



**BOARD OF DIRECTORS**

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

**AUDIT COMMITTEE**

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

**INVESTORS' GRIEVANCE & SHARE TRANSFER COMMITTEE**

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

**REMUNERATION COMMITTEE**

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

**COMPANY SECRETARY**

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

Sri K. KAILASANATHA REDDY	Vice President (Finance)
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**AUDITORS :**

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

**BANKERS :**

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

**SHARE TRANSFER AGENTS**

**VENTURE CAPITAL & CORPORATE INVESTMENTS PVT. LIMITED**  
12-10-167, Bharat Nagar, HYDERABAD - 500 018.  
Tel: +91 40 23818475 / 76, Fax: +91 40 23868024  
e-mail : info@vccilindia.com

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

**NOTICE OF 28<sup>th</sup> ANNUAL GENERAL MEETING**

Notice is hereby given that the 28<sup>th</sup> Annual General Meeting of the Members of VBC Ferro Alloys Limited will be held on **Wednesday, the 14<sup>th</sup> July, 2010 at 3.00 P.M** at Surana Udyog Auditorium of The Federation of Andhra Pradesh Chambers of Commerce & Industry, situated at 11-6-841, Red Hills, Hyderabad - 500 004, to consider the following:-

**ORDINARY BUSINESS:**

1. To receive, consider, approve and adopt the Balance Sheet as at 31<sup>st</sup> March, 2010 and Profit & Loss Account for the year ended on that date together with reports of Directors and Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Dr. M.V.V.S.Murthi, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors for the financial year 2010-11 to hold office till the conclusion of next Annual General Meeting and fix their remuneration. M/s. Brahmayya & Co., Chartered Accountants, the retiring auditors, being eligible, offer themselves for re-appointment.

**SPECIAL BUSINESS**

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

“**RESOLVED THAT** pursuant to the provisions of Section 257 and other applicable provisions if any of the Companies Act, 1956, Shri. M.V. Ananthakrishna, who has been appointed on 14<sup>th</sup> May, 2010 as an additional director of the Company in accordance with the provisions of Article 104 of the Articles of Association of the Company and Section 260 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company and shall be liable to retire by rotation in accordance with the provisions of Sections 255 and 256 of the Companies Act 1956.”

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

“**RESOLVED THAT** pursuant to the provisions of Article - 117 of the Articles of Association of the Company and subject to provisions of Sections 198, 269, 309, 314, Schedule-XIII and other applicable provisions if, any, of the Companies Act, 1956, or any amendments thereto, Company hereby approves the re-appointment of Shri M. S. Lakshman Rao as Managing Director of the Company for a period of 5 years effective from 1<sup>st</sup> November, 2010 with following remuneration, terms and conditions, with liberty to the Board of Directors of the company to alter or vary the terms and conditions of the said re-appointment so as not to exceed the limits specified in Schedule-XIII or other relevant provisions of the Companies Act, 1956 or any other amendments thereto, as may be agreed between the Board of Directors of the Company and Shri M. S. Lakshman Rao.

Designation : Managing Director  
Term : 5 years  
Salary : Rs.75,000/- per month

**Commission:**

A percentage of net profits of the Company as commission payable shall be determined by the Remuneration Committee/ Board of Directors of the Company, subject to the total remuneration (i.e., salary, perquisites, commission and other allowances) in any one financial year shall not exceed the limits prescribed from time to time under section 198, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said Act, as may for the time being, be in force and any amendments thereto.

**Medical Reimbursement:**

Expenses incurred for self and family, subject to a ceiling of one-month salary in a year or three months salary over a period of 3 years.

**Leave Travel Allowance:**

Managing Director can avail Leave Travel Allowance for self and his family once in a year, subject to a maximum of one month salary.



**Club Fees:**

Annual Fees of two clubs but shall not include admission and life membership fees.

**Contribution to Provident Fund:**

Company's Contribution to Provident Fund shall be subject to a ceiling of 12% of the salary.

**Superannuation Fund:**

Company's Contribution to Superannuation Fund shall be subject to a ceiling of 15% of the salary.

**Gratuity:**

Gratuity payable shall not exceed 15 days salary for each completed year of service.

**Telephone and Car:**

Provision of Telephone at residence and company's car with driver is for use on Company's business. Expenditure for personal long distance calls on telephone and use of car for private purpose shall be borne by the Managing Director himself.

**Leaves:**

Provision of Leaves and encashment thereof at the end of the tenure shall be in accordance with the rules of the Company.

**Minimum Remuneration:**

Where in any financial year during the currency of tenure, if the company has no profits or its profits are inadequate, remuneration may be paid in accordance with Part II of Schedule XIII of the Companies Act, 1956."

**"RESOLVED FURTHER THAT** the Board of Directors of the Company be and are hereby authorized to take all necessary steps as may be required to give effect to the above resolution."

