care for the maintenance of adequate accounting records have been taken in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) The annual accounts of the Company have been prepared on a 'going concern' basis.

**DECLARATION**

The Company has been regular in filing all Forms and Returns with the Registrar of Companies as required under the Companies Act, 1956 and has not defaulted in repayment of deposits, payment of dividend, redemption of debentures and preference shares. Accordingly, the Company has not committed any of the defaults specified under Section 274(1)(g) of the Companies Act, 1956 (as amended by the Companies Amendment Act, 2000) disqualifying its Directors to act as Directors of other Public Companies.

**ACKNOWLEDGEMENTS**

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

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

for and on behalf of the Board

Place : Hyderabad  
Date : 14.08.2013

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



ANNEXURES TO DIRECTORS' REPORT

ANNEXURE

FORM - A  
(See Rule 2)

Form of Disclosure of Particulars with respect to Conservation of Energy

**A. CONSERVATION OF ENERGY :**

Ferro Alloy industry is highly power intensive and energy charges constitute a major element in the cost of production. Company, therefore, gives importance to energy conservation measures.

**Power and Fuel Consumption**

|   | <b>Current<br/>Year<br/>2012-13</b> | Previous<br>Year<br>2011-12 |
|---|-------------------------------------|-----------------------------|
| 1. Electricity                            |                                     |                             |
| (a) Purchased Units (KWH)                 | <b>4,06,18,080</b>                  | 14,11,87,957                |
| Total Amount (₹ in lacs)                  | <b>1,816.98</b>                     | 4,145.26                    |
| Rate/Unit (in ₹)                          | <b>4.47</b>                         | 2.94                        |
| (b) Own Generation                        |                                     |                             |
| i) Through diesel generator               |                                     |                             |
| Units (KWH)                               | Nil                                 | Nil                         |
| Units per ltrs. of Diesel Oil             | Nil                                 | Nil                         |
| Cost/Unit (₹) (Fuel+Oil)                  | Nil                                 | Nil                         |
| ii) Through steam Turbine/Generation      |                                     |                             |
| Units                                     | Nil                                 | Nil                         |
| Units per ltrs. of fuel oil/gas           | Nil                                 | Nil                         |
| Cost/Unit                                 | Nil                                 | Nil                         |
| 2. Coal (specify quality & where used)    | Nil                                 | Nil                         |
| Quantity (tonnes)                         |                                     |                             |
| Total Cost                                |                                     |                             |
| Average rate                              |                                     |                             |
| 3. Furnace Oil                            | Nil                                 | Nil                         |
| Quantity (K.ltrs.)                        |                                     |                             |
| Total amount                              |                                     |                             |
| Average rate                              |                                     |                             |
| 4. Other internal generation              | Nil                                 | Nil                         |
| <b>Consumption per unit of Production</b> |                                     |                             |
| Electricity KWH/MT - Ferro Silicon        | <b>9,006</b>                        | 9,134                       |
| Furnace Oil                               | Nil                                 | Nil                         |
| Coal (specify quality)                    | Nil                                 | Nil                         |
| Others (specify)                          | Nil                                 | Nil                         |

**B. TECHNICAL ABSORPTION**

1. RESEARCH AND DEVELOPMENT (R&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 special grade Ferro Silicon for  
high grade Steels  
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<br>as a percentage of total turnover | : | Nil |

2. TECHNOLOGY ABSORPTION,  
ADOPTATION & INNOVATION :

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

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

(c) In case of imported technology : --  
(imported during the last 5 years  
reckoned from the beginning of the  
financial year), following information  
may be furnished :

|   |   |                |
|---|---|----------------|
| i) Technology imported  | : | Nil            |
| ii) Year of Import  | : | Nil            |
| iii) Has technology been fully absorbed   | : | Nil            |
| iv) If not fully absorbed, areas where<br>this has not taken place, reasons<br>there for and future plans of action | : | Not Applicable |

(d) Foreign Exchange Earnings & Outgo

|  |   |                  |             |
|--|---|------------------|-------------|
| i) Foreign Exchange Earnings<br>at FOB value (₹) | : | <b>76,51,296</b> | 4,78,31,733 |
| ii) Foreign Exchange outgo                       | : |                  |             |
| a) CIF value of imports                          | : | Nil              |             |
| Raw Materials, Components<br>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 : 14-08-2013

**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 was established to cater 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.

Indian steel demand is expected to increase due to Infrastructure & Construction activities. USD 1 trillion investments into infrastructure and construction planned during the 12th Five Year Plan will drive demand.

**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.

Out of the global production of over 1,527 million tonnes, India's share in steel manufacturing is 77.6 million tonnes which is increasing. Given the important role that infrastructure creation can play in restoring economic growth in the country, the consumption of steel is bound to show an increasing trend. This is a positive indicator for growth of ferro alloy production in India, as ferro alloys are vital inputs to steel-making.

**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. Repeated power tariff hikes by state run power utility company have put the Industry in a fix. Further the problems of this industry are aggravated because of the high input cost of power including FSA charges.

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:

The Company is in the process of setting up Captive Power Plant of 120 MW (2x60MW) capacity at Bodepalli Village, Sirpur Kaghaznagar Mandal, Adilabad District in the State of Andhra Pradesh.



**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, which is being delayed due to the pending of the petition filed before Hon'ble Company Law Board, Chennai Bench by some of the shareholders.
- b. Konaseema Gas Power Limited has to cease power generation activities due to non-supply of gas since April, 2013.
- c. Government regulations, like reduction in import duties, anti dumping duty and increase in power tariffs by CPDC of AP Limited and shortage of power, may also affect the profitability of the Company, since more than 40% of 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 transactions are recorded and reported correctly.

The internal control system is supplemented by an extensive programme of internal audits and reviews by the 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, 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 234 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 : 14.08.2013

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



**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 31.03.2013

| Category                            | No. of Directors | %      |
|-------------------------------------|------------------|--------|
| Executive Directors                 | 1                | 25.00  |
| Non-Executive Promoter Directors    | 1                | 25.00  |
| Independent Non-Executive Directors | 2                | 50.00  |
| Total                               | 4                | 100.00 |

The Attendance record of the Directors at the Board Meetings held during the financial year ended on 31<sup>st</sup> March, 2013 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                             | 5  | 5       | 2   | NIL                    | 1                        |
| Shri M. N. Rao                            | Non Executive Independent | Director          | Yes                             | 5  | 5       | 2   | NIL                    | 1                        |
| Dr. P. L. Sanjeev Reddy (Upto 15.10.2012) | Non Executive Independent | Director          | Yes                             | 3  | 3       | 1   | NIL                    | NIL                      |
| Shri.M.V.Ananthakrishna                   | Non Executive Independent | Director          | Yes                             | 5  | 5       | 3   | NIL                    | NIL                      |
| Shri M. S. Lakshman Rao                   | Executive                 | Managing Director | Yes                             | 5  | 5       | 7   | 1                      | NIL                      |

# The directorships do not include alternate directorships, directorships of private limited companies, Section 25 Companies and of companies incorporated outside India.

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



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

Five Board Meetings were held during the financial year 2012-13 on 24<sup>th</sup> May, 2012, 28<sup>th</sup> July, 2012, 29<sup>th</sup> September, 2012, 3<sup>rd</sup> November, 2012, and 12<sup>th</sup> February, 2013.

### 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's purpose is to oversee the accounting and financial reporting process of the Company, the audits of the Company's financial statements, the appointment, independence, performance and remuneration of the Statutory Auditors including the Cost Auditors, the performance of Internal Auditors and the Company's risk management policies.

The Committee periodically interacts with the internal auditors to review the manner in which they are discharging their responsibilities. The Committee holds discussion with Statutory Auditors including Cost Auditors before the audit commences, about the nature and scope of audit to ascertain any area of concern and review 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, 2013:

|  |          |                                    |
|--|----------|------------------------------------|
| Shri M. N. Rao                               | Chairman | Independent Non-executive Director |
| Dr. P. L. Sanjeev Reddy<br>(Upto 15.10.2012) | Member   | Independent Non-executive Director |
| Shri.M.V.Ananthakrishna                      | Member   | Independent Non-executive Director |
| Dr. M.V.V.S. Murthi (From 12.02.2013)        | Member   | Non-executive Promoter Director    |

- Meetings and Attendance during the year:

| Date       | Shri M. N. Rao | Dr.P L Sanjeev Reddy<br>(Upto 15.10.2012) | *Dr.M.V.V.S.Murthi<br>(From 12.02.2013) | Shri.M.V.Ananthakrishna |
|------------|----------------|---|---|-------------------------|
| 24.05.2012 | YES            | YES                                       | -                                       | YES                     |
| 28.07.2012 | YES            | YES                                       | -                                       | YES                     |
| 03.11.2012 | YES            | -   | -                                       | YES                     |
| 12.02.2013 | YES            | -   | YES                                     | YES                     |

\*The Audit Committee was reconstituted on 12.02.2013 with Shri M.N.Rao as the Chairman, Dr.M.V.V.S.Murthi and Shri M.V.Ananthakrishna as the members.

