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**39<sup>th</sup> Annual Report**  
**2010-2011**



**VBC Industries Limited**  
6-2-913/914, 3rd Floor, Progressive Towers,  
Khairatabad, HYDERABAD - 500 004,  
Andhra Pradesh, India.

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## THIRTY NINTH ANNUAL GENERAL MEETING

Day : Monday  
Date : 12.09.2011  
Time : 11.00 A.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 23320904-08 / 23301230, Fax +91 40 23321217

## WORKS

Dinnedevarapadu Village, NH-7, Kurnool-518 002, Andhra Pradesh.  
Tel: 08518-237845, Fax: 08518-237848

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## VBC Industries Limited

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### BOARD OF DIRECTORS

Dr. M.V.V.S. MURTHI	Chairman (Non-Executive)
Sri G.L. TANDON, Padma Bhushan	Director
Sri R.K.R. GONELA, I.A.S. (Retd.)	Director
Sri J. KAMESWARA SARMA	Director
Sri V.S. RAO	Director
Sri M.S. LAKSHMAN RAO	Managing Director

### AUDIT COMMITTEE

Sri R.K.R. GONELA, I.A.S. (Retd.)	Chairman (Non-Executive)
Sri J. KAMESWARA SARMA	Member
Sri V.S. RAO	Member

### INVESTORS' GRIEVANCE AND SHARE TRANSFER COMMITTEE

Dr. M.V.V.S. MURTHI	Chairman (Non-Executive)
Sri M.S. LAKSHMANA RAO	Member
Sri J. KAMESWARA SARMA	Member

### REMUNERATION COMMITTEE

Sri R.K.R. GONELA, I.A.S. (Retd.)	Chairman (Non-Executive)
Sri G.L. TANDON	Non-Executive Member

### COMPANY SECRETARY

Sri D.S. SARMA	GM (Corporate Affairs) & CS/Compliance Officer
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### AUDITORS :

**M/s. BRAHMAYYA & CO.,**  
Chartered Accountants,  
VISA KHAPATNAM.

### BANKERS :

**UCO BANK**  
High School Road  
WANAPARTHY - 509 103  
Mahaboob Nagar Dist.,  
Andhra Pradesh.

### 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

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Members are requested to bring this Annual Report to the Meeting.

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## **NOTICE OF 39<sup>th</sup> ANNUAL GENERAL MEETING OF THE COMPANY**

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NOTICE is hereby given that the **THIRTY NINTH** Annual General Meeting of the members of **VBC INDUSTRIES LIMITED** will be held on Monday, the 12<sup>th</sup> September, 2011 at 11-00 A.M. at Surana Udyog Auditorium of the Federation of Andhra Pradesh Chamber of Commerce and Industry, situated at 11-6-841, Red Hills, Hyderabad-500 004 to transact the following business:

### **ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2011 together with the Profit and Loss Account for the year ended on that date and the Reports of Directors' and Auditors thereon.
2. To appoint a Director in place of Sri J.K.Sarma, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Sri G.L.Tandon, who retires by rotation and being eligible offers himself for re-appointment
4. To appoint Auditors for the financial year 2011-2012 to hold office till the conclusion of the next Annual General Meeting and fix their remuneration. M/s. Brahmayya & Co., Chartered Accountants (Firm Regd.No.000513S), the retiring Auditors, being eligible, offer themselves for re-appointment.

### **SPECIAL BUSINESS:**

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

"RESOLVED that pursuant to Section 16 and 94 and all other applicable provisions, if any, of the Companies Act, 1956, the existing Authorized Share Capital of the Company of ₹ 80,00,00,000/- (Rupees eighty crores only) divided into 8,00,00,000 (Eight crores only) equity shares of ₹ 10/- each be increased to ₹ 150,00,00,000 (Rupees One Hundred and Fifty Crores Only) divided into 10,00,00,000 (Ten crores) equity shares of ₹ 10/- each and 50,00,000 (Fifty Lakhs) Cumulative Redeemable Preference Shares of ₹ 100/- each and that Clause V of the Memorandum of Association of the Company be altered accordingly by substituting the following new clause V in place of the existing clause V.

"The Authorized Share Capital of the Company is ₹ 150,00,00,000 (Rupees One Hundred and Fifty Crores only) divided into 10,00,00,000 (Ten crores) equity shares of ₹ 10/- (Rupees Ten only) each and 50,00,000 (Fifty Lakhs) Cumulative Redeemable Preference Shares of ₹ 100/- (Rupees Hundred Only) each to be issued on such terms and conditions including rate of dividend, period of redemption and other terms and conditions as may be determined by the Board of Directors of the Company at the time of issue.

The Company has power from time to time to increase or reduce its capital and issue upon the increase in capital the new capital as equity or preference shares and to attach to any class or classes of such shares, preference, rights, privileges or priorities in payment of dividends, or distribution of assets, or otherwise, over any other shares and to subject the same to any restrictions, limitations or conditions and to vary the regulations of the company, as far as necessary to give effect to the same and upon the sub-division of a share to apportion the right to participate in profits in any manner subject to the prior consent of the Government of India or the order of court, if the same be necessary, being obtained before doing so."

6. To consider, and if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution

"RESOLVED that pursuant to the provisions of section 31 and other applicable provisions, if any, of the Companies Act, 1956, the existing Articles of association of the Company be altered by way of inserting the following new sub clauses to the existing clause 4

- 4(i) Subject to the provisions of section 80 and other applicable provisions of the Companies Act, 1956, the Company may issue Cumulative redeemable preference shares on such terms and in such manner as the Board may determine before the issue of such shares.
- 4(ii) The redeemable shares so issued and fully paid be redeemed out of profits of the Company which would otherwise be available for Dividend or out of the proceeds of a fresh issue

## VBC Industries Limited

of shares made for the purpose of redemption. If the cumulative redeemable preference shares are redeemed out of profits which would otherwise have been available for Dividend a sum equal to the nominal amount of Cumulative Redeemable Preference shares to be redeemed be transferred to a reserve fund to be called the capital redemption reserve for the purpose of redemption.

7. To consider, and if thought, fit to pass with or without modification(s), the following resolution as a special resolution

"RESOLVED THAT pursuant to the provisions of section 80, 81(1)(A) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or reenactment thereof for the time being in force), and in accordance with the provisions of the Memorandum and Articles of Association of the company and the listing agreement entered into by the company with the stock exchange(s) where the shares of the Company are listed and subject to the approvals, permissions and sanctions of the concerned authorities as may be necessary, and subject to such conditions and modifications as may be prescribed in granting such approvals, permissions and sanctions and subject to the conditions as may be imposed by the Securities and Exchange Board of India(SEBI), which may be agreed to by the Board of Directors of the Company including any committee constituted thereof(hereinafter called the Board), at its sole discretion, the consent of the Company be and is hereby accorded to create, offer, issue and allot up to 50,00,000 cumulative redeemable preference shares of ₹ 100/- each at par and for cash to the promoters of the Company or Companies in which the promoters are interested or associate Companies or to such other person(s) as the Board may in its absolute discretion decide in the best interest of the Company in one or more tranches on private placement basis or otherwise and on such terms and conditions including the number of cumulative redeemable preference shares to be issued to any one or more persons as may be determined by the Board and that the Board may finalize all matters incidental thereto as it may in its absolute discretion thinks fit.

"FURTHER RESOLVED THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorized to do, perform and execute such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any questions, difficulties or doubts that may arise in regard to the offer, issue, and allotment of Cumulative Redeemable Preference Shares."

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

"RESOLVED THAT pursuant to Section 31, 310 and other applicable provisions, if any, of the Companies Act, 1956, read with Rule 10-B of the Companies (Central Government's) Rules and Forms, 1956, approval be and is hereby accorded to amend Article 98 of the Articles of Association of the Company to increase the sitting fee payable to each of the Directors of the Company for attending the meeting of the Board of Directors or a Committee thereof by substituting the following new article in place of the exiting Article 98 of the Articles of Association of the Company:

**Article 98:**

<b>Remuneration of Directors</b>	<b>Until otherwise determined by the General Meeting, each Director shall receive out of the funds of the Company, by way of remuneration, for each Meeting of the Board or a committee thereof attended by him, a sum not exceeding the amount as prescribed under Rule 10-B of the Companies (Central Government) General Rules and Forms, 1956 in addition to all traveling, hotel and other expenses incurred as may be considered fair and reasonable by the Board in connection with his attending the meeting.</b>
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BY ORDER OF THE BOARD  
For VBC INDUSTRIES LIMITED

Sd/-  
(D.S. SARMA)  
COMPANY SECRETARY

Place : Hyderabad  
Date : 27-07-2011

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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 AT LEAST 48 HOURS BEFORE THE MEETING.**
2. Explanatory Statement in respect of item Nos.5 to 8 of the notice is annexed hereto in pursuance of Section 173(2) of the Companies Act, 1956 and the same forms part of the notice.
3. 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 shall remain closed from 5th September, 2011 to 12th September, 2011(both days inclusive) for the purpose of the Annual General Meeting.
4. Members holding shares in electronic form who wish to change their address are requested to intimate the same to the Registrars and Share Transfer Agents M/s. Venture Capital and Corporate Investments Limited, 12-10-167, Bharat Nagar, Hyderabad - 500 018. (Tele: No. 040-2381 8475/ 2386 8023; Fax No.040- 2386 8024).
5. Members desirous of making Nomination in respect of their shareholding are requested to submit Form 2B to the Registrars and Share Transfer Agents.
6. Shareholders are requested to convert their physical shareholdings into electronic shareholdings for their own convenience. 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.
7. Members/Proxies are requested to bring duly filled in attendance slips to the meeting.
8. As required under Clause 49 of the Listing Agreements with Stock Exchanges, brief particulars of Shri G.L. Tandon and Shri J.K. Sarma, who are proposed to be re-appointed as Directors are provided hereunder :

**a. Shri G.L. Tandon**

Sri G.L.Tandon, a graduate in B.Tech (Mining) from Indian School of Mines, Dhanbad in 1951 served in several public and private sector organizations including the post CMD of Neyveli Lignite Corporation Limited and as the Chairman of Coal India Limited. In view of the rich experience and expertise in various industrial related activities, the Board of Directors of your Company thought fit to re-appoint him as a non-executive and independent Director of the Company in the overall interest of the Company and hence your Directors recommend the re-appointment of Sri G.L. Tandon for its approval by the members of the Company.