By Order of the Board  
for VBC Ferro Alloys Limited

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

Place: Hyderabad  
Date: 14.05.2010

**NOTES:**

1. ANY MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. IN ORDER TO BE EFFECTIVE THE PROXIES SHOULD BE RECEIVED BY THE COMPANY AT ITS REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. Explanatory Statement in respect of item Nos. 5 & 6 of the Notice is annexed hereto in pursuance of Section 173(2) of the Companies Act, 1956 and the same forms part of the notice.
3. For the convenience of Members, Attendance Slip is annexed to this Notice. Members / Proxies / Authorized Representatives are requested to fill in and affix their signatures at the space provided therein and submit the same at the venue of the Annual General Meeting.
4. Copies of Annual Report will not be distributed at the venue of the Annual General Meeting and therefore, Members are requested to bring their copies of the Annual Report which are mailed by the Company to them at their registered addresses.
5. Pursuant to Section 154 of the Companies Act, 1956 and applicable provisions of the Listing Agreement, Register of Members and Share Transfer Books of the Company will be closed from **Wednesday the 7th July, 2010 to Wednesday the 14th July, 2010 (Both days inclusive)**, for the purpose of Annual General Meeting and ascertainment of entitlement for payment of dividend.



6. The dividend of Rs.2.50/- per equity share for the year ended 31<sup>st</sup> March, 2010 as recommended by the Board of Directors, if approved at the Annual General Meeting, will be payable to those shareholders whose names appear on the Company's Register of Members;
  - a) as beneficial owners at the end of the business hours on 6<sup>th</sup> July, 2010 as per the list to be furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) in respect of shares held in Dematerialized form.
  - b) as shareholders, in the register of Members of the Company after giving effect to valid share transfers lodged with the Company, on or before 6<sup>th</sup> July, 2010.
7. Members who wish to seek any further information / clarification at the meeting, on the annual accounts or operations of the Company are requested to send their queries at least one week in advance from the date of the Meeting to the Company Secretary at the Registered Office of the Company.
8. Members are requested to quote Folio No. / DP ID and Client ID in all correspondence and intimate any change in their address to the Company's Share Transfer Agents promptly.
9. Members who have multiple folios in identical names or joint holding in the same order are requested to intimate the Company's Registrars and Share Transfer Agents about the Ledger Folios of such holding to enable them to consolidate all such shareholdings into a single folio.
10. Annual Listing Fee for the financial year 2010-11 has been paid to the Bombay Stock Exchange Limited, Mumbai where the Company's shares are listed. Application made to Calcutta Stock Exchange Association Limited for de-listing of its shares is under process.
11. Members are requested to avail the facility of converting their physical shareholdings into electronic mode of holding for their own convenience coupled with increased flexibility in dealing with such shares.
12. The dividend for the following years if remaining unclaimed for 7 years from the date of declaration are required to be transferred by the Company to Investor Education and Protection Fund (IEPF) and the various dates for transfer of such amounts are as under:-

Financial Year	Unclaimed Dividend as on 31 <sup>st</sup> March, 2010 (Rs)	Date of declaration	Due date for transfer to IEPF
2002-03	2,16,774.00	30.09.2003	31.10.2010
2003-04	2,48,326.00	30.09.2004	31.10.2011
2004-05	3,92,905.00	30.09.2005	31.10.2012
2005-06	1,42,715.00	24.07.2006	24.08.2013
2006-07	4,04,560.00	17.08.2007	17.09.2014
2007-08	3,85,192.00	05.09.2008	05.10.2015
2008-09	3,90,162.00	27.08.2009	27.09.2016

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

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

Dr. M. V. V. S. Murthi is the promoter of VBC Ferro Alloys Limited and VBC Industries Limited. He is a Post Graduate in Arts and did his Ph.D in Economics. Before transforming into an industrialist, he was a practicing Advocate in the High Court of Andhra Pradesh. He is a distinguished personality in politics also. Apart from being the Chairman of VBC Ferro Alloys Limited, he is also the Chairman of VBC Industries Limited and holds directorship in M/s Orissa Power Consortium Limited & Techno Infratech Projects (India) Private Limited. Further, he is the Chairman of Investor Grievance & Share Transfer Committee of M/s. VBC Industries Limited.

As on 31<sup>st</sup> March, 2010, Dr. M.V.V.S. Murthi holds 1,57,769 (3.58%) number of equity shares of the Company.