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

### 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, 2013:

|  |          |                                    |
|--|----------|------------------------------------|
| Dr. P. L. Sanjeev Reddy<br>(Upto 15.10.2012) | Chairman | Independent Non-Executive Director |
| Shri M.N. Rao                                | Member   | Independent Non-Executive Director |
| Shri M.V. Ananthakrishna                     | Member   | Independent Non-Executive Director |

The Remuneration Committee was reconstituted on 30.05.2013 with Shri M.N.Rao as the Chairman, Dr.M.V.V.S.Murthi and Shri M.V.Ananthakrishna as members.

Mr.V.V.V.S.N.Murty, 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 |
|------------|-------------------------|----------------|--------------------------|
| 24.05.2012 | 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 2012-13:

(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 | 1,40,000    | Nil          | Nil      | 1,40,000  |
| Dr. P. L. Sanjeev Reddy  | Independent Non-Executive Director | 60,000      | Nil          | Nil      | 60,000    |
| Shri. M.V.Ananthakrishna | Independent Non-Executive Director | 1,00,000    | Nil          | Nil      | 1,00,000  |
| Shri M. S. Lakshman Rao  | Managing Director                  | Nil         | 9,00,000     | 1,74,373 | 10,74,373 |

\* 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, 2013.



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

The Investors' Grievance & Share Transfer Committee met 4 times during the financial year 2012-13 on 24<sup>th</sup> May 2012, 28<sup>th</sup> July 2012, 3<sup>rd</sup> November 2012, and 12<sup>th</sup> February 2013.

The Constitution of the Committee as on 31.03.2013 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.Murty, 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.Murty, 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 2012-13 and pending as on 31.03.2013.

| Nature of Grievances                | Received | Attended | Pending |
|-------------------------------------|----------|----------|---------|
| 1. Non-receipt of dividend warrants | 6        | 6        | Nil     |
| 2. Non-receipt of Annual Report     | 4        | 4        | Nil     |
| 3. Other Miscellaneous              | 5        | 5        | Nil     |

The Company generally attends to all queries of investors within a week 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  |
|----------------------|----------------|------------|----------|--|
| 28 <sup>th</sup> AGM | 2009-10        | 14-07-2010 | 3.00 PM  | -NIL-  |
| 29 <sup>th</sup> AGM | 2010-11        | 12-09-2011 | 3.00 PM  | <b>One Special Resolution</b><br>Rights Issue of Equity Shares |
| 30 <sup>th</sup> AGM | 2011-12        | 29-09-2012 | 10.30 AM | -NIL-  |

**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 the year 2012-13.



**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. Note No. 2.28.3 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 Director 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/ Prajasakthi Newspapers. Copies of the Results published are forwarded to Stock Exchange and are displayed on the Company's website i.e., [www.vbcindia.com](http://www.vbcindia.com). 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 31<sup>st</sup> Annual General Meeting:

Monday, the 30<sup>th</sup> day of September, 2013 at 2.30 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, 2013 | 14 <sup>th</sup> November,2013 |
| Financial Reporting for the quarter ended 31 <sup>st</sup> December, 2013  | 13 <sup>th</sup> February,2014 |
| Financial Reporting for the year ended 31 <sup>st</sup> March, 2014        | 30 <sup>th</sup> May,2014      |
| Financial Reporting for the quarter ended 30 <sup>th</sup> June, 2013      | 14 <sup>th</sup> August,2014   |

**iii) Dates of Book Closure**

23<sup>rd</sup> September 2013 to 30<sup>th</sup> September 2013 (Both days inclusive).

**iv) Listing on Stock Exchanges**

|   |   |
|---|---|
| The Bombay Stock Exchange Limited<br>Phiroze Jeejeebhoy Towers, Dalal Street<br>Mumbai – 400 021. | The Calcutta Stock Exchange Association Ltd*<br>7, Lyons Range, Kolkatta – 700 001. |
|---|---|

\* 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 2013-14 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:**

| <i>Month</i> | <i>High (₹)</i> | <i>Low (₹)</i> | <i>Close (₹)</i> | <i>No. of Shares</i> |
|--------------|-----------------|----------------|------------------|----------------------|
| Apr 2012     | 147.00          | 128.00         | 131.50           | 17899                |
| May 2012     | 148.00          | 118.15         | 120.00           | 21826                |
| Jun 2012     | 132.25          | 117.50         | 125.35           | 22076                |
| July 2012    | 128.70          | 110.00         | 111.80           | 37530                |
| Aug 2012     | 115.95          | 97.00          | 99.55            | 24850                |
| Sep 2012     | 123.75          | 96.05          | 119.65           | 62823                |
| Oct 2012     | 149.00          | 115.50         | 130.00           | 82237                |
| Nov 2012     | 165.00          | 118.55         | 126.55           | 87349                |
| Dec 2012     | 134.00          | 113.40         | 114.35           | 35658                |
| Jan 2013     | 132.00          | 98.00          | 98.65            | 39207                |
| Feb 2013     | 115.00          | 87.00          | 87.60            | 29676                |
| Mar 2013     | 95.00           | 65.00          | 72.80            | 74847                |

**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, 2013.

**(x) (a) Distribution of Shareholding as on 31<sup>st</sup> March, 2013**

| Category |           | No. of shareholders | %     | Shares held | %      |
|----------|-----------|---------------------|-------|-------------|--------|
| From     | To        |                     |       |             |        |
| Upto     | 500       | 8032                | 93.32 | 7,52,259    | 17.12  |
| 501      | 1000      | 311                 | 3.61  | 2,36,682    | 5.39   |
| 1001     | 2000      | 122                 | 1.42  | 1,74,637    | 3.97   |
| 2001     | 3000      | 55                  | 0.64  | 1,38,755    | 3.16   |
| 3001     | 4000      | 11                  | 0.13  | 37,979      | 0.86   |
| 4001     | 5000      | 8                   | 0.09  | 38,532      | 0.88   |
| 5001     | 10000     | 27                  | 0.31  | 1,96,233    | 4.47   |
| 10001    | And above | 41                  | 0.48  | 28,19,273   | 64.15  |
| Total    |           | 8607                | 100   | 43,94,350   | 100.00 |

**(b) Distribution of Shareholding according to categories of shareholders as on 31<sup>st</sup> March, 2013.**

| 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 | 7,310            | 0.17          |
| Foreign Institutional Investors   | --               | --            |
| Non-resident Indians  | 65,539           | 1.49          |
| Private Corporate Bodies  | 6,56,866         | 14.95         |
| Indian Public   | 20,50,176        | 46.65         |
| <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, 2013, 84.64% of the Equity Share Capital, representing 37,19,334 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 2012-13 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. 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 : 14.08.2013

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

To  
The Members of  
VBC Ferro Alloys Limited

### 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, 2012 to 31<sup>st</sup> March, 2013 in terms of the clause 49(1) (D)(ii) of the Listing Agreement with the Stock Exchange.

Place: Hyderabad  
Date : 14.08.2013

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, Hyderabad** for the year ended March 31, 2013, as stipulated in Clause 49 of the Listing Agreement of the Company with stock exchanges.

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 further state that such compliance is neither an assurance as to the future viability 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 : 14-08-2013

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



## INDEPENDENT AUDITORS' REPORT

To  
The Members of  
VBC Ferro Alloys Limited,  
Hyderabad.

### Report on the Financial Statements:

1. We have audited the accompanying financial statements of **VBC Ferro Alloys Limited, Hyderabad** ("the Company"), which comprise the Balance Sheet as at March 31, 2013, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements:

2. Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility:

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
4. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion:

6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a. In the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2013;
  - b. In the case of the Statement of Profit and Loss, of the Loss for the year ended on that date;  
and
  - c. In the case of Cash Flow Statement, of the cash flows for the year ended on that date.



**Matter of Emphasis**

7. We draw attention to note no 2.28(1) (d) to the financial statements relating to the Fuel Surcharge Adjustments (FSAs) levied by the Electricity Distribution Companies in Andhra Pradesh, which has been challenged by the company before the Hon'ble High Court of Andhra Pradesh and Hon'ble Appellate Tribunal of Electricity, New Delhi. The company is advised by legal experts that it has good case and accordingly no provision has been considered necessary in the accounts in this regard. Our opinion is not qualified in respect of this matter.

**Report on Other Legal and Regulatory Requirements:**

8. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
9. As required by section 227(3) of the Act, we report that:
- we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books ;
  - the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement, dealt with by this Report are in agreement with the books of account;
  - in our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement, comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
  - on the basis of the written representations received from the directors as on 31<sup>st</sup> March, 2013, taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March, 2013, from being appointed as a director in terms of section 274 (1) (g) of the Act.