**b. Shri Janga Kameswara Sarma**

Sri Janga Kameswara Sarma is a post Graduate in Mathematics and served in the Indian Audit & Accounts Service (IA & AS) and has more than 40 years services in various capacities in Government of India. His valuable advise and guidance on several matters including setting up of power projects and on various matters relating to techno-commercial and economic issues are of immense use to the Company. He is also a director on the Board of Krishna Godavari Power Utilities Limited, Bhadrachalam Power Company Limited and various other reputed corporate bodies. Considering his experience and expertise in various industrial related matters and activities, the Board of Directors of your Company thought fit to re-appoint him as a non-executive and independent Director of the Company in the overall interest of the Company and hence your Directors recommend the re-appointment of Sri J. Kameswara Sarma for its approval by the members of the Company.

**IMPORTANT COMMUNICATION TO MEMBERS**

The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies and has issued circulars stating that service of notice/documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository participants. Members who hold shares in physical form are requested to register the same with Venture Capital & Corporate Investments Pvt. Limited.

## VBC Industries Limited

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### EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

#### ITEM NOS. 5 & 6 :

To part finance and meet the funding requirements of the project under expansion, the Company intends to raise the requisite funds by issue of further share capital. The present authorized share capital of the Company of ₹ 80.00 crores not being sufficient enough, it is proposed to raise the same to ₹ 150.00 crores, consisting of equity and preference shares. In terms of section 16 and 94 of the Companies Act, 1956, the alteration of the capital clause of the Memorandum of Association requires the approval of the shareholders.

To enable the Company to issue, offer and allot the preference shares it is necessary that the Articles of Association of the Company should contain a provision for such issue. As required in terms of section 80 of the Companies Act, 1956, your Board is proposing the resolution as contained in the notice to alter by way of insertion of new sub clauses (i) and (ii) to the existing clause 4 of the Articles of Association. In terms of section 31 and 80 of the Companies Act, 1956, as the approval of the shareholders is required by way of a special resolution. Your Board recommends the above said resolutions for your approval.

The Directors may be deemed to be interested in the above resolutions to the extent of their shareholding in the Company

#### ITEM NO. 7

You are kindly aware that your company is setting up an integrated Ferro Alloys complex at Akkalapalli Village, Adilabad District, Andhra Pradesh, with a total project cost of ₹ 193.33 Cr and your Company has to infuse an amount ₹ 64.33 Cr as equity (including internal accruals) and the balance by way of debt, being tied up with Banks/Financial Institutions.

Your company is advised that rising of further equity capital to finance the proposed project is not in the long term interest of the equity shareholders, as the servicing of the enhanced equity adequately even after the completion of the proposed project will be highly difficult to the company. Accordingly your company is advised to raise the required funds through issue of Redeemable Preference Shares.

In terms section 81 (1A) and other applicable provisions of the Companies Act, 1956, the issue of the Cumulative Redeemable Preference shares requires the approval of the shareholders. The Board intends to issue and offer the said Preference shares to such persons in one or more tranches on such terms and conditions, as determined by the Board of Directors in the best interest of the Company, subject to such approvals if any, as may be necessary before the issue. The Board recommends the resolution for your approval.

The Directors may be deemed to be interested in the above resolution to the extent of the shares that may be allotted to them and also to such Companies in which they are interested.

#### ITEM NO. 8

As per the existing Article 98 of the Articles of Association of the Company, the Directors of the Company are entitled to receive an amount of ₹ 250/- only as sitting fee towards attending every meeting of Board of Directors or any committee constituted by the Board, which has been fixed long back.

Your company feels that the present limit is not at all commensurate to the efforts put in by the non-executive directors and requires to be enhanced. Hence the above amendment is proposed to the Articles of Association

All the Non whole time Directors of the Company entitled to the sitting fee may be deemed to be interested in the resolution.

BY ORDER OF THE BOARD  
For VBC INDUSTRIES LIMITED

Sd/-  
(D.S. SARMA)  
COMPANY SECRETARY

Place : Hyderabad  
Date : 27-07-2011

## DIRECTORS' REPORT

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Dear Shareholder,

Your Directors take pleasure to present the 39<sup>th</sup> Annual Report of VBC Industries Limited together with Audited Financial Statements for the financial year ended 31<sup>st</sup> March 2011.

### Financial Results (Highlights):

Particulars	Current year 2010-2011 (₹ in Lakhs)	Previous year 2009-2010 (₹ in lakhs)
Gross Revenue	<b>6655.70</b>	4870.84
Profit before Interest Depreciation & Tax (PBIDT)	<b>1392.78</b>	701.76
Less: Interest & Financial Charges	<b>215.23</b>	234.83
Profit before depreciation and Tax (PBDT)	<b>1177.55</b>	466.93
Less: Depreciation	<b>98.13</b>	96.41
Profit before tax(PBT)	<b>1079.42</b>	370.52
Less: Provision for taxation including Deferred Tax Charge for the year	<b>152.11</b>	42.93
Profit after Tax(PAT)	<b>927.31</b>	327.59
Profit brought forward from previous year	<b>887.83</b>	560.24
Profit available for appropriation and carried to balance sheet	<b>1815.14</b>	887.83

### DIVIDEND

At the previous Annual General Meeting, the members were appraised about the Company's proposal to set up an integrated Ferro Alloys Plant at Akkallapalle Village, Bhimini Mandal, Adilabad District. To part finance the cost of the proposed plant, your Company is making the best use of internal resources available by means of profits earned and built up reserves of the Company. Your Company earned good profits during this year. However, your Directors choose to retain them for speedy implementation of the project expansion and complete the project as per schedule which may result in better performance in the coming years. Accordingly, your company regrets its inability to declare any dividend for the year.

### BUSINESS PERFORMANCE:

During the financial year under review, your company has produced 8406 MT of Ferro Silicon as against the production of 7915 MT of Ferro Silicon during the previous year and achieved sales of ₹ 6655.70 lacs as against ₹ 4870.84 lacs during the previous year thus resulting in substantial improvement in performance.

### PROSPECTS:

The demand for steel is steadily growing in our country on account of steady demand from sectors such as automobiles, white goods and infrastructure industries. The domestic demand for steel will result in higher demand for Ferro Alloys and your Company will be benefited with the improved demand.

### EXPANSION:

Your company's plans to set up a modern integrated Ferro Alloys plant at Akkallapalle Village, Adilabad district as part of expansion plans for the manufacture of Bulk Ferro Alloys, Calcium Carbide, Pig Iron and steel. Your Company has taken up initially to set up manufacturing facilities to manufacture of 45,000 MTS of Silico Manganese. The project is progressing on several fronts. Your Company already acquired 225 acres of land at Akkallapalle Village, Bhimini Mandal, Adilabad District and also obtained necessary permission for plant establishment from the Ministry of Commerce & Industry, Government of India. Your Company is in the process of obtaining environmental clearances, (CFE) and permissions for water and power supply from Government of Andhra Pradesh.



The expansion project outlay is envisaged as ₹ 193.33 crores as per the DPR and your Company is putting up every effort to meet the time schedule of twenty four months for setting up the plant from the date of financial closure.

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

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

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

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

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

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

### **CORPORATE GOVERNANCE**

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

### **FIXED DEPOSITS**

The company has not accepted any fixed deposits.

### **PERSONNEL**

Your Company is maintaining cordial relations with all the employees. Your Directors and Management express happiness for commitment and dedication shown by the employees.

### **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.

### **INSURANCE**

Your company's movable and immovable assets have been adequately insured against various risks.

### **DIRECTORS**

Your company regrets to inform the sad demise of Shri M.K. Raju, Director of your company on 17-11-2010 and place on record its appreciation for his valuable advise and guidance provided to the company.

In accordance with the provisions of Section 255 of The Companies Act, 1956 and clause 105 of the Articles of Association of the Company, Sri G.L.Tandon and Sri J.Kameswara Sarma, Directors who are liable to retire by rotation and being eligible, offer themselves for re-appointment. Board recommends their re-appointment. In accordance with the provisions of Clause 49 of the Listing Agreement with the Bombay Stock Exchange Limited, the particulars of Sri G.L.Tandon and Sri J. Kameswara Sarma are provided in the notes annexed to the Notice of the Annual General Meeting which forming part of this Annual Report.

### **AUDITORS:**

M/s Brahmayya & Co., Chartered Accountants, the Statutory Auditors of the Company, holds office up to the conclusion of the forthcoming Annual General Meeting and have expressed their willingness to be re-appointed as the Statutory Auditors of the Company. The Company has received a written confirmation from M/s Brahmayya & Co., to the effect that their appointment, if made, would be in conformity with the limits prescribed in Section 224(1B) of the Companies Act, 1956.