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

**Item No.5: Appointment of Shri M.V. Ananthkrishna as a Director**

Name of the Director	:	M.V. Ananthkrishna
Date of Birth	:	15.02.1958
Occupation	:	Management Consultant
Expertise in specific functional areas	:	Implementation of Power Projects, Energy Management, Management Monitoring and Cost Improvement
Directorships in other Companies	:	2
Committee positions held in other Companies	:	NIL
Shareholding in the Company	:	NIL

**Brief Profile:**

M.V. Ananthkrishna is an MBA from the University of Michigan, Ann Arbor, USA and a BE in Electronics and Communications Engineering from the College of Engineering Guindy, University of Madras. He worked as a consultant for the Environmental Protection Agency in the USA and was responsible for setting up the Design Automation Center for Texas Instruments Inc.USA in Bangalore in 1986. He is actively involved in developing Renewable Energy Projects using biomass gasification technology from USA. He is a member of the Rotary Club of Madras, Executive Committees of Andhra Chamber of Commerce, Madras Chamber of Commerce, the Institute for Energy Studies, Anna University and the International Process and Performance Institute, USA. He is a certified Management Consultant and an Immediate Past President of the Institute of Management Consultants, Chennai Chapter.

He is an Executive Director of M.K.Raju Consultants Private Limited (MKRC) which has completed over 100 CHP studies and implemented 121MW of CHP Projects with an annual savings of Rs 125 Crores. MKRC has carried out over 500 Energy Studies with an annual savings of Rs.250 Crores. He is also a Director in VBC Industries Limited.

In order to utilize his experience and expertise in Power Sector, the Board of Directors at their Meeting held on 14<sup>th</sup> May, 2010 appointed him as an Additional Director on the Board in accordance with the provisions of Article 104 of the Articles of Association of the Company and Section 260 of the Companies Act, 1956.

The Company has received a notice from a Member under Section 257 of the Companies Act, 1956 proposing the candidature of Shri. M.V. Ananthkrishna as a Director. Board considers it to be beneficial in the interest of the Company to have the guidance and advice of Shri. M.V. Ananthkrishna and accordingly recommend his appointment as a Director.

Your Directors commend the Resolution at item No.5 as an Ordinary Resolution for its approval by the members of the Company.

None of the Directors of the Company except Shri M.V. Ananthkrishna is concerned or deemed to be interested in the above said resolution.

**Item No.6 - Re-appointment of Shri M. S. Lakshman Rao**

Shri M.S. Lakshman Rao is an Engineering graduate with over two and half decades of experience and was re-appointed as the Managing Director of the Company with effect from 01<sup>st</sup> November,2005 for a period of 5 years and his term will expire on 31<sup>st</sup> October, 2010.

During his tenure as the Managing Director, the Company has made considerable progress in all the spheres and is optimistic on future progress.

Keeping in view of his performance, it is proposed to re-appoint him for a further period of 5 years with effect from 1<sup>st</sup> November, 2010.

Apart from VBC Ferro Alloys Limited, he is also the Managing Director of VBC Industries Limited and is a Director of Orissa Power Consortium Limited, Orissa Hydel Power Balimela Limited, Orissa Hydel Power Jalaput Limited and Maha Infrastructure Limited.

The Remuneration Committee of the Board of Directors of the Company recommended the remuneration proposed to M.S. Lakshman Rao.

The terms of payment of managerial remuneration to Shri M.S. Lakshman Rao is set out in the proposed resolution which shall be treated as an abstract of terms of appointment and memorandum of interest under section 302 of the Companies Act, 1956.

Your Directors commend the Resolution at item No.6 as an Ordinary Resolution for its approval by the members of the Company.

None of the Directors of the Company except Shri M. S. Lakshman Rao and Dr. M.V.V.S. Murthi, being a relative, are interested in the said resolution.

By Order of the Board  
for VBC Ferro Alloys Limited

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

Place: Hyderabad  
Date: 14.05.2010


**DIRECTORS' REPORT**

**Dear Members,**

Your Directors have pleasure in presenting the 28<sup>th</sup> Annual Report of VBC Ferro Alloys Limited with Audited Statements of accounts for the 12 months period ended 31<sup>st</sup> March, 2010.

**FINANCIAL RESULTS:**

PARTICULARS	(Rs. in Lakhs)	
	Current Year 2009-2010	Previous Year 2008-2009
Gross Revenue	9265.50	8496.37
Profit before Interest, Depreciation & Tax (PBIDT)	1247.43	806.87
Less: Interest	323.11	569.37
Profit before depreciation and tax (PBDT)	924.32	237.50
Less: Depreciation	148.00	138.88
Profit before tax (PBT)	776.31	98.62
Less: Provision for taxation including Deferred Tax Charge for the year	257.40	37.87
Profit after tax (PAT)	518.91	60.75
Profit brought forward from previous year	3435.38	3489.10
Income tax for earlier periods	(809.00)	0
Deferred Tax for earlier years	(504.81)	0
<b>Profit available for appropriation</b>	<b>2640.48</b>	<b>3543.53</b>
Transfer to General Reserve	90.00	10.00
Proposed Dividend	109.85	83.89
Tax on Proposed Dividend	18.67	14.26
Profit carried to Balance Sheet	2421.96	3435.38

**DIVIDEND:**

Your Directors have recommended a dividend of Rs 2.50/- per Equity Share for the Financial Year ended on 31<sup>st</sup> March 2010.