Camp : Hyderabad  
Date : 30-05-2013

**For BRAHMAYYA & CO.,**  
Chartered Accountants  
(Firm Regd. No.000513S)  
Sd/-  
**(CA. C.V.RAMANA RAO)**  
PARTNER  
Membership No. 018545





**ANNEXURE TO THE AUDITORS REPORT REFERRED TO IN PARAGRAPH 8 OF OUR REPORT OF EVEN DATE:**

- i) a) 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.
- b) 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
- c) According to the information and explanations furnished to us, the Fixed Assets disposed off by the Company during the year do not form a substantial part thereof, so as to affect the going concern assumption on preparation of the financial statements under report.
- ii) a) Physical verification of inventory has been conducted during the year by the management at reasonable intervals.
- b) 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.
- c) 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.
- iii) a) The Company has not granted any loans, secured or unsecured to companies, firms, or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Consequently, clauses 4(iii) (b) to (d) of the Order are not applicable.
- b) The Company has taken new loans of Rs 298.67 Lakhs from two other parties during the year, besides a loan of Rs 500 lakhs in an earlier year from a party, who are covered in the register maintained under section 301 of the Companies Act. 1956.
- c) In our opinion and according to the information and explanations given to us , the rate of interest and other terms & conditions in respect of the loans are not prima facie prejudicial to the interest of the company.
- d) The company in arrears of payment of interest of Rs.58.64 lakhs as on the date of Balance Sheet. However, the date of repayment of principal amount has not been stipulated.
- i) In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and sale of goods and services. We have not observed any major weakness in the internal control system during the course of the audit.
- ii) a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts and arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- b) In our opinion and according to the information and explanations given to us, the contracts and arrangements made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- vi) The Company has not accepted any deposits from public. Consequently the clause 4(vi) of the order is not applicable.



- vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- viii) We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209(1) (d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.
- ix) a) According to the information and explanations given to us and on the basis of examination of the records of the Company, there are delays in deposit/ remittances of amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including provident fund, income-tax, sales-tax, wealth-tax, custom duty, excise duty, service-tax, cess and other material statutory dues during the year by the Company with the appropriate authorities.
- b) According to the information and explanations given to us, the details of undisputed amounts payable in respect of income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues which were in arrears as at 31st March 2013 for a period of more than six months from the date they became payable are as under:

| <b>Nature of Statute</b>                      | <b>Nature of Dues</b>         | <b>Period for which the amount relates</b> | <b>Amount (in ₹)</b> |
|---|-------------------------------|--|----------------------|
| Employee Provident Fund Act, 1952             | Employer contribution         | From 01.04.2012 to 31.08.2012              | 2239074              |
| Employee Provident Fund Act,1952              | Employee contribution         | From 01.04.2012 to 31.08.2012              | 2057236              |
| Employee state Insurance Corporation Act 1948 | Employer contribution         | From 01.07.2012 to 31.08.2012              | 92874                |
| Employee state Insurance Corporation Act 1948 | Employee contribution         | From 01.07.2012 to 31.08.2012              | 33727                |
| Professional Tax 1975                         | Employee contribution         | From 01.07.2012 to 31.08.2012              | 69200                |
| Central Sales Tax Act                         | Central sales tax             | For the year 2011-12                       | 1073520              |
| Income Tax Act                                | Regular assessment tax        | For the financial year 2011-12             | 42809642             |
| Income Tax Act                                | Income tax deducted at source | From 01.04.2012 to 31.08.2012              | 1728                 |

- c) As at 31<sup>st</sup> March 2013, there have been no disputed dues, which have not been deposited with the respective authorities in respect of Income tax, Sales tax, Wealth-tax, Service tax, Customs duty, Excise Duty and Cess except the following:



| Name of the Statute   | Nature of the Dues                  | (*)Amount (₹ in Rs.) | Period of which the amount relates | Forum where dispute is pending  |
|-----------------------|-------------------------------------|----------------------|------------------------------------|---------------------------------|
| Central Sales Tax Act | Non submission of 'C' and 'F' forms | 1868890              | 1996-97                            | Dy. Commissioner (Appeals)      |
| Central Sales Tax Act | Non submission of 'H' forms         | 1186633              | 2008-09                            | Appellate Dy. Commissioner (CT) |
| Income Tax Act        | Income Tax                          | 30741412             | Assessment Year 2008-09            | CIT (Appeals), Hyderabad        |

(\*) Net of pre deposits made

- x) The Company has no accumulated losses. It has incurred cash losses in the financial year covered by our audit and however in the immediately preceding financial year it has not incurred cash losses.
- xi) The Company has neither taken any term loan from a financial institution or a bank nor issued any debentures. Accordingly clause 4(xi) of order is not applicable.
- xii) The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities. Consequently the clause 4(xii) of the order is not applicable.
- xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Consequently the clause 4(xiii) of the order is not applicable.
- xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other instruments. Consequently the clause 4(xiv) of the order is not applicable.
- xv) According to the information and explanation 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 these 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.
- xvi) In our opinion, the company has not obtained any term Loans, accordingly clause 4(xvi) of the order is not applicable.
- xvii) According to the information and explanations given to us and on 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.
- xviii) During the year, the Company has not made any preferential allotment of shares. Consequently the clause 4(xviii) of the order is not applicable.
- xix) The Company has not issued any debentures so far. Consequently clause 4(xix) of the order is not applicable.
- xx) During the year, the Company has not raised money by Public issue. Consequently the clause 4(xx) of the order is not applicable.
- xxi) 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/-  
**(CA. C.V.RAMANA RAO)**  
PARTNER  
Membership No. 018545

Camp : Hyderabad  
Date : 30-05-2013

**VBC FERRO ALLOYS LIMITED****BALANCE SHEET AS AT 31<sup>st</sup> MARCH, 2013**

(Amount in ₹)

| Particulars                     | Note | As at 31.03.2013 |                             | As at 31.03.2012 |                      |
|---------------------------------|------|------------------|-----------------------------|------------------|----------------------|
| <b>EQUITY AND LIABILITIES</b>   |      |                  |                             |                  |                      |
| <b>Shareholders' Funds :</b>    |      |                  |                             |                  |                      |
| Share Capital                   | 2.01 | 4,39,49,875      | 4,39,49,875                 | 4,39,49,875      |                      |
| Reserves & Surplus              | 2.02 | 135,07,26,958    | <b>139,46,76,833</b>        | 146,81,29,107    | 151,20,78,982        |
| <b>Non-current liabilities:</b> |      |                  |                             |                  |                      |
| Long term Borrowings            | 2.03 | 32,89,67,589     |                             | 23,68,44,652     |                      |
| Deferred Tax Liability          | 2.04 | 4,08,31,948      |                             | 4,41,01,651      |                      |
| Other Long Term Liabilities     | 2.05 | 8,00,000         |                             | 8,00,000         |                      |
| Long term Provisions            | 2.06 | 8,24,048         | <b>37,14,23,585</b>         | 16,41,106        | 28,33,87,409         |
| <b>Current Liabilities:</b>     |      |                  |                             |                  |                      |
| Short term Borrowings           | 2.07 | 11,00,58,187     |                             | 15,47,47,627     |                      |
| Trade Payables                  | 2.08 | 33,60,57,039     |                             | 21,66,73,209     |                      |
| Other Current Liabilities       | 2.09 | 8,18,82,709      |                             | 10,88,19,176     |                      |
| Short term Provisions           | 2.10 | 6,16,88,898      | <b>58,96,86,833</b>         | 7,55,40,957      | 55,57,80,969         |
| <b>TOTAL</b>                    |      |                  | <b><u>235,57,87,251</u></b> |                  | <u>235,12,47,360</u> |
| <b>ASSETS</b>                   |      |                  |                             |                  |                      |
| <b>Non-current Assets</b>       |      |                  |                             |                  |                      |
| <b>Fixed Assets :</b>           |      |                  |                             |                  |                      |
| Tangible Assets                 | 2.11 | 14,59,09,774     |                             | 15,30,13,057     |                      |
| Capital works-in-progress       | 2.12 | 11,73,96,303     |                             | 8,86,73,284      |                      |
|                                 |      | 26,33,06,077     |                             | 24,16,86,341     |                      |
| Non-current Investments         | 2.13 | 157,49,93,744    |                             | 1,57,49,93,744   |                      |
| Long term Loans and Advances    | 2.14 | 21,00,10,115     | <b>204,83,09,936</b>        | 18,39,71,634     | 200,06,51,719        |
| <b>Current Assets :</b>         |      |                  |                             |                  |                      |
| Inventories                     | 2.15 | 18,48,51,640     |                             | 18,68,43,752     |                      |
| Trade receivables               | 2.16 | 1,58,59,278      |                             | 8,04,30,911      |                      |
| Cash and Bank Balances          | 2.17 | 6,01,55,019      |                             | 4,38,44,080      |                      |
| Short term Loans and Advances   | 2.18 | 3,45,01,542      |                             | 2,29,20,185      |                      |
| Other Current Assets            | 2.19 | 1,21,09,836      | <b>30,74,77,315</b>         | 1,65,56,713      | 35,05,95,641         |
| <b>TOTAL</b>                    |      |                  | <b><u>235,57,87,251</u></b> |                  | <u>235,12,47,360</u> |

For and on behalf of the Board

Per our report of even date annexed  
For BRAHMAYYA & CO.,  
Chartered AccountantsSd/-  
M.S.LAKSHMAN RAO  
Managing DirectorSd/-  
M.N.RAO  
DirectorSd/-  
K.KAILASANATHA REDDY  
Vice President (Finance)Sd/-  
V.V.V.S.N.MURTY  
AGM (Fin) &  
Company SecretarySd/-  
(CA. C.V. RAMANA RAO)  
Partner  
Membership No. 018545Place : Hyderabad  
Date : 30.05.2013

**STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2013**

(Amount in ₹)

| Particulars  | Note | This Year ended<br>31.03.2013 | Previous Year ended<br>31.03.2012 |
|--|------|-------------------------------|-----------------------------------|
| <b>I. REVENUE</b>  |      |                               |                                   |
| Revenue from operations                                    | 2.20 | <b>28,51,58,683</b>           | 107,05,24,246                     |
| Other Income   | 2.21 | <b>1,10,15,036</b>            | 2,27,34,871                       |
| <b>Total Revenue</b>                                       |      | <b>29,61,73,719</b>           | <b>109,32,59,117</b>              |
| <b>II. EXPENDITURE</b>                                     |      |                               |                                   |
| Consumption of raw materials                               | 2.22 | <b>10,92,97,665</b>           | 36,14,65,316                      |
| Change in Inventories of<br>Finished Goods                 | 2.23 | <b>(1,71,68,258)</b>          | (14,84,122)                       |
| Employee Benefit expenses                                  | 2.24 | <b>5,93,89,806</b>            | 7,63,98,889                       |
| Power and Fuel   |      | <b>18,16,98,340</b>           | 41,45,26,498                      |
| Other Operational Expenses                                 | 2.25 | <b>1,48,55,407</b>            | 4,06,73,522                       |
| Finance cost   | 2.26 | <b>3,47,70,045</b>            | 4,53,26,387                       |
| Depreciation   |      | <b>71,26,083</b>              | 101,56,574                        |
| Other expenses   | 2.27 | <b>1,97,63,632</b>            | 2,97,83,221                       |
| <b>Total expenses</b>                                      |      | <b>40,97,32,720</b>           | <b>97,68,46,285</b>               |
| <b>III. Profit/(Loss) before tax (I-II)</b>                |      | <b>(11,35,59,001)</b>         | 11,64,12,832                      |
| <b>IV. Tax expense :</b>                                   |      |                               |                                   |
| (1) Current year   |      | -                             | (4,24,50,000)                     |
| Income Tax for earlier years                               |      | (71,12,851)                   | -                                 |
| (2) Deferred tax   |      | 32,69,703                     | 62,98,981                         |
|  |      | <b>(38,43,148)</b>            | <b>(3,61,51,019)</b>              |
| <b>V. Profit/(Loss) after Tax (III-IV)</b>                 |      | <b>(11,74,02,149)</b>         | <b>8,02,61,813</b>                |
| <b>VI. Earnings per share<br/>(Basic and Diluted) in ₹</b> |      | <b>(26.72)</b>                | <b>18.26</b>                      |
| Statement of Significant Accounting Policies               | 1    |                               |                                   |
| Notes forming part of Financial Statements                 | 2    |                               |                                   |

For and on behalf of the Board

Per our report of even date annexed  
For BRAHMAYYA & CO.,  
Chartered AccountantsSd/-  
M.S.LAKSHMAN RAO  
Managing DirectorSd/-  
M.N.RAO  
DirectorSd/-  
K.KAILASANATHA REDDY  
Vice President (Finance)Sd/-  
V.V.V.S.N.MURTY  
AGM (Fin) &  
Company SecretarySd/-  
(CA. C.V. RAMANA RAO)  
Partner  
Membership No. 018545Place : Hyderabad  
Date : 30.05.2013

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2013**

(Amount in ₹)

|   | Year Ended<br>31.03.2013 | Year Ended<br>31.03.2012 |
|---|--------------------------|--------------------------|
| <b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>               |                          |                          |
| Net Profit/(Loss) before Tax and after extraordinary items    | (11,35,59,001)           | 11,64,12,832             |
| Adjustments for :   |                          |                          |
| Depreciation  | 71,26,083                | 1,01,56,575              |
| Interest Paid   | 3,47,70,045              | 4,53,26,387              |
| Interest Received   | (81,68,032)              | (59,83,851)              |
| Dividend received   | (68,400)                 | (59,000)                 |
| Profit on sale of fixed assets                                | -                        | (72,957)                 |
| Provision for Gratuity & Leave encashment                     | 25,29,691                | 41,44,278                |
| Bad debts, Irrrecoverable Deposits & Advances Written off     | 6,27,528                 | 8,99,656                 |
| <b>Operating Profit/(Loss) before working capital changes</b> | <b>(7,67,42,086)</b>     | <b>17,08,23,920</b>      |
| Adjustments for :   |                          |                          |
| Trade and other receivables                                   | 5,70,09,625              | 2,58,99,439              |
| Inventories   | 19,92,112                | (20,91,291)              |
| Trade payables  | 9,24,47,363              | 1,77,15,667              |
| <b>Cash generated from operations</b>                         | <b>7,47,07,014</b>       | <b>21,23,47,735</b>      |
| Interest Paid   | (3,47,70,045)            | (4,53,26,387)            |
| Direct taxes paid   | (1,11,28,609)            | (4,76,71,026)            |
| <b>NET CASH FLOW/(USED) FROM OPERATING ACTIVITIES (A)</b>     | <b>2,88,08,360</b>       | <b>11,93,50,322</b>      |
| <b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>                 |                          |                          |
| Purchase of Fixed Assets                                      | (22,800)                 | (55,03,865)              |
| (Increase)/Decrease in Capital work-in-progress               | (2,87,23,019)            | (7,08,65,699)            |
| Sale of Investments   | -                        | 21,500                   |
| Advance for Purchase of Investments                           | (2,62,38,481)            | (3,65,00,000)            |
| Interest received   | 81,68,032                | 59,83,851                |
| Sale of Fixed Assets  | -                        | 9,41,258                 |
| Dividend received   | 68,400                   | 59,000                   |
| <b>NET CASH FLOW / (USED) IN INVESTING ACTIVITIES (B)</b>     | <b>(4,67,47,868)</b>     | <b>(10,58,63,955)</b>    |
| <b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>                 |                          |                          |
| Increase / (Decrease) in Borrowings                           | 4,74,33,497              | 4,98,437                 |
| Dividend Paid   | (1,31,83,050)            | (1,31,83,050)            |
| Tax on dividend   | -                        | (21,38,620)              |
| <b>NET CASH GENERATED/(USED) IN FINANCING ACTIVITIES (C)</b>  | <b>3,42,50,447</b>       | <b>(1,48,23,233)</b>     |
| Net Increase/(decrease) in cash and cash equivalents (A+B+C)  | <b>1,63,10,939</b>       | <b>(13,36,866)</b>       |
| Cash and Cash equivalents at the beginning of the year        | <b>4,38,44,080</b>       | <b>4,51,80,946</b>       |
| Cash and Cash equivalents as at the close of the year         | <b>6,01,55,019</b>       | <b>4,38,44,080</b>       |

For and on behalf of the Board

 Per our report of even date annexed  
 For BRAHMAYYA & CO.,  
 Chartered Accountants

 Sd/-  
 M.S.LAKSHMAN RAO  
 Managing Director

 Sd/-  
 M.N.RAO  
 Director

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

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

 Sd/-  
 (CA. C.V. RAMANA RAO)  
 Partner  
 Membership No. 018545

 Place : Hyderabad  
 Date : 30.05.2013

**NOTE NO. 1: SIGNIFICANT ACCOUNTING POLICIES****1.1 Accounting Concepts:**

Financial statements are prepared and presented in accordance with the Generally Accepted Accounting Principles (GAAP) in India under historical cost convention on accrual basis and comply all material aspects with the Accounting Standards and the relevant provisions prescribed in the Companies Act, 1956, besides the pronouncements/ guidelines of the Institute of Chartered Accountants of India and the Securities and Exchange Board of India.

**1.2 Use of Estimates:**

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and reported amount of revenues and expenses during the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, the actual outcome may be different from the estimates. Difference between actual results and estimates are recognized in the period in which the results are known or materialize.

**1.3 Fixed Assets:**

- a. Fixed assets are stated at cost less accumulated depreciation. Cost of acquisition of fixed assets is net of CENVAT / Input VAT Credit and inclusive of freight, duties, taxes, incidental expenses including interest on specific borrowings as apportioned.
- b. Expenditure during construction/erection period is included under Capital Work-in-Progress and allocated to the respective fixed assets on completion of construction/erection.

**1.4 Classification of Assets and Liabilities as Current and Non-Current:**

All assets and liabilities are classified as current and non-current as per the Company's normal operating cycle and other criteria set out in Schedule VI to the Companies Act, 1956. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, 12 months has been considered by the Company for the purpose of current - non-current classification of assets and liabilities.

**1.5 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 made, if in the opinion of the Management such diminution is permanent in nature.

**1.6 Inventories:**

Inventories are valued at the lower of the cost (net of CENVAT / Input VAT Credit) or net realisable value (except by-products, waste and scrap which are valued at estimated net realisable value). Cost is computed on monthly weighted average basis. Finished Goods and Process Stock include cost of conversion and other costs incurred in bringing the inventories to their present condition and location.

**1.7 Borrowing Costs:**

Borrowing cost is charged to statement of Profit and Loss except cost of specific borrowing for acquisition of qualifying assets which is capitalised till date of commercial use of the said asset.



**1.8 Sales:**

Sales are inclusive of Excise Duty and net of rebates and Sales Tax.

**1.9 Employee Benefits:**

(i) Defined Contribution Plans

Employee Benefits in the form of Employee Provident Pension Funds are considered as Defined Contribution plans and the contributions are charged to the statement of Profit & Loss of the year when the contributions to the said fund 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 gains / losses, if any, are immediately recognised in the statement of Profit & Loss.