Your Directors recommend their re-appointment for the financial year 2011-12.

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**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 31st March 2011, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- (ii) Such accounting policies have been selected and applied and that such judgments and estimates have been made as are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or 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 has been prepared on a 'going concern' basis.

**DECLARATION**

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

**ACKNOWLEDGEMENTS:**

Your Directors thank the Government of India and Government of Andhra Pradesh for their support and place on record its appreciation for support and encouragement received from UCO Bank.

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

For and on behalf of the Board  
for VBC INDUSTRIES LIMITED

Sd/-

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

Place : Hyderabad  
Date : 27.07.2011

## VBC Industries Limited

### ANNEXURE TO DIRECTORS' REPORT

#### A. CONSERVATION OF ENERGY :

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

POWER AND FUEL CONSUMPTION	Current Year 2010-11	Previous Year 2009-10
1. Electricity		
a. Purchase Units (KWH)	7,74,66,035	7,11,27,170
Total Amount (₹ in lacs)	2048.68	1745.75
Rate / Unit (in ₹)	2.64	2.45
*Including load factor shortfall charges.		
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)		
Quantity (Tones)	Nil	Nil
Total Cost	Nil	Nil
Average Rate	Nil	Nil
3. Furnace Oil		
Quantity (K.ltrs.)	Nil	Nil
Total Amount	Nil	Nil
Average Rate	Nil	Nil
4. Other internal generation	Nil	Nil
<b>CONSUMPTION PER UNIT OF PRODUCTION</b>		
Electricity KWH/MT - Ferro Silicon	9,216	8,986
Furnace Oil	Nil	Nil
Coal (specify quality)	Nil	Nil
Others (specify)	Nil	Nil

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**B. TECHNICAL ABSORPTION :****1. RESEARCH AND DEVELOPMENT (R&D)**

a. Specify areas in which R&D is carried out by the Company	Nil	Nil
b. Benefits derived as a result of the above R&D	Nil	Nil
c. Future plan of action:		
a) Production of special grade Ferro Silicon for high grade Steels		
b) Improvements in preparation of raw material facilities.		
d. Expenditure on R&D		
i) Capital	Nil	Nil
ii) Recurring	Nil	Nil
iii) Total	Nil	Nil
iv) Total R&D Expenditure as a percentage of Total Turnover	Nil	Nil

**2. TECHNOLOGY ABSORPTION, ADOPTATION & INNOVATION :**

a. Efforts, in brief, made towards technology, absorption, adaptation and innovation	--	--
b. Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution etc.	--	--
c. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished :		
i) Technology Imported	Nil	Nil
ii) Year of Import	Nil	Nil
iii) Has technology been fully absorbed	Nil	Nil
iv) If not fully absorbed, areas where this has not taken place, reasons there for and future plans of action	Not Applicable	
d. Foreign Exchange Earnings & Outgo		
i) Foreign Exchange Earnings at FOB Value-(₹)	Nil	2,34,05,274
ii) Foreign Exchange Outgo -		
A] CIF Value of Imports :		
Raw Materials, Components and Spares	Nil	Nil
Capital Goods	Nil	Nil
B] Others	Nil	Nil

For and on behalf of the Board  
for VBC INDUSTRIES LIMITED

Sd/-

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

Place : Hyderabad  
Date : 27.07.2011

# VBC Industries Limited

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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### 1. BACKGROUND

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

### 2. INDUSTRY STRUCTURE

Ferro Alloy Industry mainly caters the needs of global 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 there is surplus capacity in the country.

Strong growth in steel and stainless steel is expected in the near future with generally healthy economic conditions over the next few years. And it is expected that the excess capacity will be absorbed and further growth is anticipated in Ferro Alloys Industry.

### 3. OPERATIONS, OPPORTUNITIES & THREATS

**OPERATIONS:** This has been dealt with in the Directors' Report.

**OPPORTUNITIES:** India's natural resources and geographical position is exceptionally well positioned to benefit from the growing demand for steel making raw materials. The Ferro alloys industry also thrives with the increased demand for steel. To reap the benefits of growing demand for steel, your Company is setting up a plant at Akkallapale Village in Adilabad District for the manufacture of Ferro Alloys, Calcium Carbide and Pig Iron.

**THREATS:** The manufacture of Ferro alloys is highly power-intensive, and therefore the cost of power is critical to the competitiveness. On an average, 50% of the total cost per tonne of Ferro alloys is accounted for by power. This is the only major threat that the industry is facing and in order to be competitive on a global scale, it is necessary to have stable power supply at a remunerative price.

### 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 appears to be encouraging because of the following reasons:

- a) Your Company is participating in a Power Plant of 65 MW being set up at Village Jagannathpur, Sirpur Kagaznagar Mandal, Adilabad District in the State of Andhra Pradesh by M/s. Karthik Rukmini Alloys & Energy Ltd., in association with Group companies and this would enable your Company to draw the required power at a comparatively lower price than that of the price being charged by CPDC of AP Limited.
- b) Your company had already invested significant funds in 445 MW Natural Gas Power Project of M/s. Konaseema Gas Power Limited and 20 MW Hydro Electric Power Project of M/s. Orissa Power Consortium Limited and your company is expected to benefit from its investments, as the above two projects have started commercial production.

### 6. RISKS & CONCERNS:

The following are the risks and concerns that your company may face in future:

- a. Delay in setting up of power plant: Management has taken several steps to implement the Project, including land procurement, water allocation, fuel supply, Governmental clearances including environmental clearances etc., to speed up the implementation.

- 
- b. Increase in power cuts imposed by CPDC of AP Limited may also affect the profitability of the company. The power plant which is under implementation will ensure assured availability of power at an affordable cost.

**7. INTERNAL CONTROL SYSTEMS AND ADEQUACY**

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

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

Further, 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. DISCUSSION 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 151 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.

Company believes that an on-going learning process is vital for growth in the fast changing business environment and for this purpose Company has been conducting various training programmes, motivation programmes 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 : 27.07.2011

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

## VBC Industries Limited

### REPORT ON CORPORATE GOVERNANCE:

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

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

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

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

- Composition and Category of Directors as on 31.03.2011

Category	No. of Directors	%
Executive Directors	1	14.28
Non-Executive Directors :		
(i) Promoter Directors	1	14.28
(ii) Others	1	14.28
Independent Non-Executive Directors	4	57.16
Total	7	100.00

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

Name of the Director	Category	Designation	Attendance at Last AGM (YES/NO)	Attendance in Board Meetings		No. of Directorships and No. of Committee positions in other public companies		
				No. of Board Meetings held during his tenure	Present	Other Directorships#	Committee Memberships*	Committee Chairmanships*
Dr. M.V.V.S. Murthi	Non Executive, Promoter	Chairman	Yes	4	4	2	2	1
Shri R.K.R. Gonela	Non Executive Independent	Director	Yes	4	4	3	2	2
Sri V.S.Rao	Non Executive Independent	Director	Yes	4	3	2	1*	NIL
Sri M.K. Raju*	Non Executive Independent	Director	No	3	NIL	1	NIL	NIL
Sri J.K. Sarma	Non Executive Independent	Director	Yes	4	4	6	2	NIL
Sri G.L.Tandon	Non Executive Independent	Director	Yes	4	3	4	NIL	1
Sri M.S.Lakshman Rao	Executive	Managing Director w.e.f. 19.07.2008	Yes	4	4	6	1	NIL
Shri M.V. Ananthkrishna	Non Executive Independent	Director	Yes	4	4	1	Nil	NIL

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\* Consequent on the sad demise of Sri M.K. Raju, Director on 17-11-2010, which was noted by the Board of Directors of the Company at its meeting held on 28<sup>th</sup> January, 2011, he ceased to be a Director of the Company.

# Excluding Directorships in Private Limited Companies.

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

Four Board Meetings were held during the financial year 2010-11 on 15<sup>th</sup> May, 2010, 15<sup>th</sup> July, 2010, 30<sup>th</sup> October, 2010 and 28<sup>th</sup> January, 2011.

**3. Audit Committee**

• Brief description of Terms of Reference

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

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

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

Sri R.K.R Gonela	Chairman	Independent non-executive Director
Sri J.K. Sarma	Member	Independent Non-executive Director
Sri V.S. Rao	Member	Non-executive Director

The Company Secretary of the Company acts as the Secretary of the Audit Committee.

• Meetings and Attendance during the year

Date	R.K.R. Gonela	J.Kameswara Sarma	V.S. Rao
15-05-2010	YES	YES	YES
15-07-2010	YES	YES	YES
30-10-2010	YES	YES	NO
28-01-2011	YES	YES	YES

**4. Remuneration policy:**

The remuneration policy followed by the Company is as per the relevant provisions of the Companies Act, 1956 read with Schedule XIII.



## VBC Industries Limited

The payment of sitting fees to the non-executive Directors for attending the meetings of the Board and Committees of Board will be decided by the Board of Directors in accordance with the provisions of the Companies Act, 1956 and as per the stipulations in the Articles of Association of the Company.

No remuneration has been paid to the Managing Director and other Directors.