**INDUSTRY OVERVIEW:**

During the year under review, the Indian Ferro Alloys Industry had shown signs of recovery in domestic and export markets. However, the prices are yet to stabilize. The units in Andhra Pradesh have suffered production losses due to severe power cuts imposed by the power distribution companies. However, the units with captive power have been able to maximize the production.

**BUSINESS PERFORMANCE:**

During the financial year 2009-10, your Company has produced 15,198 MT of Ferro Silicon against the production of 11,340 MT of Ferro Silicon during the previous year and sold during the year 15,209 MT of Ferro Silicon for a value of Rs. 8887.87 lakhs as against 12,082 MT for a value of Rs. 8351.71 Lakhs during the previous year. Your Company has exported 4,154 MT of Ferro Silicon to various countries like Italy, U.K, Netherlands, Germany, Korea, France, Poland, Romania and Belgium and acclaimed for its quality products. The profit after tax rose to Rs. 518.91 Lakhs as against Rs. 60.75 Lakhs in the previous year.

**PROSPECTS**

The signs of recovery of economic growth and a number of on-going domestic infrastructure development projects in India and China are boosting the global steel demand. The Infrastructure Industry, the largest end-use sector for steel, is expected to register strong growth in the domestic market as the Government of India has recognized the need for implementation of infrastructure projects on priority basis for economic prosperity. The National Steel Policy has a target for taking steel production to 110 mn MT by the year 2020 as against present capacity of only 72.76 mn MT. In turn the Ferro Alloys production will also has to go up substantially in the coming years.

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

**THERMAL POWER PLANT - 130MW (2X65MW)**

To overcome the production losses and to increase the production of Ferro Alloys, your company is setting up a 130MW (2x65MW) coal based captive power plant at Bodepalli Village, Sirpur Kagaznagar Mandal, Adilabad Dt. The necessary coal linkage was obtained, suitable land upto 94 acres was acquired and the other steps such as Pollution Control Permission, water and other facilities are on the envil.

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

Konaseema Gas Power Limited (KGPL) in which your Company has a major investment of equity, has commenced operations in 2 of its gas units with open cycle operations and is generating power, which is being sold to APTRANSCO. The Project COD is expected to be declared after commissioning third steam boiler.

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

Orissa Power Consortium Limited (OPCL), 20 MW Dam Based Hydro Electric Power Project, in which your Company invested in equity has started generation and selling power to PTC India Limited and declared COD in October, 2009.

**DIRECTORS**

Sri G. Narayanan, Director of the Company had resigned on 23.10.2009 for personal reasons. The Board accepted his resignation and had placed on record its appreciation for the valuable services rendered by him during his tenure as Director of the Company.

With a view to strengthening the Board, Sri M.V. Ananthkrishna was co-opted as an Additional Director by the Board of Directors at their meeting held on 14<sup>th</sup> May, 2010 and his term of office concludes at the ensuing Annual General Meeting. Sri M.V. Ananthkrishna, being eligible, offers himself for appointment and considering his experience and expertise in Power Sector and Management, the Board recommends his appointment as a Non-Executive and Independent Director of the Company u/s 255 & 256 of the Companies Act, 1956.

In accordance with the provisions of Section 255 of the Companies Act, 1956 and clause 108 of the Articles of Association of the Company, Dr.M.V.V.S.Murthi, who is liable to retire by rotation and being eligible, offers himself for re-appointment. Board recommends his re-appointment. In accordance with the provisions of Clause 49 of the Listing Agreement with Stock Exchanges, brief particulars of Dr.M.V.V.S. Murthi is provided in the Notes annexed to the Notice of the Annual General Meeting and is forming part of this Annual Report.

Sri. M.S. Lakshman Rao's tenure as the Managing Director is expiring on 31<sup>st</sup> October, 2010 and the Board recommends his re-appointment for a further period of 5 years with effect from 1<sup>st</sup> November, 2010 for approval by the Members.

In accordance with the provisions of Clause 49 of the Listing Agreement with Stock Exchanges, brief particulars of Dr.M.V.V.S. Murthi, Sri M.V. Ananthkrishna and Sri M.S. Lakshman Rao are provided in the Notes annexed/Explanatory Statement to the Notice of the Annual General Meeting and is forming part of this Annual Report.

**CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION**

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

**CORPORATE GOVERNANCE**

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

**FIXED DEPOSITS**

The company has not accepted any fixed deposits.

**PERSONNEL**

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

**INSURANCE**

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

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

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

**AUDITORS**

M/s Brahmayya & Co., Chartered Accountants, the Auditors of the Company, who retire at the conclusion of the forthcoming Annual General Meeting have consented to continue in office, if re-appointed. They have confirmed that their re-appointment, if made, will be in accordance with the limits specified u/s 224(1B) of the Companies Act, 1956. Your Directors recommend their re-appointment for the financial year 2010-11.