**1.10 Depreciation:**

Depreciation on buildings and plant and machinery is charged under straight-line method and on the remaining assets under written down value method at the rates specified in Schedule XIV of the Companies Act, 1956.

**1.11 Foreign Currency Transactions:**

Transactions on account of foreign currency are accounted for at the rates prevailing on the date of the transaction. Foreign Currency assets and liabilities are restated at the rates prevailing as on the date of Balance Sheet. Exchange rate differences are dealt with in the statement of Profit and Loss. Premium or discount on forward exchange contracts are amortised and recognised in the statement of Profit & Loss over the period of the contract.




**Note No.2.01 : SHARE CAPITAL**

| Particulars   | As at 31.03.2013    |                     | As at 31.03.2012    |                    |
|---|---------------------|---------------------|---------------------|--------------------|
|   | No of Equity Shares | Amount in ₹         | No of Equity Shares | Amount in ₹        |
| a) <b>Authorised :</b><br>Equity Shares of ₹.10/- each  | <b>2,00,00,000</b>  | <b>20,00,00,000</b> | 2,00,00,000         | 20,00,00,000       |
| b) (i) <b>Issued :</b><br>Equity Shares of ₹.10/- each  | <b>43,96,450</b>    | <b>4,39,64,500</b>  | 43,96,450           | 4,39,64,500        |
| (ii) <b>Subscribed and Fully Paid up:</b><br>43,94,350 Equity Shares of ₹. 10/- each fully paid up<br>Add: Amount received on 2100 forfeited shares | <b>43,94,350</b>    | <b>4,39,43,500</b>  | 43,94,350           | 4,39,43,500        |
|   |                     | <b>6,375</b>        |                     | <b>6,375</b>       |
|   | <b>43,94,350</b>    | <b>4,39,49,875</b>  | <b>43,94,350</b>    | <b>4,39,49,875</b> |

**c) Equity share in the company held by each shareholder holding more than 5% shares specifying the number of shares held**

| Name of the Share holder   | As at 31.03.2013    |                    | As at 31.03.2012    |                    |
|--|---------------------|--------------------|---------------------|--------------------|
|  | No of Equity shares | % of share holding | No of Equity shares | % of share holding |
| Equity Shares of ₹10/- each fully paid Techno Infratech Projects (India) Private Limited, VSP. | <b>3,50,865</b>     | <b>7.98%</b>       | <b>3,50,865</b>     | <b>7.98%</b>       |

**Note No. 2.02: RESERVES AND SURPLUS**

| Particulars                            | As at 31-03-2013<br>Amount in ₹ | As at 31-03-2012<br>Amount in ₹ |
|--|---------------------------------|---------------------------------|
| a. Capital Reserves:                   |                                 |                                 |
| Balance in State Govt Subsidy Received | <b>15,00,000</b>                | 15,00,000                       |
| b. Securities Premium Account:         |                                 |                                 |
| Balance in Securities Premium Reserve  | <b>11,91,79,000</b>             | 11,91,79,000                    |
| c. Asset Revaluation Reserve:          |                                 |                                 |
| Balance in Asset Revaluation Reserve   | <b>4,36,87,426</b>              | 4,36,87,426                     |
| d. Other Reserves (General Reserve):   |                                 |                                 |
| Balance at the beginning of the year   | <b>96,40,00,000</b>             | 93,70,00,000                    |
| (+) Current Year Transfer              | -                               | 2,70,00,000                     |
| Balance at the end of the year         | <b>96,40,00,000</b>             | 96,40,00,000                    |
| e. Surplus:                            |                                 |                                 |
| Balance at the beginning of the year   | <b>33,97,62,681</b>             | 30,18,22,538                    |
| (+) Net Profit/(Loss) for the year     | <b>(11,74,02,149)</b>           | 8,02,61,813                     |
| (-) Transfer to General Reserve        | -                               | 2,70,00,000                     |
| (-) Proposed Dividends                 | -                               | 1,31,83,050                     |
| (-) Tax on Proposed Dividends          | -                               | 21,38,620                       |
| Balance at the end of the year         | <b>22,23,60,532</b>             | 33,97,62,681                    |
| Total                                  | <b>135,07,26,958</b>            | 146,81,29,107                   |

(Amount in ₹)

| Particulars  | As at 31-03-2013    | As at 31-03-2012    |
|--|---------------------|---------------------|
| <b>Note No.2.03: LONG TERM BORROWINGS</b>                                      |                     |                     |
| <b>Unsecured Loans :</b>   |                     |                     |
| From LIC of India  | 82,91,250           | 82,91,250           |
| From Directors   | 7,93,67,042         | 5,14,93,311         |
| From Other Body Corporates   | 24,13,09,297        | 17,70,60,091        |
| <b>Total</b>   | <b>32,89,67,589</b> | <b>23,68,44,652</b> |
| <b>Note No.2.04: DEFERRED TAX LIABILITY</b>                                    |                     |                     |
| <b>Deferred tax liability:</b>   |                     |                     |
| Timing difference between book and tax depreciation                            | 73,27,298           | 87,49,237           |
| Items of contingent liability in nature claimed as expenditure for tax purpose | 4,30,88,278         | 5,04,15,576         |
| <b>Deferred tax asset:</b>   |                     |                     |
| Items covered under section 43B of the Income Tax Act                          | 59,35,401           | 51,56,737           |
| Provision for doubtful debts   | 25,79,127           | 25,79,127           |
| Unabsorbed depreciation under Income Tax Act                                   | 10,69,100           | 95,83,628           |
| <b>Total</b>   | <b>4,08,31,948</b>  | <b>4,41,01,651</b>  |
| <b>Note No.2.05: OTHER LONG TERM LIABILITIES</b>                               |                     |                     |
| Deposits refundable  | 8,00,000            | 8,00,000            |
| <b>Total</b>   | <b>8,00,000</b>     | <b>8,00,000</b>     |
| <b>Note No.2.06: LONG TERM PROVISIONS</b>                                      |                     |                     |
| Provision for Compensated leaves   | 8,24,048            | 16,41,106           |
| <b>Total</b>   | <b>8,24,048</b>     | <b>16,41,106</b>    |



(Amount in ₹)

| Particulars   | As at 31-03-2013    | As at 31-03-2012    |
|---|---------------------|---------------------|
| <b>Note No.2.07: SHORT TERM BORROWINGS</b>  |                     |                     |
| <b>Secured Loans :</b>  |                     |                     |
| Cash credit facilities from :<br>Cash credit from a bank on hypothecation<br>of Stock of Finished goods, Raw Materials,<br>stores and spares and book debts and a<br>first charge on all the fixed assets of the<br>Company and guaranteed by Managing<br>Director and a shareholder of the<br>Company, in their personal capacity. | 11,00,58,187        | 15,47,47,627        |
| <b>Total</b>  | <b>11,00,58,187</b> | <b>15,47,47,627</b> |
| <b>Note No.2.08: TRADE PAYABLES</b>   |                     |                     |
| Trade Payables  | 33,60,57,039        | 21,66,73,209        |
| <b>Total</b>  | <b>33,60,57,039</b> | <b>21,66,73,209</b> |
| <b>There are no dues as at the end of the year (as at the end of the previous year also) to Micro, Small and Medium Enterprises as defined under Micro, Small, and Medium Enterprises Development Act, 2006 based on the information available with the Company.</b>  |                     |                     |
| <b>Note No.2.09: OTHER CURRENT LIABILITIES</b>  |                     |                     |
| Current maturities of Finance lease obligations   | -                   | 7,93,490            |
| Interest accrued and due  | 66,55,823           | 77,07,684           |
| Advances from customers   | 97,70,183           | 5,07,56,504         |
| Un-Paid Dividends   | 27,67,481           | 26,11,982           |
| Other current Liabilities   | 6,26,89,222         | 4,69,49,516         |
| <b>Total</b>  | <b>8,18,82,709</b>  | <b>10,88,19,176</b> |
| <b>Note No.2.10: SHORT TERM PROVISIONS</b>  |                     |                     |
| Provision for Gratuity  | 1,51,60,348         | 1,34,08,651         |
| Provision for leave encashment  | 15,95,052           | -                   |
| Provision for Income Tax (net of Prepaid Taxes)   | 4,27,94,878         | 4,68,10,636         |
| Proposed Dividend   | -                   | 1,31,83,050         |
| Dividend distribution tax payable   | 21,38,620           | 21,38,620           |
| <b>Total</b>  | <b>6,16,88,898</b>  | <b>7,55,40,957</b>  |