The Company has paid only sitting fees and reimbursement of actual expenses to other non-executive directors for attending the meetings of Board and Committee of Directors. The details of sitting paid to the directors are as under:

(in ₹)

Name	Designation	Sitting Fee	Salary	Benefits	Total
Dr.M.V.V.S. Murthi	Non-Executive Chairman	800.00	NIL	NIL	800.00
Sri R.K.R. Gonela	Independent Non-Executive Director	800.00	NIL	NIL	800.00
Sri J.K. Sarma	Independent Non-Executive Director	800.00	NIL	NIL	800.00
Sri V.S. Rao	Non-Executive Director	600.00	NIL	NIL	600.00
Sri G.L. Tandon	Independent Non-Executive Director	400.00	NIL	NIL	400.00
Sri M.K.Raju	Independent Non-Executive Director	NIL	NIL	NIL	NIL
Sri M.V. Ananthakrishna	Independent Non-Executive Director	400.00	NIL	NIL	400.00
Sri M.S. Lakshman Rao	Managing Director	NIL	NIL	NIL	NIL

### 5. Investors' Grievances and Share Transfer Committee:

The Shareholders' Grievances Committee was constituted by the Board of Directors at its meeting held on 27.01.2001 to redress the grievances of the shareholders and also to protect their interest. The Share Transfer Committee was also constituted in the year 1994 to consider the approval of share transfer, transmission, issue of duplicate shares, split, consolidation of shares etc. The Share Transfer Committee meets twice in a month on an average to consider the aforesaid matters.

However, the Company has re-named the share transfer committee as Investors' Grievances and Share Transfer Committee w.e.f. 28<sup>th</sup> January, 2010 with the following Directors as the members of the Committee:

Name of member	Category	Status
Dr. M.V.V.S. Murthi	PNEC	Chairman
Sri M.S. Lakshman Rao	MD	Member

**Name and designation of compliance officer:**

Sri D.S. SARMA  
Company Secretary

The Shareholder's Grievances Committee, as and when occasion arises, oversees the performance of Registrars and Share Transfer Agents and recommends improvements for quality services to the investors.

**a) Shareholders' complaints:**

As soon as complaints are received from the shareholders, the same will be redressed by the Registrar and Share Transfer Agents and also by the Secretarial Department of the Company within one week from the receipt of complaints. There are no complaints remained unsolved to the satisfaction of shareholders.

**b) Number of shares pending for transfers:**

No Equity Shares remain pending for transfer as on 31<sup>st</sup> March, 2011.

**6. General Body Meetings**

**a) Details of the Last 3 AGMs**

Year	Location	Date	Time	Special Resolution
2007-2008	A-4 Unit Industrial Estate Visakhapatnam 530 007	29-09-2008	11.00 a.m.	One Special Resolution was Passed to shift the Registered Office from Visakhapatnam To Hyderabad
2008-2009	Surana Udyog Auditorium FAPCCI 11-6-841, Red Hills HYDERABAD-500 004	16-09-2009	11.00 a.m.	No Special Resolution was passed during the year
2009-2010	Surana Udyog Auditorium, FAPCCI 11-6-841, Red Hills HYDERABAD-500 004.	15-07-2010	03.00 p.m.	No special resolution was passed during the year

## VBC Industries Limited

b) Special Resolution passed through Postal Ballot:

Particulars of Resolution	Resolution Passed on	Applicable Section of the Companies Act, 1956	No. and % of Votes in Favour	No. and % of Votes against
To Shift the Registered Office of the Company from Visakhapatnam to Hyderabad	29-09-2008	Section 192A and all other applicable provisions of the Companies Act, 1956.	1,96,63,201 (99.99%)	900 (00.01%)

- i) Profile and other information regarding the Directors being appointed / 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.

### 7. **Management Discussion & Analysis Report**

Management Discussion & Analysis Report is separately given in this Report.

### 8. **Disclosures:**

- There are no transactions, which may have potential conflict with the interests of the Company. Schedule 18 of the Annual Accounts contains the details of related party transactions as required by the Accounting Standard 18 (AS-18) on 'Related Party Disclosures' issued by the Institute of Chartered Accountants of India.
- There is no non-compliance by the company and no penalties, strictures have been imposed on the company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.
- The Company has complied with all 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 General Manager(Finance) relating to financial statements and internal controls 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.

### 9. **Means of communication:**

The means of communication to the shareholders are through quarterly financial results which are normally published in Business Standard/Financial Chronicle and Andhra Prabha/Andhra Bhoomi daily newspapers, both in English and Telugu language respectively having wide circulation.

### 10. **General Shareholders information:**

#### i) Date, Time and Venue of the 39<sup>th</sup> Annual General Meeting

The 12<sup>th</sup> day of September, 2011 at 11.00 a.m. at Surana Udyog Auditorium of the Federation of Andhra Pradesh Chambers of Commerce and Industry (FAPCCI) at Hyderabad.

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- ii) Financial Calendar (tentative and subject to change)
- |  |                                 |
|--|---------------------------------|
| Financial Reporting for the quarter ended 30 <sup>th</sup> September, 2011 | 14 <sup>th</sup> November, 2011 |
| Financial Reporting for the quarter ended 31 <sup>st</sup> December, 2011  | 13 <sup>th</sup> February, 2012 |
| Financial Reporting for the quarter ended 31 <sup>st</sup> March, 2012     | 12 <sup>th</sup> May, 2012      |
| Financial Reporting for the quarter ended 30 <sup>th</sup> June, 2012      | 13 <sup>th</sup> August, 2012   |
- iii) Dates of Book Closure
- 5<sup>th</sup> September, 2011 to 12<sup>th</sup> September, 2011 (both days inclusive)**
- iv) Dividend Payment date : Not Applicable
- v) Listing on Stock Exchanges
- The Bombay Stock Exchange Limited  
Phiroze Jeejeebhoy Towers, Dalal Street  
Mumbai – 400 021
- vi) Stock Code VBC IND
- vii) Scrip Code: 524310

Listing Fees

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

viii) Monthly High and Low Quotation of Shares traded on The Stock Exchange. Mumbai

<i>Month</i>	<i>High (₹)</i>	<i>Low (₹)</i>	<i>Close (₹)</i>	<i>No. of Shares</i>
Apr 2010	26.90	20.75	22.50	6,26,099
May 2010	23.30	18.00	20.05	3,27,555
June 2010	22.50	19.25	20.55	3,57,204
July 2010	28.20	20.10	23.60	12,59,400
Aug 2010	26.50	18.00	21.50	5,11,275
Sep 2010	35.50	23.60	21.55	8,28,728
Oct 2010	24.90	21.00	24.90	5,47,479
Nov 2010	23.90	18.00	18.60	7,47,229
Dec 2010	20.25	13.70	18.70	9,75,672
Jan 2011	22.00	14.55	15.05	4,52,830
Feb 2011	16.80	12.60	13.95	4,20,323
Mar 2011	15.50	13.00	13.70	7,15,241

ix) a. 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.

## VBC Industries Limited

### b. 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 effected by the above under the delegated authority once in a quarter.

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

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

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

Category		No. of shareholders	%	Shares held	%
From	To				
Up to	500	29,255	88.29	45,42,644	10.08
501	1000	2,078	6.27	18,73,344	4.16
1001	2000	972	2.93	15,76,052	3.50
2001	3000	257	0.78	6,70,023	1.49
3001	4000	118	0.36	4,29,827	0.95
4001	5000	131	0.40	6,25,695	1.39
5001	10000	155	0.47	11,04,389	2.45
10001	And above	167	0.50	3,42,21,835	75.98
Total		33,133	100.00	4,50,43,809	100.00

### (b) Categorywise Distribution of Shareholding as on 31<sup>st</sup> March, 2011

Categories	No. of Shares	% to Total
Promoters, Directors / Relatives and associated Persons	3,20,07,883	71.06
Financial Institutions & Banks	--	--
Foreign Institutional Investors	--	--
Non-resident Indians	29,833	0.06
Private Corporate Bodies	15,22,204	3.38
Indian Public	1,14,83,889	25.50
<b>TOTAL</b>	<b>4,50,43,809</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 26<sup>th</sup> January, 2001 and are available for trading under both the Depository Systems in India - NSDL (National Securities Depository Limited) and CDSL (Central Depository Services Limited). Under the Depository System, the International Securities Identification Number (ISIN) allotted to the Company's shares is **INE809C01012**.

As at 31<sup>st</sup> March 2011, 25.94% of the Equity Share Capital, representing **1,16,82,185** shares were held in depository mode.

Investors who wish to exercise the option of dematerialization of their shares are required to submit Dematerialization Request Form (DRF) duly filled along with the original optional letter to the Depository Participant (DP).

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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: Dinnedevarapadu Village, NH-7  
Kurnool - 518002  
Andhra Pradesh.

xiv) Address for Correspondence: Contact Numbers:  
Company Secretary Phone : 040-23328653  
VBC Industries Limited 040-23320904-08  
6-2-913/914, 3<sup>rd</sup> Floor, Progressive Towers, Fax : 040-33921217/23390721  
Khairatabad, HYDERABAD - 500 004 Email : info@vccilindia.com

xv) Investor Relations

All the queries received from shareholders during the financial year 2010-11 have been responded to. The Company generally replies to the queries within a week of their receipt. The Company has designated e-mail **info@vccilindia.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 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.