**DIRECTORS' RESPONSIBILITY STATEMENT**

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

- (i) In the preparation of annual accounts for the financial year ended 31<sup>st</sup> March, 2010, 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 have been prepared on a 'going concern' basis.

**DECLARATION**

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

**ACKNOWLEDGEMENTS**

Your Directors thank all Members, Customers, Vendors, Regulatory & Government Authorities and Bank of India for the support extended by them. Your Directors place on record their sincere appreciation for the support and contribution of employees through their dedication, hard work and commitment and look forward to the future with confidence.

for and on behalf of the Board

Sd/-

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

Place: Hyderabad  
Date : 14.05.2010





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

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

(c) Future plan of action

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

(d) Expenditure on R & D :

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

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

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

: --

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

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

: Reduction in cost of reductants

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

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

(d) Foreign Exchange Earnings & Outgo

i) Foreign Exchange Earnings at FOB value (Rs.)	12,71,10,855	32,96,71,499
ii) Foreign Exchange outgo		
a) CIF value of imports	:	
Raw Materials, Components and Spares	:	Nil
Capital Goods	:	Nil
(b) Others		Nil

For and on behalf of the Board

Sd/-

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

Place : Hyderabad  
Date : 14-05-2010.

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

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

**2. INDUSTRY STRUCTURE**

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

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

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

This has been dealt with in the Directors' Report.

**OPPORTUNITIES**

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

**THREATS**

The manufacture of Ferro alloys is highly power intensive and therefore the cost of power is critical to the competitiveness of the products. On an average, 50% of the total cost per tonne of Ferro alloys is accounted for by power. This is the major threat that this industry is facing and in order to be competitive on a global scale, it is necessary for an Indian Ferro alloys Industry to have captive power to tide over the situation in power starved country like India.

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

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

**5. OUTLOOK**

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

- a) A Captive Power Plant of 130 MW (2x65MW) capacity is being setup by the Company at Bodepalli Village, Sirpur Kaghaznagar Mandal, Adilabad District in the State of Andhra Pradesh, which will enable your Company to draw the required power without any load restrictions, which will result in higher productivity with lower costs.
- b) Your company had already invested significant funds in 445 MW Natural Gas Based Power Project of M/s. Konaseema Gas Power Limited and 20 MW Dam Based Hydro Electric Power Project of M/s. Orissa Power Consortium Limited, which are on stream resulting in returns.

**6. RISKS & CONCERNS**

- a. In a time frame for setting up of captive power plant and coming into production will depend upon the financial closure of the project.
- b. Government regulations, like reduction in import duties, anti dumping duty and increase in power tariffs by CPDC of AP Limited, may also affect the profitability of the Company, since 50% or more production costs account for power.

**7. INTERNAL CONTROL SYSTEMS AND ADEQUACY**

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

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

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

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

This has been dealt with in the Directors' Report.

**9. HUMAN RESOURCE DEVELOPMENT**

Human capital is one of the key elements of your Company. The Company has employed 226 employees who are highly motivated and have been contributing towards the growth of the Company. The company's human resource policies are aimed at motivating its employees to deliver high quality performance and reward talent with adequate compensation and accelerated career growth opportunities.

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

**10 INDUSTRIAL RELATIONS**

This has been dealt with in the Directors' Report.

**Cautionary Statement**

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

Place: Hyderabad  
Date : 14.05.2010

for and on behalf of the Board

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



## CORPORATE GOVERNANCE

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

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

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

**2. Board of Directors**

- Composition and Category of Directors as on 31.03.2010

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

The Attendance record of the Directors at the Board Meetings held during the financial year ended on 31<sup>st</sup> March, 2010 and the last Annual General Meeting (AGM) and the details of their other Directorships and Committee Chairmanships and Memberships are given below:

Name of the Director	Category	Designation	Attendance at Last AGM (YES/NO)	Attendance in Board Meetings		No. of Directorships and No. of Committee positions in other public companies		
				No. of Board Meetings held during his tenure	Present	Other Directorships#	Committee Memberships*	Committee Chairmanships*
Dr. M.V.V.S. Murthi	Non Executive Promoter	Chairman	Yes	5	5	2	NIL	1
Shri M.N. Rao	Non Executive Independent	Director	Yes	5	5	2	Nil	1
Dr. P.L. Sanjeev Reddy	Non Executive Independent	Director	Yes	5	5	1	NIL	NIL
Shri G. Narayanan* (Upto 23.10.2009)	Non Executive Independent	Director	Yes	3	2	Nil	NIL	NIL
Shri M.S. Lakshman Rao	Executive	Managing Director	Yes	5	5	6	1	NIL

\*Shri G. Narayanan had resigned on 23.10.2009 from the post of Non Executive Director.