**Note No. 2.11 : Fixed Assets**

(in ₹)

| Particulars             | GROSS BLOCK                      |               |           |                                    | DEPRECIATION                     |                  |              |                                    | NET BLOCK                          |                                    |
|-------------------------|----------------------------------|---------------|-----------|------------------------------------|----------------------------------|------------------|--------------|------------------------------------|------------------------------------|------------------------------------|
|                         | As at 1 <sup>st</sup> April 2012 | Additions     | Disposals | As at 31 <sup>st</sup> March, 2013 | As at 1 <sup>st</sup> April 2012 | For the year     | On disposals | As at 31 <sup>st</sup> March, 2013 | As at 31 <sup>st</sup> March, 2012 | As at 31 <sup>st</sup> March, 2013 |
| <b>TANGIBLE ASSETS:</b> |                                  |               |           |                                    |                                  |                  |              |                                    |                                    |                                    |
| Land                    | 6,90,38,312                      | -             | -         | 6,90,38,312                        | -                                | -                | -            | -                                  | -                                  | 6,90,38,312                        |
| Buildings               | 8,30,83,066                      | -             | -         | 83,083,066                         | 5,78,93,876                      | 17,05,350        | -            | 5,95,99,226                        | 2,34,83,840                        | 2,51,89,190                        |
| Plant & Machinery       | 57,26,71,521                     | -             | -         | 57,26,71,521                       | 52,28,33,367                     | 42,43,520        | -            | 52,70,76,887                       | 4,55,94,634                        | 4,98,38,154                        |
| Furniture&Fixtures      | 35,94,066                        | -             | -         | 35,94,066                          | 31,73,849                        | 95,338           | -            | 32,69,187                          | 3,24,879                           | 4,20,217                           |
| Office Equipment        | 99,98,595                        | 22,800        | -         | 1,00,21,395                        | 75,63,600                        | 4,62,603         | -            | 80,26,203                          | 19,95,192                          | 24,34,995                          |
| Vehicles                | 1,61,60,818                      | -             | -         | 1,61,60,818                        | 1,00,68,629                      | 6,19,272         | -            | 1,06,87,901                        | 54,72,917                          | 60,92,189                          |
| <b>Total</b>            | <b>75,45,46,378</b>              | <b>22,800</b> | <b>-</b>  | <b>75,45,69,178</b>                | <b>60,15,33,321</b>              | <b>71,26,083</b> | <b>-</b>     | <b>60,86,59,404</b>                | <b>14,59,09,774</b>                | <b>15,30,13,057</b>                |
| Previous Year           | 75,29,76,613                     | 55,03,865     | 39,34,100 | 75,45,46,378                       | 59,44,42,545                     | 1,01,56,575      | 30,65,799    | 60,15,33,321                       | 15,30,13,057                       | 15,85,34,068                       |



(Amount in ₹)

| Particulars  | As at 31-03-2013 |                     | As at 31-03-2012   |                    |
|--|------------------|---------------------|--------------------|--------------------|
| <b>Note No.2.12: CAPITAL WORK IN PROGRESS</b>  |                  |                     |                    |                    |
| <b>Capital Works in Progress:</b>  |                  |                     |                    |                    |
| a. Civil works under progress  |                  | 7,00,14,077         |                    | 4,91,09,189        |
| b. Capital Stock in Stores   |                  | 13,90,518           |                    | 13,90,518          |
| <b>Expenditure incidental to construction awaiting allocation (Vide Note No.2.12(a):</b> |                  | <b>4,59,91,708</b>  |                    | <b>3,81,73,577</b> |
|  |                  | <b>11,73,96,303</b> |                    | <b>8,86,73,284</b> |
| Note No.2.12(a): Expenditure incidental to construction awaiting allocation:             |                  |                     |                    |                    |
| a. Balance at the beginning of the year:   |                  | 3,81,73,577         |                    | 1,72,16,400        |
| b. Net Expenditure incurred during the year:   |                  |                     |                    |                    |
| Staff Cost   | 46,70,474        |                     | 54,84,334          |                    |
| Professional and Consultancy Charges   | 2,44,720         |                     | 77,50,263          |                    |
| Travelling and Conveyance  | 11,44,361        |                     | 29,14,441          |                    |
| Advertisement  | -                |                     | 3,96,476           |                    |
| Bank Charges and guarantee commission  | 18,15,816        |                     | 3,094              |                    |
| Licence & Fees   | -                |                     | 14,32,064          |                    |
| Miscellaneous Expenses   | 12,02,760        |                     | 43,96,505          |                    |
|  | <b>90,78,131</b> |                     | <b>2,23,77,177</b> |                    |
| Less: Interest Received during the year  | <b>12,60,000</b> | <b>78,18,131</b>    | <b>14,20,000</b>   | <b>2,09,57,177</b> |
| <b>Total</b>   |                  | <b>4,59,91,708</b>  |                    | <b>3,81,73,577</b> |
| <b>Note No.2.13: NON-CURRENT INVESTMENTS (Long term Investments)</b>                     |                  |                     |                    |                    |
| <b>Non Trade:</b>  |                  |                     |                    |                    |
| <b>1) Investment in Equity Shares</b>  |                  |                     |                    |                    |
| <b>i) Quoted</b>   |                  |                     |                    |                    |
| a) 135000 Equity Shares of ₹.10/-each fully paidup in Basil Infrastructure Projects Ltd. | 13,50,000        |                     | 13,50,000          |                    |
| b) 3000 Equity Shares of ₹.10/- each fully paidup in BOI                                 | 1,35,000         |                     | 1,35,000           |                    |
| c) 380 Equity Shares of ₹.10/- each fully paidup in State Bank of Tranvencore            | 2,28,000         | 17,13,000           | 2,28,000           | 17,13,000          |
| <b>ii) Unquoted</b>  |                  |                     |                    |                    |
| a) # 140141414 Equity Shares of ₹.10/- each fully paidup in Konaseema Gas Power Ltd.     | 143,06,46,210    |                     | 143,06,46,210      |                    |
| b) 100000 Equity Shares of ₹. 10/- each fully paid up Konaseema Power Corporation Ltd.   | 10,00,000        |                     | 10,00,000          |                    |
| c) * 6172670 Equity Shares of ₹.10/- each fully paidup in Orissa Power Consortium Ltd.   | 6,17,26,700      | 149,33,72,910       | 6,17,26,700        | 149,33,72,910      |

(Amount in ₹)

| Particulars                               | As at 31-03-2013 |                      | As at 31-03-2012 |                      |
|---|------------------|----------------------|------------------|----------------------|
| <b>iii) Share Application Money with:</b> |                  |                      |                  |                      |
| i) Indo-Us Coal Washeries Ltd             | 1,08,57,364      |                      | 1,08,57,364      |                      |
| ii) Orissa Hydel Power Balimela Ltd       | 1,40,90,000      |                      | 1,40,90,000      |                      |
| iii) Karthik Rukmini Alloys & Energy Ltd  | 5,59,60,470      | 8,09,07,834          | 5,59,60,470      | 8,09,07,834          |
| <b>TOTAL(A+B)</b>                         |                  | <b>157,59,93,744</b> |                  | <b>157,59,93,744</b> |
| Less: Diminution in value of Investments  |                  | 10,00,000            |                  | 10,00,000            |
| <b>Total</b>                              |                  | <b>157,49,93,744</b> |                  | <b>157,49,93,744</b> |

# includes 184.589 lacs(P.Y.184.589 lacs) shares acquired, the title in respect of which is in the process of transfer.

10 crore 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.

**Note No.2.14: LONG TERM LOANS AND ADVANCES**

|  |  |                     |  |                     |
|--|--|---------------------|--|---------------------|
| Unsecured, considered good (otherwise than stated) |  |                     |  |                     |
| Capital Advances                                   |  | 6,62,000            |  | 8,62,000            |
| Deposits Recoverable                               |  | 4,40,57,616         |  | 4,40,57,616         |
| Advance for purchase of Investments                |  | 16,52,90,499        |  | 13,90,52,018        |
| <b>Total</b>                                       |  | <b>21,00,10,115</b> |  | <b>18,39,71,634</b> |

**Note No.2.15: INVENTORIES**

(As Valued and Certified by the Management)

|                   |  |                     |  |                     |
|-------------------|--|---------------------|--|---------------------|
| Stores & Spares   |  | 3,08,49,265         |  | 2,95,19,203         |
| Stores in Transit |  | 77,418              |  | -                   |
| Raw Materials     |  | 10,53,14,132        |  | 12,58,81,982        |
| Finished Goods    |  | 4,86,10,825         |  | 3,14,42,567         |
| <b>Total</b>      |  | <b>18,48,51,640</b> |  | <b>18,68,43,752</b> |

Inventories are valued as per Accounting Policy No. 6 of Note No. 1

**Note No.2.16: TRADE RECEIVABLES**

Unsecured:

|                                    |           |                    |           |                    |
|------------------------------------|-----------|--------------------|-----------|--------------------|
| Debts, outstanding over six months |           |                    |           |                    |
| Considered good                    | 79,31,834 |                    | 91,91,673 |                    |
| Considered doubtful                | 79,49,228 | 1,58,81,062        | 79,49,228 | 1,71,40,901        |
| Other Debts, Considered good       |           | 79,27,444          |           | 7,12,39,238        |
|                                    |           | 2,38,08,506        |           | 8,83,80,139        |
| Less: Provision for doubtful debts |           | 79,49,228          |           | 79,49,228          |
| <b>Total</b>                       |           | <b>1,58,59,278</b> |           | <b>8,04,30,911</b> |