#### 11. **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  
for VBC INDUSTRIES LIMITED

Sd/-

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

Chairman

Place : Hyderabad

Date : 27.07.2011

#### **DECLARATION**

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

Sd/-

**M.S. LAKSHMAN RAO**

Managing Director & CEO

Place : Hyderabad

Date : 27.07.2011

## VBC Industries Limited

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### AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

**To  
The Members of  
VBC Industries Limited,  
Hyderabad.**

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

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

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

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

We further state that such compliance is neither an assurance as to the future 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)

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

Camp : Hyderabad  
Date : 27-07-2011

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## AUDITORS' REPORT

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**To  
The Members of  
VBC Industries Limited,  
Hyderabad**

We have audited the attached Balance Sheet of VBC Industries Limited, Hyderabad as at 31<sup>st</sup> March, 2011, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

Camp : Hyderabad  
Date : 27-07-2011



## VBC Industries Limited

### Annexure to the Auditors' Report referred to in Paragraph 2 of our Report of even date :

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- 1.1 The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- 1.2 The fixed assets have been physically verified by the management during the year in accordance with a phased programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. According to the information furnished to us, no material discrepancies have been noticed on such verification.
- 1.3 During the year under report the Company has not disposed-off any of its fixed assets.
- 2.1 Physical verification of inventory has been conducted during the year by the management at reasonable intervals.
- 2.2 The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- 2.3 On the basis of our examination of the records of inventory, we are of the opinion that the Company is maintaining proper records of inventory. The discrepancies noticed on such verification between the physical stocks and the book records were not material.
- 3.1 The company has not granted any loans; secured or unsecured to Companies, firms or other parties to whom the provisions of Section 301 of the Companies Act, 1956 apply. Accordingly sub clauses (b), (c) and (d) of clause (iii) of paragraph 4 of the order are not applicable.
- 3.2 The Company has taken an interest-free unsecured loan of Rs.295.98 lakhs from a Company to whom the provisions of section 301 of the Companies Act apply.
- 3.3 In our opinion and according to the information and explanations given to us the terms and conditions in respect of the said interest-free unsecured loan are not prima facie prejudicial to the interest of the Company.
- 3.4 As the said loan is interest-free, the question of payment of interest does not arise. Besides the date of repayment of principal amount has not been stipulated.
- 4.1 In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal controls.
- 5.1 According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- 5.2 In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- 6.1 The company has not accepted any deposits from public. Accordingly the Clause 4(vi) of the order is not applicable to the company.
- 7.1 In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- 8.1 According to the information and explanations given to us, maintenance of cost records is not required under section 209(1) (d) of the Companies Act, 1956 in respect of the business activities carried out by the company.

- 9.1 According to the records of the company, the company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, income-tax, sales-tax, wealth-tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it.
- 9.2 According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, service tax, customs duty, excise duty and cess or any other material statutory dues applicable to it were in arrears as at 31st March, 2011 for a period of more than six months from the date they become payable.
- 9.3 As at 31st March 2011, there have been no disputed dues, which have not been deposited with the respective authorities in respect of Sales tax, Income-tax, Wealth-tax, Service tax, Excise Duty and Cess, except the following:

Name of the Statute	Nature of the dues	*Amount (Rs. in Lakhs)	Period to which the matter relates	Forum where the dispute is pending
Central Excise Act	Demand for differential duty on finalisation of price list.	40.68	01-03-1994 to 31-08-1997	CESTAT, Bangalore Bench
Central Excise Act	Demand for interest & penalty.	0.86	1997-98	CESTAT, Bangalore Bench
Sales tax Act	Demand for Sales Tax on lease rentals of bottles & crates.	18.93	Assessment years - 1996-97 & 1997-98	Sales Tax Appellate Tribunal, Hyderabad.

\* Net of pre-deposits made.

- 10.1 The company has no accumulated losses and has not incurred any cash loss during the financial year covered by our audit and the immediately preceding financial year.
- 11.1 The Company has neither taken any loans from a financial institution or a bank nor issued any debentures. Accordingly clause 4(xi) of the order is not applicable.
- 12.1 The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly clause 4(xii) of the order is not applicable.
- 13.1 In our opinion, the Company is not a chit fund or a nidhi /mutual benefit fund/society. Accordingly, clause 4(xiii) of the order is not applicable.
- 14.1 In our opinion, the Company is not dealing in or trading in shares, debentures and other instruments. Accordingly, clause 4 (xiv) of the order is not applicable.
- 15.1 According to the information and explanation given to us, the company has given two guarantees for loans taken by two body Corporates 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.

## VBC Industries Limited

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- 16.1 In our opinion, the company has not obtained any term loans. Accordingly clause 4 (xvi) of the order is not applicable.
- 17.1 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.
- 18.1 During the year, the Company has not made any allotment of shares. Accordingly clause 4(xviii) of the order is not applicable.
- 19.1 The Company has not issued any debentures. Accordingly clause 4(xix) of the order is not applicable.
- 20.1 During the year, the Company has not raised money by Public issue. Accordingly clause 4 (xx) of the order is not applicable.
- 21.1 According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

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

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

Camp : Hyderabad  
Date : 27-07-2011

**Balance Sheet**  
**As at 31st March, 2011**

Particulars	Schedule No.	As at 31-03-2011 ₹	As at 31-03-2010 ₹
<b>I. SOURCES OF FUNDS :</b>			
1. Shareholders' Funds :			
a) Share Capital	1	45,18,34,840	45,18,34,840
b) Reserves and Surplus	2	63,09,67,224	55,47,83,867
		-----	-----
		108,28,02,064	100,66,18,707
2. Loan Funds :			
a) Secured Loans	3	11,76,38,313	9,91,80,821
b) Unsecured Loans	4	3,92,98,710	3,50,00,900
		-----	-----
		15,69,37,023	13,41,81,721
c) Deferred Tax Liability		37,24,454	-
		-----	-----
Total		124,34,63,541	114,08,00,428
		=====	=====
<b>II. APPLICATION OF FUNDS :</b>			
1. Fixed Assets :			
a) Gross Block	5	55,84,70,413	54,84,30,965
b) Less : Depreciation		18,02,35,406	15,38,74,594
		-----	-----
c) Net Block		37,82,35,007	39,45,56,371
d) Capital work in progress	5A	20,43,77,421	15,98,58,353
		-----	-----
		58,26,12,428	55,44,14,724
2. Investments	6	70,59,02,834	70,59,02,834
3. Deferred Tax Asset			88,10,462
4. Current Assets, Loans and Advances :			
a) Inventories	7	14,17,22,351	12,20,84,915
b) Sundry Debtors	8	19,24,606	55,53,730
c) Cash and Bank Balances	9	1,17,89,661	77,11,921
d) Interest Receivable		18,33,667	27,72,895
e) Loans and Advances	10	8,84,01,486	7,00,99,755
		-----	-----
		24,56,71,771	20,82,23,216
Less : Current Liabilities and Provisions			
a) Liabilities	11-A	27,23,49,011	32,93,13,046
b) Provisions	11-B	1,83,74,481	72,37,762
		-----	-----
		29,07,23,492	33,65,50,808
Net Current Assets		(4,50,51,721)	(12,83,27,592)
		-----	-----
Total		124,34,63,541	114,08,00,428
		=====	=====
Significant Accounting Policies and Notes on accounts	18		

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

For and on behalf of the Board

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

Sd/-  
**J.K. SARMA**  
Director

Place : Hyderabad  
Date : 27-07-2011

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

Sd/-  
**D.S. SARMA**  
Company Secretary

**Profit and Loss Account  
for the year ended 31st March, 2011**

**VBC Industries Limited**

Particulars	Schedule No.	Year ended 31.03.2011 ₹	Year ended 31.03.2010 ₹
<b>I INCOME:</b>			
Sales :		64,31,77,471	46,59,69,769
Less : Excise Duty and VAT collections		4,96,38,859	3,63,34,298
		-----	-----
Net Sales		59,35,38,612	42,96,35,471
Increase / (Decrease) in Stocks	12	(20,74,986)	(15,37,123)
Other Income	13	2,23,92,374	2,11,14,439
		-----	-----
Total		61,38,56,000	44,92,12,787
		=====	=====
<b>II EXPENDITURE:</b>			
Raw Materials Consumed	14	20,58,10,879	14,01,23,646
Power and Fuel		20,48,68,452	17,45,74,694
Staff Cost	15	2,58,71,225	2,31,12,496
Manufacturing Expenses	16	1,82,61,569	1,71,42,097
Other Expenses	17	1,97,65,325	2,40,83,558
		-----	-----
Total		47,45,77,450	37,90,36,491
		=====	=====
Profit before Interest, Depreciation and Tax		13,92,78,550	7,01,76,296
Interest and Finance Charges paid to Banks & Others		2,15,23,438	2,34,83,158
		-----	-----
Profit before Depreciation and Tax		11,77,55,112	4,66,93,138
Depreciation	2,63,60,812	2,61,88,868	2,61,88,868
Less: Transfer from Revaluation Reserve	1,65,47,535	1,65,47,535	1,65,47,535
		-----	-----
		98,13,277	96,41,333
		-----	-----
Profit before Tax		10,79,41,835	3,70,51,805
Provision for :			
Current tax		(2,33,00,000)	(67,00,000)
Deferred Tax		(1,25,34,916)	(38,22,538)
Mat Credit entitlement		2,07,63,386	62,29,449
Income Tax for earlier Years		(1,39,413)	-
		-----	-----
<b>III. PROFIT AFTERTAXATION</b>		9,27,30,892	3,27,58,716
Balance of surplus brought forward from previous year		8,87,82,823	5,60,24,107
		-----	-----
Surplus carried over to Balance Sheet		18,15,13,715	8,87,82,823
		=====	=====
Earning per Share - (Basic and Diluted)		2.06	0.73