# Excluding Directorships in Private Limited Companies.

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



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

Five Board Meetings were held during the financial year 2009-10 on 28<sup>th</sup> April 2009, 28<sup>th</sup> July 2009, 15<sup>th</sup> September 2009, 23<sup>rd</sup> October 2009 and 27<sup>th</sup> January 2010.

**3. Audit Committee**

- **Brief description of Terms of Reference**

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

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

- **Composition of the Audit Committee as on 31<sup>st</sup> March, 2010**

Shri M.N. Rao	Chairman	Independent Non-executive Director
Dr. M.V.V.S. Murthi	Member	Non-executive Promoter Director
Dr. P.L. Sanjeev Reddy	Member	Independent Non-executive Director

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

- **Meetings and Attendance during the year**

Date	Shri M.N. Rao	Dr. M.V.V.S. Murthi	Dr. P.L. Sanjeev Reddy
28.04.2009	YES	YES	YES
28.07.2009	YES	YES	YES
23.10.2009	YES	YES	YES
27.01.2010	YES	YES	YES

**4. Remuneration Committee**

- Brief description of terms of reference  
To recommend compensation terms for Executive Directors.
- Composition, name of members, Chairman and Secretary as on 31<sup>st</sup> March, 2010.

Dr. P. L. Sanjeev Reddy	Chairman	Independent non-executive Director
Dr.M.V.V.S.Murthi	Member	Non-executive, Promoter Director
Shri M. N. Rao	Member	Independent non-executive Director

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

- The remuneration committee has been reconstituted on 14<sup>th</sup> May, 2010 with Dr. P.L. Sanjeev Reddy as the Chairman and Shri M.N. Rao and Shri M.V. Ananthakrishna as the members.
- Remuneration policy

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

There has been no occasion during the year ended 31<sup>st</sup>March, 2010 for the Remuneration Committee to meet.

**5. Remuneration of Directors**

Details of remuneration paid to Directors during the financial year 2009-10.

(In Rupees)

Name	Designation	Sitting fee	Remuneration	Benefits	Total
Dr. M. V. V. S. Murthi	Non-Executive Chairman	1,35,000	Nil	Nil	1,35,000
Shri M. N. Rao	Independent Non-Executive Director	1,45,000	Nil	Nil	1,45,000
Dr. P. L. Sanjeev Reddy	Independent Non-Executive Director	1,00,000	Nil	Nil	1,00,000
Shri. G.Narayanan	Independent Non-Executive Director	20,000	Nil	Nil	20,000
Shri M. S. Lakshman Rao	Managing Director	Nil	25,56,461	4,13,325	29,69,786

Benefits include, contribution to Provident Fund, Gratuity Fund, payment of Perquisites and Commission. There is no Employee Stock Option Scheme during the financial year ended 31<sup>st</sup> March, 2010.



## 6. Investors' Grievance & Share Transfer Committee

The Investors' Grievance & Share Transfer Committee met 4 times during the financial year 2009-10 on 28<sup>th</sup> April 2009, 28<sup>th</sup> July 2009, 23<sup>rd</sup> October 2009, and 27<sup>th</sup> January 2010.

The Constitution of the Committee as on 31.03.2010 and attendance of each Member is as given below:

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

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

Name and Designation of Compliance officer:

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

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

Investor grievances received and attended during the year 2009-10 and pending as on 31.03.2010.

Nature of grievances	Received	Attended	Pending
1. Non-receipt of dividend warrants	14	14	NIL
2. Non-receipt of share certificates after transfer/duplicate	2	2	NIL
3. Non-receipt of Annual Report	16	16	NIL
4. Other Miscellaneous	7	6	1

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

## 7. General Body Meetings

### a) Details of the Last 3 AGMs

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



• **Date , Time and Special Resolutions passed**

S.No.	Financial Year	Date	Time	Special Resolutions
25 <sup>th</sup> AGM	2006-07	17-08-2007	3.00 PM	<b>One Special Resolution</b> Authorization to invest in Securities Under Section 372A of the Companies Act, 1956.
26 <sup>th</sup> AGM	2007-08	05-09-2008	3.00 PM	<b>One Special Resolution</b> Rights Issue of Equity Shares.
27 <sup>th</sup> AGM	2008-09	27-08-2009	11.00 AM	<b>One Special Resolution</b> Preferential Issue of 2 Lakhs Equity Shares of Rs.10/-each.