(Amount in ₹)

| Particulars  | For the year ended<br>31.03.2013 | For the year ended<br>31.03.2012 |
|--|----------------------------------|----------------------------------|
| <b>Note No.2.22: CONSUMPTION OF RAW MATERIALS</b>              |                                  |                                  |
| Opening Stock  | 12,58,81,981                     | 13,13,44,181                     |
| Add: Purchases (Net)   | 8,87,29,816                      | 35,60,03,116                     |
|  | 21,46,11,797                     | 48,73,47,297                     |
| Less: Closing Stock  | 10,53,14,132                     | 12,58,81,981                     |
| <b>Total</b>   | <b>10,92,97,665</b>              | <b>36,14,65,316</b>              |
| <b>Note No.2.22 (a): PARTICULARS OF RAW MATERIALS CONSUMED</b> |                                  |                                  |
| <b>Indigenous:</b>   |                                  |                                  |
| Char Coal  | 7,96,42,979                      | 25,92,95,944                     |
| Quartz   | 62,62,371                        | 1,68,83,346                      |
| Mill Scale   | 85,04,495                        | 2,82,05,217                      |
| Electro Carbon Paste   | 74,57,445                        | 2,40,06,098                      |
| Others   | 74,30,375                        | 3,30,74,710                      |
| <b>Total</b>   | <b>10,92,97,665</b>              | <b>36,14,65,315</b>              |
| <b>Note No.2.23: CHANGE IN INVENTORIES OF FINISHED GOODS</b>   |                                  |                                  |
| Opening Stock  | 3,14,42,567                      | 2,99,58,445                      |
| Less: Closing Stock  | 4,86,10,825                      | 3,14,42,567                      |
| <b>Total</b>   | <b>(1,71,68,258)</b>             | <b>(14,84,122)</b>               |
| <b>Note No.2.24: EMPLOYEE BENEFIT EXPENSE</b>                  |                                  |                                  |
| Salaries, Wages & Bonus  | 4,92,21,655                      | 5,56,05,512                      |
| Contribution to Provident fund and other funds                 | 52,39,951                        | 67,40,186                        |
| Gratuity   | 17,51,697                        | 39,67,978                        |
| Remuneration to Managing Director                              | 9,66,373                         | 56,81,775                        |
| Staff Welfare Expenses   | 22,10,130                        | 44,03,438                        |
| <b>Total</b>   | <b>5,93,89,806</b>               | <b>7,63,98,889</b>               |



**Note no. 2.24 (a) EMPLOYEE BENEFIT PLANS:**

As per Accounting Standard 15 "Employees Benefits" the disclosure of Employee Benefits as defined in the Accounting Standard are given hereunder:

**Defined Contributions Plans:**

| Contributions to Defined Contribution plans, recognized as expense for the year, are as under: (Amount in ₹) |                  |           |
|--|------------------|-----------|
|  | 2012-13          | 2011-12   |
| Employer's Contributions to Provident and Pension Funds  | <b>41,46,849</b> | 46,74,931 |
| Employer's Contributions to Employees State Insurance  | <b>4,71,533</b>  | 13,16,545 |
| Contribution to Superannuation Scheme  | <b>6,20,400</b>  | 7,47,855  |

**Defined Benefit Plans:**

A. The employees' gratuity fund scheme managed by a Trust is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation for compensated absences is recognized in the same manner as gratuity.

I. Reconciliation of opening and closing balances of Defined Benefit obligations (Amount in ₹)

|   | Gratuity (Funded)  |               | Compensated absences (Unfunded) |               |
|---|--------------------|---------------|---------------------------------|---------------|
|   | This year          | Previous year | This year                       | Previous year |
| Defined Benefit obligation at beginning of the year | <b>1,62,47,870</b> | 1,23,38,508   | <b>16,41,106</b>                | 13,54,025     |
| Interest Cost                                       | <b>12,92,937</b>   | 9,77,767      | <b>1,31,288</b>                 | 1,08,322      |
| Current Service Cost                                | <b>12,96,098</b>   | 12,02,736     | <b>25,99,800</b>                | 12,02,690     |
| Past Service Cost - (vested benefits)               | <b>(1,72,314)</b>  | (2,32,837)    | -                               | -             |
| Benefits paid                                       | <b>(6,13,087)</b>  | 19,61,696     | <b>(19,53,094)</b>              | (10,23,931)   |
| Actuarial loss / (gain) on obligation               | <b>1,80,51,504</b> | 1,62,47,870   | <b>24,19,100</b>                | 16,41,106     |
| Defined Benefit obligation at year end              |                    |               |                                 |               |

II. Reconciliation of opening and closing balances of fair value of plan assets (Amount in ₹)

|   | Gratuity (Funded) |               |
|---|-------------------|---------------|
|   | This year         | Previous year |
| Fair value of plan assets at beginning of the year  | <b>28,39,219</b>  | 27,87,054     |
| Expected return on plan assets                      | <b>2,47,776</b>   | 2,42,342      |
| Contributions                                       | -                 | 44,111        |
| Benefits paid                                       | <b>(1,72,314)</b> | (2,32,837)    |
| Actuarial loss / (gain) on obligation               | <b>(23,525)</b>   | (1,451)       |
| Fair value of plan assets as at the end of the year | <b>28,91,156</b>  | 28,39,219     |

## III. Reconciliation of fair value of assets and obligations as at 31.3.2013.

(Amount in ₹)

|   | Gratuity (Funded) |               | Compensated absences (Unfunded) |               |
|---|-------------------|---------------|---------------------------------|---------------|
|   | This year         | Previous year | This year                       | Previous year |
| Fair value of plan assets   | 28,91,156         | 28,39,219     | -                               | -             |
| Present value of obligation   | 1,80,51,504       | 1,62,47,870   | 24,19,100                       | 16,41,106     |
| Amount recognized as liability in Balance sheet                             | 1,51,60,348       | 1,34,08,651   | 24,19,100                       | 16,41,106     |
| IV. Expenses recognized during the year (in the Statement of Profit & Loss) |                   |               |                                 |               |
| Current Service Cost  | 12,96,098         | 12,02,736     | 25,99,800                       | 12,02,690     |
| Interest Cost   | 12,92,937         | 9,77,767      | 1,31,288                        | 1,08,322      |
| Past Service Cost - (vested benefits)                                       | -                 | -             | -                               | -             |
| Expected return on plan assets  | (2,47,776)        | (2,42,342)    | -                               | -             |
| Actuarial (gain)/ loss  | (5,89,562)        | 19,63,147     | (19,53,094)                     | (10,23,931)   |
| Expenses recognized in the statement of Profit & Loss Account               | 17,51,697         | 39,01,308     | 7,77,994                        | 2,87,081      |

## V. Principals Actuarial Assumptions

|  | Gratuity (Funded) |               | Compensated absences (Unfunded) |               |
|--|-------------------|---------------|---------------------------------|---------------|
|  | This year         | Previous year | This year                       | Previous year |
| Discount Rate                          | 8.00%             | 8.00%         | 8.00%                           | 8.00%         |
| Salary Escalation Rate                 | 1.00%             | 1.00%         | 1.00%                           | 1.00%         |
| Expected rate on return on plan assets | 9.00%             |               |                                 |               |
| Employee attrition rate                | 3.00%             | 3.00%         | 3.00%                           | 3.00%         |

As per the enterprise's accounting policy actuarial gains and losses are recognized immediately during the same year itself.

The above information is certified by the Actuary.

**Note No.2.25: OTHER OPERATIONAL EXPENSES**

(Amount in ₹)

| Particulars                  | For the year ended 31.03.2013 |                    | For the year ended 31.03.2012 |                    |
|------------------------------|-------------------------------|--------------------|-------------------------------|--------------------|
| Stores & Spares consumed     |                               | 14,84,959          |                               | 38,82,570          |
| Other Manufacturing Expenses |                               | 1,06,10,186        |                               | 2,59,94,934        |
| Repairs & Maintenance:       |                               |                    |                               |                    |
| Plant & Machinery            | 27,46,262                     |                    | 1,04,17,882                   |                    |
| Buildings                    | 14,000                        | 27,60,262          | 3,78,136                      | 1,07,96,018        |
| <b>Total</b>                 |                               | <b>1,48,55,407</b> |                               | <b>4,06,73,522</b> |



**Note No. 2.25 (a):** There are no imports of capital goods or components and spare parts during the current year and the previous year.

**Note No. 2.25 (b):** Details of imported and indigeneous raw materials and spares consumed:

|                            | This Year  |     | Previous Year |     |
|----------------------------|------------|-----|---------------|-----|
|                            | Amount (₹) | %   | Amount (₹)    | %   |
| <b>Stores &amp; Spares</b> |            |     |               |     |
| Imported                   | -          |     | -             |     |
| Indigenous                 | 10,56,714  | 100 | 38,82,570     | 100 |

**Note No.2.26:FINANCE COST**

(Amount in ₹)

| Particulars             | For the year ended<br>31.03.2013 | For the year ended<br>31.03.2012 |
|-------------------------|----------------------------------|----------------------------------|
| Interest on Cash Credit | 1,59,50,557                      | 1,49,64,132                      |
| Interest -Others        | 1,61,76,275                      | 2,25,27,065                      |
| L C Charges             | 17,77,005                        | 67,11,423                        |
| Bank Charges            | 8,66,208                         | 11,23,767                        |
| <b>Total</b>            | <b>3,47,70,045</b>               | <b>4,53,26,387</b>               |