Significant Accounting Policies and Notes on accounts 18

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

For and on behalf of the Board

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

Sd/-  
**J.K. SARMA**  
Director

Place : Hyderabad  
Date : 27-07-2011

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

Sd/-  
**D.S. SARMA**  
Company Secretary

## Schedules to Balance Sheet

	As at 31-03-2011 ₹		As at 31-03-2010 ₹
<b>1. Share Capital :</b>			
<b>Authorised :</b>			
8,00,00,000 Equity Shares of ₹ 10/- each	80,00,00,000		80,00,00,000
<b>Issued, Subscribed and Paid-Up:</b>			
4,50,43,809 Equity Shares of ₹ 10/- each fully paid-up	45,04,38,090		45,04,38,090
Add : Amount received on 2,79,100 forfeited Equity Shares	13,96,750		13,96,750
Total	45,18,34,840		45,18,34,840
Notes: 1. Of the above, 2,78,42,000 Equity shares allotted to erstwhile shareholders of Bharat Alloys & Energy Ltd. consequent to its amalgamation.			
2. Of the above, 8,10,909 Equity Shares are issued as fully paid up Bonus Shares by way of Capitalisation of Reserves.			
<b>2. Reserves and Surplus :</b>			
	As at 31.03.2010 ₹	Deletions ₹	As at 31.03.2011 ₹
a) Capital Reserve	8,77,99,952	-	8,77,99,952
b) Share Premium	3,69,64,724	-	3,69,64,724
c) Revaluation Reserve	28,15,30,487	1,65,47,535	26,49,82,952
d) General Reserve	5,97,05,881	-	5,97,05,881
e) Surplus in Profit & Loss Account	8,87,82,823	-	18,15,13,715
Total	55,47,83,867		63,09,67,224
<b>3. Secured Loans :</b>			
Cash Credit from a bank on hypothecation of stock of finished goods, Raw Materials, Stores and Spares and book debts and a first charge on all fixed assets of the Company and guaranteed by Managing Director and a Shareholder of the Company in their personal capacity.	11,68,21,463		9,91,80,821
Due to others on hypothecation of vehicles	8,16,850		-
Total	11,76,38,313		9,91,80,821
<b>4. Unsecured Loans :</b>			
From : Corporate Bodies	2,95,98,710		2,53,00,900
Others	97,00,000		97,00,000
Total	3,92,98,710		3,50,00,900

## VBC Industries Limited

**Schedule - 5 : Fixed Assets** (₹)

Sl. No.	PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK	
		As at 01.04.2010	Additions	As on 31.03.2011	As at 01.04.2010	For the Year	Up to 31.03.2011	As at 31.03.2011	As at 31.03.2010
1.	Land	3,99,65,508	77,78,149	4,77,43,657	-	-	-	4,77,43,657	3,99,65,508
2.	Leasehold Land	22,171	-	22,171	9,780	248	10,028	12,143	12,391
3.	Buildings	4,80,74,784	-	4,80,74,784	1,07,80,006	17,29,326	1,25,09,332	3,55,65,452	3,72,94,778
4.	Plant & Machinery	45,35,92,158	7,64,852	45,43,57,010	13,94,46,844	2,39,52,806	16,33,99,650	29,09,57,360	31,41,45,314
5.	Furniture & Fixtures	29,39,249	3,86,421	33,25,670	12,78,237	2,51,338	15,29,575	17,96,095	16,61,012
6.	Vehicles	38,37,095	11,10,026	49,47,121	23,59,727	4,27,094	27,86,821	21,60,300	14,77,368
	Total	54,84,30,965	1,00,39,448	55,84,70,413	15,38,74,594	2,63,60,812	18,02,35,406	37,82,35,007	39,45,56,371

**Schedules to Balance Sheet**

	As at 31-03-2011 ₹	As at 31-03-2010 ₹
<b>5A. Capital Work-in-Progress</b>		
Capital Works-in-progress	18,02,81,112	14,97,30,909
Capital Advances	94,92,632	34,20,103
Expenditure incurred during construction period awaiting allocation to Fixed Assets (Schedule-5 B)	1,46,03,678	67,07,342
Total	<u>20,43,77,421</u>	<u>15,98,58,353</u>
<b>5B. Expenditure incurred during construction period :</b>		
Balance at the beginning of the year	67,07,342	-
Expenditure incurred during the year :		
a) Staff Cost	30,85,755	17,29,317
b) Professional Charges	12,83,902	11,69,110
c) Travelling & Conveyance	8,91,160	8,03,606
d) Vehicle Maintenance	8,67,750	29,653
e) Advertisement	2,31,265	-
f) Up front Fee for loan processing	-	28,62,000
g) Miscellaneous expenses	15,36,504	1,13,656
Total for the year	<u>78,96,336</u>	<u>67,07,342</u>
Total expenditure at end of the year	<u>1,46,03,678</u>	<u>67,07,342</u>



## VBC Industries Limited

### Schedules to Balance Sheet

		As at 31-03-2011 ₹	As at 31-03-2010 ₹
<b>6. Investments - (Long term - At Cost) Trade Investments</b>			
<b>A) QUOTED:</b>			
25000	Equity Shares of ₹ 10/- each fully paid up in : M/s VBC Ferro Alloys Ltd	31,25,000	31,25,000
<b>B) UNQUOTED</b>			
36872700	Equity Shares of ₹ 10/- each fully paid up in : # M/s Konaseema Gas Power Ltd	39,87,27,000	39,87,27,000
19594723	* M/s Orissa Power Consortium Ltd	19,59,47,230	19,59,47,230
8056000	M/s IIC Hotels Pvt. Ltd (Formerly known as India International Construction Pvt. Ltd.)	8,05,60,000	8,05,60,000
2709000	M/s Hillfort Palace Pvt. Ltd (Formerly known as Varsha Hill Fort Resorts Pvt. Ltd)	2,70,90,000	2,70,90,000
<b>Non Trade:</b>			
<b>(I) Equity Shares:</b>			
45000	Equity Shares of ₹ 10/- each fully paid up in M/s VBC Exports Limited	4,50,000	4,50,000
357.134	(II) Trust Securities: In ICICI Prudential Mutual Fund	3,604	3,604
	Total	70,27,77,834	70,27,77,834
	Total (A+B)	70,59,02,834	70,59,02,834
		Book Value	Market Value
	Aggregate value of :		
	Quoted Investments	31,25,000	62,30,000
	Unquoted Investments	70,27,77,834	NA
	<b>TOTAL</b>	<b>70,59,02,834</b>	<b>62,30,000</b>
		Book Value	Market Value
	Aggregate value of :		
	Quoted Investments	31,25,000	74,18,750
	Unquoted Investments	70,27,77,834	NA
	<b>TOTAL</b>	<b>70,59,02,834</b>	<b>74,18,750</b>
#	includes 84.86 lacs (P.Y.84.86 lacs) shares acquired, the title in respect of which is in the process of transfer. 283.86 lacs equity shares of Konaseema Gas Power Ltd have been pledged with various financial institutions as a collateral security against the term loans sanctioned to the said company.		
*	1,45,94,723 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.		
<b>7. Inventories:</b>			
(As valued and certified by the Managing Director)			
	Stores & Spares	1,18,16,636	1,00,36,949
	Stores in Transit	-	6,39,692
	Raw Materials	12,48,19,837	10,40,05,427
	Stock in process	34,23,647	31,49,273
	Finished goods	16,62,230	42,53,574
	Total	14,17,22,351	12,20,84,915
<b>8. Sundry Debtors (Unsecured and Considered Good)</b>			
	- Due for over six months	2,40,219	13,30,047
	- Other debts	16,84,387	42,23,683
	Total	19,24,606	55,53,730

## Schedules to Balance Sheet

	As at 31-03-2011 ₹	As at 31-03-2010 ₹
<b>9. Cash &amp; Bank Balances :</b>		
Cash & Cheques in hand	2,11,340	1,98,377
Balances with Scheduled Banks:		
- in Current Accounts	42,58,629	17,93,852
- in Margin Deposit Accounts	73,19,692	57,19,692
Total	1,17,89,661	77,11,921
<b>10. Loans and Advances :</b>		
(Unsecured, considered good recoverable in cash or in kind or for value to be received)		
Advances Recoverable	11,56,394	35,94,568
Deposits Recoverable	3,60,63,336	3,54,74,910
Claims Receivable	1,29,10,807	1,33,55,679
Balance with Central Excise Authorities	10,39,893	12,06,928
MAT Credit Entitlement	2,99,65,738	92,02,352
Income tax refund receivable	72,65,318	72,65,318
Total	8,84,01,486	7,00,99,755
<b>11. Current Liabilities :</b>		
<b>A. Liabilities</b>		
Creditors for : Capital works	5,00,29,893	8,57,67,310
Purchases	3,42,95,147	4,06,22,326
Expenses	10,01,97,189	10,64,46,313
Advances received against supplies	3,22,17,681	3,99,62,372
Other Liabilities	12,11,101	18,66,725
Deposits Refundable	26,48,000	26,48,000
Acceptances	5,17,50,000	5,20,00,000
Total	27,23,49,011	32,93,13,046
<b>B. Provisions :</b>		
Provisions for Gratuity	28,04,555	15,14,059
Provisions for Leave Encashment	3,12,447	3,38,670
Provisions for Taxation (Net of Prepaid Taxes)	1,52,57,479	53,57,963
Provisions for Fringe Benefit Tax	-	27,070
Total	1,83,74,481	72,37,762