**b) i) Special Resolution passed through Postal Ballot during the financial year 2009-10**

Particulars of the Resolution	Resolution Passed on	Applicable Section of the Companies Act, 1956	No. and % of votes in favour	No. and % of votes against
For alteration of the Main and other Objects (Clause IIIA and IIIC) of the Memorandum of Association of the Company.	16 <sup>th</sup> December, 2009	Section 192A and all other applicable provisions, if any, of the Companies Act, 1956	18,64,999  99.96%	705  0.04%

ii) **Person who conducted the Postal Ballot exercise**

Mr.A.J.Sharma, a Practicing Company Secretary, conducted the Postal Ballot voting process as the scrutinizer.

iii) **Procedure for Postal Ballot**

The procedures as prescribed in the Companies (Passing of Resolutions by Postal Ballot) Rules, 2001 were followed for passing the Resolution by Postal Ballot during the year ended 31<sup>st</sup> March, 2010.

**8. Management Discussion & Analysis Report**

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

**9. Disclosures**

- There are no transactions, which may have potential conflict with the interests of the Company. Schedule 18 of the Annual Accounts contains the details of related party transactions as required by the Accounting Standard 18 (AS-18) on 'Related Party Disclosures' issued by the Institute of Chartered Accountants of India.



- There is no non-compliance by the Company and no penalties, strictures have been imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.
- The Company has complied with all the mandatory requirements of Clause 49 and is in the process of implementation of Non-mandatory requirements.
- A Certificate duly signed by the Managing Director & CEO and Vice President(Finance) relating to financial statements and internal controls and internal control systems for financial reporting as per the format provided in Clause 49(V) of the listing agreement was placed before the Board, who took the same on record.
- Profile and other information regarding the Directors being appointed/reappointed as required under Clause 49 IV (G) (i) of the Listing Agreement have been given in the Notice of the Annual General Meeting annexed to this Annual Report.

## **10. Means of Communication**

The quarterly financial results are generally published in Financial Express, Andhra Prabha and Business Standard Newspapers. Copies of the Results published are forwarded to Stock Exchange.

## **11. Code of Conduct**

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

## **12. GENERAL SHAREHOLDERS' INFORMATION**

### **i) Date, Time and Venue of the 28<sup>th</sup> Annual General Meeting**

The **14<sup>th</sup> day of July, 2010 at 3.00 PM** at Surana Udyog Auditorium of the Federation of Andhra Pradesh Chambers of Commerce and Industry (FAPCCI), situated at 11-6-841, Red Hills, Hyderabad-500 004.

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

Financial Reporting for the quarter ended 30 <sup>th</sup> June, 2010	31 <sup>st</sup> July, 2010
Financial Reporting for the quarter ended 30 <sup>th</sup> September, 2010	29 <sup>th</sup> October, 2010
Financial Reporting for the quarter ended 31 <sup>st</sup> December, 2010	28 <sup>th</sup> January, 2011
Financial Reporting of Audited Results for the year ended 31 <sup>st</sup> March, 2011	27 <sup>th</sup> May, 2011

### **iii) Dates of Book Closure**

**7<sup>th</sup> July, 2010 to 14<sup>th</sup> July, 2010 (Both days inclusive)**

### **iv) Dividend Payment Date: Within 30 days from the date of AGM.**

v) Listing on Stock Exchanges

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

Listing Fees

The Company has paid annual listing fee for the year 2010-11 to the Bombay Stock Exchange Limited, where the securities are listed.

vi) Stock Code

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

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

<b>Month</b>	<b>High (Rs.)</b>	<b>Low (Rs.)</b>	<b>Close (Rs.)</b>	<b>No. of Shares</b>
Apr 2009	312.75	191.20	308.80	2,73,857
May 2009	324.45	227.15	290.15	1,75,004
Jun 2009	349.75	250.00	266.50	2,03,879
Jul 2009	341.00	232.15	308.05	2,55,912
Aug 2009	433.70	287.00	433.70	3,45,142
Sep 2009	514.95	396.00	465.30	3,18,738
Oct 2009	469.90	380.30	431.55	1,25,096
Nov 2009	467.00	397.00	417.80	1,09,533
Dec 2009	460.00	375.00	408.20	1,18,365
Jan 2010	418.00	317.00	332.85	95,498
Feb 2010	381.95	301.85	310.45	1,08,634
Mar 2010	334.00	281.60	296.75	1,53,623

viii) Registrar and Share Transfer Agents

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



ix) Share Transfer System

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

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

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

There are no pending share transfer requests as on 31<sup>st</sup> March, 2010.

x) (a) Distribution of Shareholding as on 31<sup>st</sup> March, 2010

Category		No. of shareholders	%	Shares held	%
From	To				
Upto	500	7989	93.31	7,43,344	16.91
501	1000	319	3.72	2,48,955	5.66
1001	2000	110	1.28	1,60,024	3.64
2001	3000	50	0.58	1,26,381	2.87
3001	4000	15	0.17	51,238	1.16
4001	5000	15	0.17	70,541	1.60
5001	10000	21	0.24	1,42,477	3.24
10001	And above	42	0.49	28,51,390	64.88
Total		8561	100.00	43,94,350	100.00

(b) Distribution of Shareholding according to categories of shareholders as on 31<sup>st</sup> March, 2010.