**Note No.2.27:OTHER EXPENSES**

|   |                    |                    |
|---|--------------------|--------------------|
| Rent  | 15,22,545          | 23,32,414          |
| Insurance   | 27,07,622          | 27,78,776          |
| Rates & Taxes   | 27,52,494          | 27,06,513          |
| Director's Sitting Fees   | 4,00,000           | 4,00,000           |
| Payment to:   |                    |                    |
| <b>Statutory Auditors</b>   |                    |                    |
| - As auditor's  | 2,00,000           | 2,00,000           |
| for Certification Charges   | 2,18,000           | 1,32,500           |
| for Tax Audit   | 80,000             | 15,000             |
| for Cost Audit Fee  | 60,000             | 60,000             |
| Transportation,Selling and Other<br>Distribution Expenses                                 | 18,40,184          | 59,00,410          |
| Commssion on Sales  | 6,70,480           | 25,34,610          |
| Donations   | 10,000             | 1,00,000           |
| Bad Debts, Irrecoverable Claims and<br>advances Written Off                               | 6,27,528           | 8,99,656           |
| Miscellaneous Expenses  | 86,74,779          | 1,17,23,342        |
| <b>Total</b>  | <b>1,97,63,632</b> | <b>2,97,83,221</b> |
| Expenditure in foreign currency<br>during the financial year<br>on account of travelling. | 67,800             | 2,14,916           |

| Particulars   | Current Year         | Previous Year |
|---|----------------------|---------------|
| <b>Note No: 2.28:</b>   |                      |               |
| 1. Contingent liabilities and commitments   |                      |               |
| a). Unexpired Bank Guarantees and letters of Credit   | <b>12,90,32,974</b>  | 12,90,32,974  |
| 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  | <b>157,10,00,000</b> | 157,10,00,000 |
| d) Claims made by the Electricity Distribution companies in Andhra Pradesh towards Fuel Surcharge Adjustment (FSA) have been challenged by the company in the Hon'ble High Court of Andhra Pradesh and the Appellate Tribunal of Electricity, New Delhi respectively. Based on legal opinion, the company feels that they have a good case and likely to result in the entire claim / demand being quashed or be substantially reduced. In view of this, no provision has been made in the books for the said claims. |                      |               |
| e) Disputed Sales Tax Demands for non submission of "C" & "F" Forms   | <b>42,53,723</b>     | 42,53,723     |
| f) Disputed Income Tax demands for the financial year 2008-09 to 2009-10<br><br>An amount of ₹ 5192568 (previous year ₹ 3994368) Paid under protest against item nos (e) & (f) is shown under the head of "Loans and advances"  | <b>3,47,35,780</b>   | 44,90,463     |
| g) Demands towards load factor shortfall charges for earlier years, disputed by the company (against which ₹ 300 lakhs - previous year ₹ 200 lakhs paid under protest grouped under the head of "Loans & Advances")   | <b>16,75,44,783</b>  | 13,93,55,496  |
| 2. The company operates in only one business Segment of manufacture of Ferro Alloys and there are no geographical segments to be reported   |                      |               |
| 3. A. Related Party Transactions:<br>Related parties in terms of AS 18 issued by the Institute of Chartered Accountants of India.   |                      |               |
| i) Associates:<br>Konaseema Gas Power Ltd<br>VBC Industries Limited<br>Orissa power Consortium Limited.   |                      |               |



| Particulars  | Current Year   | Previous Year  |
|--|--|--|
| ii) Key Managerial Personnel:<br>Sri M S Lakshmana Rao, Managing Director  |  |  |
| iii) Relatives of Key Managerial Personnel:<br>Dr. M V V S Murthi,<br>Sri M S Rama Rao   |  |  |
| iv) Companies/Firms/Other Concerns in which key<br>Managerial Personnel or his relatives holds<br>substantial interest<br><br>VBC Exports Ltd.<br>Techno Infratech project (India) Pvt. Ltd.<br>BASIL Infrastructure projects Ltd.<br>Indo-Us Coal Washeries Ltd |  |  |
| <b>B. Transactions carried with related parties:</b>   |  |  |
| <u>Nature of Transactions</u>  |  |  |
| i) Transactions pertaining to Associates:  |  |  |
| a) Pruchases-VBC Industries Limited  | <b>19,50,956</b>   | 17,12,680  |
| b) Sales- VBC Industries Limited   | <b>2,60,505</b>  | 3,71,196   |
| c) Rent:Received from Konaseema Gas Power Limited  | <b>24,00,000</b>   | 24,00,000  |
| d) Rental Depost refundable at the end of the year:<br>Konaseema Gas Power Limited   | <b>4,00,000</b>  | 4,00,000   |
| ii) Transactions pertaining to Key Management Personnel<br>Remuneration payable to M.S. Lakshman Rao,<br>Managing Director   | <b>10,74,373</b>   | 61,48,044  |
| iii) Transactions with Relatives of the Key Managerial Personnel:  |  |  |
| a) Interest Paid to<br>Dr.M.V.V.S. Murthi<br>M.S.P.Rama Rao  | <b>79,51,832</b><br><b>8,79,435</b>  | 85,01,005<br>-   |
| b) Amounts payable to the end of the year<br>Dr.M.V.V.S. Murthi<br>M.S.P.Rama Rao  | <b>5,58,64,332</b><br><b>2,57,91,491</b>   | 5,77,07,684<br>-   |
| iv) Transactions pertaining toCompanies/Firms/<br>Other Concerns in which key Managerial<br>Personnel or his relatives holds substantial interest  |  |  |
| a) Rent Paid to Techno Infratech project (India) Pvt. Ltd.   | <b>1,68,540</b>  | 4,96,350   |
| b) Amout payable as at the end of the year<br>VBC Exports Limited<br>Techno Infratech project (India) Pvt. Ltd.<br>BASIL Infrastructure projects Ltd.<br>Indo-Us Coal Washeries Ltd  | <b>38,20,993</b><br><b>36,00,000</b><br><b>3,98,584</b><br><b>2,40,957</b>           | 4,48,253<br>1,50,450<br>3,98,584<br>2,40,957             |
| c) Amount invested durin the year  | -  | -  |
| d) Amount invested up to the end of the year in<br>Basil Infrastructure Projects Ltd.<br>Konaseema Gas Power Ltd.<br>Orissa Power Consortium Ltd.<br>Indo-Us Coal Washeries Ltd  | <b>13,50,000</b><br><b>143,06,46,210</b><br><b>6,17,26,700</b><br><b>1,08,57,364</b> | 13,50,000<br>143,06,46,210<br>6,17,26,700<br>1,08,57,364 |



| Particulars   | Current Year          | Previous Year |
|---|-----------------------|---------------|
| <b>4 Earning Per Share (EPS)</b>  |                       |               |
| a) Net Profit available for Equity Share Holders. (₹)   | <b>(11,74,02,149)</b> | 8,02,61,813   |
| b) Weighted Average Number of Equity Shares Used as denominator for calculating EPS   | <b>43,94,350</b>      | 43,94,350     |
| c) Basic and Diluted Earnings per Share of ₹. 10/- Each   | <b>(26.72)</b>        | 18.26         |
| 5. Konaseema Gas Power Limited, Hyderabad is an Associate Company as defined in paragraph 4 of Accounting Standard on "Accounting for Investments in Associates in Consolidated Financial Statements (AS 23)" of Companies (Accounting Standards) Rules, 2006 as the company's voting power in the said Company exceeds the limits prescribed in the said paragraph. However, the said Accounting Standard is not applicable, as the company is not required to prepare consolidated statements under AS 21 |                       |               |
| 6. 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 for Impairment of Asset (AS 28) of Companies (Accounting Standard) Rules, 2006.   |                       |               |
| 7. Previous year figure were regrouped wherever necessary to make them comparable with current year figures   |                       |               |

For and on behalf of the Board

Per our report of even date annexed  
For BRAHMAYYA & CO.,  
Chartered Accountants

Sd/-  
M.S.LAKSHMAN RAO  
Managing Director

Sd/-  
M.N.RAO  
Director

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

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

Sd/-  
(CA. C.V. RAMANA RAO)  
Partner  
Membership No. 018545

Place : Hyderabad  
Date : 30.05.2013



**VBC FERRO ALLOYS LIMITED**

**VBC FERRO ALLOYS LIMITED**

Regd. Office : 6-2-913/914, 3<sup>rd</sup> 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 31<sup>st</sup> Annual General Meeting of the Company to be held on Monday the 30<sup>th</sup> September 2013 at 2.30 p.m. at Surana Udyog Auditorium of The Federation of Andhra Pradesh, Chambers of Commerce & Industry situated at 11-6-841, Red Hills, Hyderabad-500 004 and at any adjournment thereof.

- 1. Mr./Ms. \_\_\_\_\_ , \_\_\_\_\_ or failing him/her  
(name of the proxy) (signature of proxy)
- 2. Mr./Ms. \_\_\_\_\_ , \_\_\_\_\_ or failing him/her  
(name of the proxy) (signature of proxy)
- 3. 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   |     |         |

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

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2013

Folio No./DP ID & 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, 3<sup>rd</sup> 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 & ADDRESS OF THE SHARE HOLDER

Folio No. /  
DP ID & Client ID No.

.....  
.....  
.....

.....

I hereby record my presence at the 31<sup>st</sup> ANNUAL GENERAL MEETING of the Company held on Monday, the 30<sup>th</sup> September, 2013 at 2.30 p.m. at Surana Udyog Auditorium of The Federation of Andhra Pradesh Chambers of Commerce & Industry situated at 11-6-841, Red Hills, Hyderabad-500 004.

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.