## VBC Industries Limited

### Schedules to Profit and Loss Account

	Year ended 31.03.2011 ₹	Year ended 31.03.2010 ₹
<b>12 Increase / (Decrease) in Stocks :</b>		
Closing Stock:		
- Finished Goods	16,62,230	42,53,574
- Stock in process	34,23,647	31,49,273
	-----	-----
	50,85,877	74,02,847
	-----	-----
Less: Opening stock		
- Finished Goods	42,53,574	58,26,824
- Stock in process	31,49,273	33,20,619
	-----	-----
	74,02,847	91,47,443
	-----	-----
Increase / (Decrease) in stocks	(23,16,970)	(17,44,596)
Adjustment for Excise Duty on Stocks	2,41,984	2,07,473
	-----	-----
Total	(20,74,986)	(15,37,123)
	=====	=====
<b>13 Other Income:</b>		
Interest received from Banks & Others	23,15,983	24,57,623
Rent Received	81,10,134	78,54,448
Dividends received	62,500	50,000
Miscellaneous Income	1,19,03,757	1,07,52,368
	-----	-----
Total	2,23,92,374	2,11,14,439
	=====	=====
<b>14 Raw Materials Consumed:</b>		
Opening Stocks	10,40,05,426	10,76,11,112
Add : Purchases	22,66,25,290	13,65,17,960
	-----	-----
	33,06,30,716	24,41,29,073
Less: Closing Stocks	12,48,19,837	10,40,05,427
	-----	-----
Total	20,58,10,879	14,01,23,646
	=====	=====
<b>15 Staff Cost:</b>		
Salaries, Wages & Allowances	2,12,54,651	1,94,81,128
Contribution to Provident Fund and other Funds	23,67,111	21,69,169
Workmen & staff welfare Expenses	8,46,749	10,93,835
Gratuity	14,02,714	3,68,364
	-----	-----
Total	2,58,71,225	2,31,12,496
	=====	=====

## Schedules to Profit and Loss Account

	Year ended 31.03.2011 ₹	Year ended 31.03.2010 ₹
<b>16 Manufacturing Expenses:</b>		
Stores & Spares Consumed	74,18,204	76,13,043
Repairs & Maintenance to Plant & Machinery	20,70,610	17,58,114
Insurance	2,46,294	2,14,869
Other Manufacturing Expenses	85,26,461	75,56,071
	-----	-----
Total	1,82,61,569	1,71,42,097
	=====	=====
<b>17 Other Expenses:</b>		
Rent	13,78,120	12,23,400
Taxes and Licences	4,30,478	9,55,394
Printing and Stationery	4,71,680	4,76,205
Communication Expenses	7,85,141	5,92,899
Travelling & Conveyance	22,11,376	14,59,528
Directors' Fees and Expenses	2,44,860	1,73,147
Auditors Remuneration:		
- Statutory Audit	1,35,000	1,35,000
- Tax Audit	35,000	30,000
- Income Tax Matters	-	1,15,000
- Certification charges	1,39,000	1,15,000
Advertisements	1,06,316	68,365
Selling & Other Distribution Expenses	76,55,142	97,29,012
Commission on Sales	4,19,462	4,51,528
Miscellaneous Expenses	55,30,883	53,86,715
Debit Balance written off	2,22,866	1,50,593
Donations	-	17,62,948
Assets written off	-	12,58,824
	-----	-----
Total	1,97,65,325	2,40,83,558
	=====	=====

## VBC Industries Limited

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### Schedule – 18 Accounting Policies and Notes on Accounts:

Annexed to and forming part of Balance Sheet as at 31<sup>st</sup> March, 2011 and Profit and Loss account for the year ended on that date.

#### I. ACCOUNTING POLICIES

(i) **General:**

Financial Statements are prepared on accrual basis under the historical cost convention and in accordance with the Accounting Standards, specified in sub section (3C) of section 211 of the Companies Act, 1956.

(ii) **Fixed Assets:**

Fixed Assets are stated at cost less accumulated depreciation. Cost of acquisition of Fixed Assets is net of credit under Cenvat scheme and inclusive of freight, duties, taxes, incidental expenses relating to the cost of acquisition, the cost of installation/erection as applicable and interest on related borrowings up to the date of acquisition/capitalization

(iii) **Investments:**

Investments are stated at cost, inclusive of all expenses relating to acquisition. Provision for diminution in the market value of long-term investments is not made, if in the opinion of the management such diminution is temporary in nature. Interest and Dividend income from investments is accounted on accrual basis

(iv) **Inventories :**

(a) Finished goods are valued at cost, inclusive of excise duty, or market value whichever is lower.(b) Stocks of raw materials, stores, spare parts, materials-in-transit etc are valued at cost after providing for cost of obsolescence. Cost includes expenses for procurement, excise and customs duty and is net of credits under CENVAT and VAT schemes.(c) Scrap, including by products, is valued at estimated realizable value.

(v) **Revenue recognition:**

(a) Sales are inclusive of excise duty, export incentives and net of trade and quantity discounts and rebates.  
(b) Interest and Dividend income from investments is accounted on accrual basis.

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

(vi) **Depreciation on Fixed Assets:**

(a) Depreciation is provided in accordance with the provisions of Schedule XIV of the Companies Act, 1956 in the following manner.

i) In respect of all the assets of Ferro Alloys Unit under Straight Line Method.

ii) In respect of all other assets under Written Down Value Method.

(vii) **Employee Benefits:**

(i) **Defined Contribution Plans:**

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

(ii) **Defined Benefit Plans:**

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

(iii) **Other Long Term Benefits**

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

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

Particulars	Unit	2010-2011 Year	2009-2010 Year
<b>II. NOTES ON ACCOUNTS</b>			
1. Estimated amount of contracts remaining to be executed on Capital Account and not provided for (net of advances)	₹	Nil	Nil
<b>2. Contingent Liabilities :</b>			
a) Unexpired Bank Guarantees	₹	99,71,600	99,71,600
b) Demands of Central Excise disputed by the Company in appeals before higher authorities :	₹	56,84,230	56,84,230
c) Demands of Sales Tax disputed by the Company in appeals before higher authorities : An amount of ₹ 15.30 Lakhs paid under protest (P.Y.- ₹ 15.30 Lakhs) against item Nos. b&c is grouped under loans and advances.	₹	18,93,000	18,93,000
d) Demands towards Load factor short fall charges for the period from September, 2005 to August, 2006 during which the Ferro Alloys Unit of the Company was closed, disputed by the Company.	₹	18,55,29,665	18,55,29,665
3 As per Accounting Standard 15 "Employees Benefits" the disclosure of Employee Benefits as defined in the Accounting Standard are given hereunder:			
<b>Defined Contribution Plan</b>			
Contribution to Defined Contribution plan, recognized as expense for the year, are as under:			
Employer's Contribution to Provident and Pension Funds	₹	15,97,639	15,04,715
Employer's Contribution to Employee State Insurance Scheme	₹	7,69,472	6,64,454
<b>Defined Benefit Plans</b>			
I. Reconciliation of opening and closing balances of Defined Benefit obligation			
<b>a. Gratuity (Non-funded) :</b>			
Defined Benefit obligation at beginning of the year	₹	15,14,059	12,04,292
Interest Cost	₹	1,21,125	82,250
Current Service Cost	₹	681,033	4,26,071
Benefits Paid	₹	(1,12,218)	-
Actuarial loss/(gain) on obligation	₹	6,00,556	(1,98,554)
Defined Benefit obligation at year end	₹	28,04,555	15,14,059
<b>b. Compensated Leaves (Non-funded) :</b>			
Defined Benefit obligation at beginning of the year	₹	3,38,670	1,89,334
Interest Cost	₹	27,094	13,253
Current Service Cost	₹	2,94,430	2,79,825
Actuarial loss/(gain) on obligation	₹	(3,47,747)	(1,43,742)
Defined Benefit obligation at year end	₹	3,12,447	3,38,670

## VBC Industries Limited

Particulars	Unit	2010-2011 Year	2009-2010 Year
II Reconciliation of opening and closing balances of fair value of plan assets and fair value of assets and obligations does not arise as the company has no planned assets in respect of its obligation towards Gratuity.			
III Expenses recognized during the year (in the statement of Profit & Loss Account)			
<u>Current Service Cost :</u>			
a. Gratuity	₹	14,02,714	3,09,767
b. Compensated Leaves*	₹	(26,223)	1,49,336
*Credited to Profit & Loss account as provisions no longer required			
IV Principal Actuarial Assumptions			
<b>a. <u>Gratuity (Non-funded) :</u></b>			
Discount Rate		8.17%	8.00%
Salary Escalation Rate		5.00%	5.00%
Attrition Rate		3.00%	3.00%
Expected Rate of return on Plan assets		0.00%	0.00%
<b>b. <u>Compensated Leaves (Non-funded) :</u></b>			
Discount Rate		8.17%	8.00%
Salary Escalation Rate		5.00%	5.00%
Attrition Rate		3.00%	3.00%
Expected Rate of return on Plan assets		0.00%	0.00%
The above information is certified by an Actuary.			
4 The Company operates in only one business segment of Ferro Alloys and there is no geographical segment to be reported.			
5. Micro small and Medium enterprises to the extent such parties have been identified from the available information and there are no Micro Small and Medium enterprises where the outstandings are due for more than 45 days are Nil.			

## II. NOTES ON ACCOUNTS

Particulars	Unit	2010-2011 Year	2009-2010 Year
6. Related Party Transactions: Related parties in terms of AS-18 issued by the Institute of Chartered Accountants of India :			
a. Promoters: Dr. M.V.V.S. Murthi and others			
b. Associates: 1. VBC Ferro Alloys Limited 2. Orissa Power Consortium Limited 3. Konaseema Gas Power Limited			
c. Key Management Personnel: Sri M.S. Lakshman Rao, Managing Director			
d. Relatives of Key Managerial Personnel : Dr. M.V.V.S. Murthi			
e. Others - Enterprises in which key Managerial Personnel or their relatives have substantial interest :			
1. Techno Infratech Projects (India) Private Limited			
2. Basil Infrastructure Projects Limited			
3. Indo-US Coal Washeries Limited			

### Summary of transactions carried out with related parties and balances outstanding as on the balance sheet date:

Nature of transactions	Associates	Key Management Personnel	Others
	(₹)	(₹)	(₹)
1. Purchases	10,60,818 (3,06,09,201)	0 (0)	0 (0)
2. Sales	14,30,352 (11,31,509)	0 (0)	0 (0)
3. Rent Received	6,00,000 (6,00,000)	0 (0)	0 (60,000)
4. Rent Paid	0 (0)	0 (0)	6,30,900 (3,00,000)
5. Amount Receivable as at the end of the year	0 (3,36,612)	0 (0)	0 (0)

Figures in brackets relate to previous year.



## VBC Industries Limited

Particulars	Unit	2010-2011 Year	2009-2010 Year
7 Earnings per Share (EPS)			
a) Net profit available to the Shareholders	₹	10,78,00,585	3,70,51,805
b) Weighted Average number of equity shares used as denominator for calculating EPS - Basic :	Nos	4,50,43,809	4,50,43,809
- Diluted :	Nos	4,50,43,809	4,50,43,809
c) Earnings Per Share :			
Basic	₹	2.39	0.82
Diluted	₹	2.39	0.82
8 Major component of Deferred tax Asset :			
a. Deferred Tax Liability:			
Timing difference between book and Tax depreciation	₹	1,13,46,501	3,84,16,998
b. Deferred Tax Asset:			
(i) Unabsorbed Depreciation under Income Tax Act	₹	66,10,736	6,45,43,346
(ii) Unpaid Taxes / Sums payable as Employer u/s 43B of I.T. Act	₹	10,11,311	-
	₹	76,22,047	6,45,43,346
c. Deferred tax Liability / (Asset) (net)	₹	37,24,454	(2,61,26,348)
9 According to Company's technical assessment, there is no impairment in the carrying cost of cash generating units of the Company in terms of Accounting Standard 28 (AS 28) issued by the Institute of Chartered Accountants of India.			
10 Additional information as required under part-II of Schedule VI to the Companies Act, 1956.			
(i) Licensed Capacity :			
Ferro Alloys (MT)		N.A	N.A
(ii) Installed Capacity : (Per Annum)			
Ferro Silicon*	MT	13,200	13200
* Being a technical matter, the figures are as certified by the management and not verified by the auditors.			
(iii) Production :			
Ferro Silicon	MT	8,406	7,915
(iv) Information under Paragraphs 3 (i) (a) & 3 (ii) (a) of Part II of Schedule VI of the Companies Act, has not been furnished as exemption has been granted vide notification no 301 (E) dated 8th February 2011 issued by Ministry of Corporate Affairs, Government of India			

Particulars	Unit	2010-2011 Year	2009-2010 Year
(v) Analysis of materials & Stores consumed			
<b>Indigenous</b>			
Value	₹	21,32,29,083	14,77,36,689
Percentage	%	100	100
<b>Imported</b>			
Value	₹	0	0
Percentage	%	0	0
<b>Total</b>	₹	<u>21,32,29,083</u>	<u>14,77,36,689</u>
(vi) Expenditure in foreign currency during the financial year on account of travelling	₹	Nil	Nil
(vii) Earnings in foreign exchange on account of Exports of goods calculated on FOB basis (accounted on accrual basis)	₹	Nil	2,34,05,274

11 Previous year's figures have been regrouped and rearranged wherever necessary.

12 Paise have been rounded off to the nearest rupee.

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

Place : Hyderabad  
Date : 27-07-2011

For and on behalf of the Board

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

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

Sd/-  
**J.K. SARMA**  
Director

Sd/-  
**D.S. SARMA**  
Company Secretary

## VBC Industries Limited

### Cash Flow Statement for the year ended 31st March, 2011

Particulars	Year ended 31.03.2011 ₹	Year ended 31.03.2010 ₹
<b>(A) CASH FLOW FROM OPERATING ACTIVITIES :</b>		
Profit before tax and extraordinary Items	10,79,41,835	3,70,51,805
ADD :		
Depreciation	98,13,277	96,41,333
Provision for Gratuity	12,90,496	3,09,767
Provision for leave encashment	(26,223)	1,49,336
Assets written off	0	12,58,824
Interest paid	2,15,23,438	2,34,83,158
Interest received	(23,15,983)	(24,57,623)
Dividend received	(62,500)	(50,000)
	-----	-----
Operating Profit before Working Capital changes	13,81,64,340	3,23,34,795
Adjustments for :		
Inventories	(1,96,37,436)	48,56,249
Trade and other receivables	70,30,007	(22,59,286)
Trade payables	(5,69,64,035)	11,75,78,118
	-----	-----
Cash used in Operations	6,85,92,877	12,01,75,081
Adjustments for :		
Interest paid	(2,15,23,438)	(2,34,83,158)
Income tax paid (Net)	(1,35,66,967)	(24,05,476)
	-----	-----
Net cash used in operating activities (A)	3,35,02,471	(2,58,88,634)
<b>(B) CASH FLOW FROM INVESTING ACTIVITIES :</b>		
Purchase of Fixed assets	(1,00,39,448)	(7,69,944)
Capital Work-in-Progress	(4,45,19,068)	(15,77,67,480)
Purchase of Investments	0	(14,00,00,000)
Sale of Investments /		
Refund of share application money	0	8,82,99,000
Interest received	23,15,983	24,57,623
Dividend received	62,500	50,000
	-----	-----
Net cash used in investing activities (B)	(5,21,80,032)	(20,77,30,801)
<b>(C) CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase/ (decrease) in borrowings	2,27,55,301	4,28,81,779
Net cash generated in Financing activities (C)	2,27,55,301	4,28,81,779
Net increase in Cash & Cash equivalents (A+B+C)	40,77,740	(11,75,975)
Cash & Cash equivalents at the end of the year	1,17,89,661	77,11,921
Cash & Cash equivalents at the beginning of the year	77,11,921	65,35,946
	=====	=====

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

For and on behalf of the Board

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

Sd/-  
**J.K. SARMA**  
Director

Place : Hyderabad  
Date : 27-07-2011

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

Sd/-  
**D.S. SARMA**  
Company Secretary

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**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE AS PER PART IV TO SCHEDULE VI TO THE COMPANIES ACT, 1956**

I. REGISTRATION DETAILS :

Corporate Identity Number (CIN) : L28113AP1971PLC001437  
State Code : 01  
Balance Sheet Date : 31.03.2011

II. CAPITAL RAISED DURING THE YEAR

(Amount ₹ in Thousands)

Public Issue : Nil  
Bonus Issue : Nil  
Rights Issue : Nil  
Private Placement : Nil

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS

(Amount ₹ in Thousands)

Total Liabilities	: 1243463	Total Assets	: 1243463
Source of Funds		Application of Funds	
Paid-Up Capital	: 451835	Net Fixed Assets	: 582612
Reserves & Surplus	: 630967	Investments	: 705903
Secured Loans	: 117638	Net Current Assets	: (45052)
Unsecured Loans	: 39299		
Deferred Tax Liability	3724		

IV. PERFORMANCE OF COMPANY (Amount ₹ in Thousands)

Turnover including		Profit before Tax	: 1079.42
other income	: 615931	Profit after Tax	: 927.31
Total Expenditure	: 505914		
Earnings per share			
in Rs.	: 2.06	Dividend Rate %	: Nil

V. GENERIC NAMES OF PRINCIPAL PRODUCTS/SERVICES OF COMPANY

(as per monetary terms)

Item Code No. : 72022100  
(ITC Code)  
Product description : Manufacture of Ferro Silicon  
Service of the Company : N.A



**VBC INDUSTRIES LIMITED**

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

**PROXY FORM**

I/We.....  
.....of.....

being a member(s) of the above named Company, hereby appoint the following as my/our Proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 39<sup>th</sup> Annual General Meeting of the Company to be held on Monday the 12<sup>th</sup> day of September, 2011 at 11.00 a.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		
Item No.4		

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

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

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

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

Signature(s) of Members

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

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

Affix  
Revenue  
Stamp

**VBC INDUSTRIES LIMITED**

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

**ATTENDANCE SLIP**

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

NAME & ADDRESS OF THE SHARE HOLDER

Folio No. /  
DP ID & Client ID No.

.....

.....

I hereby record my presence at the 39<sup>th</sup> ANNUAL GENERAL MEETING of the Company held on Monday, the 12<sup>th</sup> day of September 2011 at 11.00 a.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





**BOOK-POST**  
**PRINTED MATTER**

**To**

*If undelivered please return to :*  
**VBC INDUSTRIES LIMITED**  
6-2-913/914, 3rd Floor,  
Progressive Towers, Khairatabad,  
HYDERABAD - 500 004,  
Andhra Pradesh, India.