Categories	No. of Shares	% to Total
Promoters, Directors / Relatives and associated Persons	16,14,459	36.74
Financial Institutions & Banks/Mutual Funds/Central & State Governments	22,812	0.52
Foreign Institutional Investors	-	-
Non-resident Indians	2,40,190	5.47
Private Corporate Bodies	6,67,743	15.20
Indian Public	18,49,146	42.08
<b>TOTAL</b>	<b>43,94,350</b>	<b>100.00</b>



xi) Dematerialisation of Shares and Liquidity

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

As at 31<sup>st</sup> March, 2010, 79.18% of the Equity Share Capital, representing 34,79,554 shares were held in depository mode.

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

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

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

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

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

xv) Investor Relations

All the queries received from shareholders during the financial year 2009-10 have been resolved except one. The Company generally replies to the queries within a week of their receipt. The Company has designated e-mail investor@vbcindia.com for investor services.

xvi) Nomination Facility

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



**13. Compliance**

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

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

for and on behalf of the Board

Place: Hyderabad  
Date : 14.05.2010

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

To  
The Members of  
VBC Ferro Alloys Limited

**DECLARATION**

All the Board members and the Senior Management Personnel have affirmed their compliance of the 'Code of Conduct for the Members of the Board and Senior Management' for the period from 1<sup>st</sup> April, 2009 to 31<sup>st</sup> March, 2010 in terms of the clause 49(1) (D)(ii) of the Listing Agreement with the Stock Exchange.

Place: Hyderabad  
Date : 14.05.2010

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



**AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE**

To

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

We have examined the compliance of conditions of Corporate Governance by VBC Ferro Alloys Limited for the year ended 31<sup>st</sup> March 2010, as stipulated in Clause 49 of the Listing Agreement of the Company with stock exchange.

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

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

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

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

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

Camp : Hyderabad  
Date : 14-05-2010

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

**AUDITORS' REPORT**

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

1. We have audited the attached Balance Sheet of VBC Ferro Alloys Limited, as at 31<sup>st</sup> March, 2010, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956 of India (the 'Act') and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we set out in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - b) In our opinion, the company has kept proper books of account, as required by law so far, as appears from our examination of such books.
  - c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
  - d) In our opinion the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in Sub Section (3c) of Section 211 of the Companies Act, 1956.
  - e) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India :
    - i) In the case of the Balance Sheet, of the state of affairs of the company as at 31<sup>st</sup> March 2010.
    - 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, 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2010 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 : 14-05-2010



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

- 1.1 The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets, except in the case of few assets in respect of which particulars required to be updated, the value in respect of which is not material.
- 1.2 The fixed assets have been physically verified by the management during the year in accordance with a phased programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. According to the information furnished to us, no material discrepancies have been noticed on such verification.
- 1.3 The fixed assets disposed-off by the company during the year do not form a substantial part thereof.
- 2.1 Physical verification of inventory has been conducted during the year by the management at reasonable intervals.
- 2.2 The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- 2.3 On the basis of our examination of the records of inventory, we are of the opinion that the company is maintaining proper records of inventory. The discrepancies noticed on such verification between the physical stocks and the book records were not material.
- 3.1 The Company has not granted any loans either secured or unsecured to companies, firms or other parties which are covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly sub-clauses (b), (c) and (d) of clause (iii) of paragraph 4 of the order are not applicable.
- 3.2 The Company has not taken any new loans during the year. However it has taken a loan of Rs 500 lakhs in an earlier year from a party, who is covered in the register maintained under section 301 of the Companies Act. 1956.
- 3.3 In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions in respect of the loans are not prima facie prejudicial to the interest of the Company.
- 3.4 The company in arrears of payment of interest of Rs 189.41 lakhs as on the date of Balance Sheet. However, the date of repayment of principal amount has not been stipulated.
- 4.1 In our opinion and according to the information and explanations given to us, there are adequate internal control systems, commensurate with the size of the company and the nature of its business with regard to purchase of inventory and fixed assets and sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control systems.
- 5.1 According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.



- 5.2 In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable, having regard to prevailing market prices at the relevant time.
- 6.1 The company has not accepted deposits from public. Accordingly the Clause (vi) of paragraph 4 of the Order is not applicable to the company.
- 7.1 In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- 8.1 According to the information and explanations given to us, maintenance of cost records is not required under section 209(1) (d) of the Companies Act, 1956 in respect of the business activities carried out by the company.
- 9.1 According to the records of the company, the company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, Investor education and protection fund, employees state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.
- 9.2 According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, service tax, customs duty, excise duty and cess and other material statutory dues applicable to it were in arrears as at 31<sup>st</sup> March 2010 for a period of more than six months from the date they became payable.
- 9.3 As at 31<sup>st</sup> March 2010, there have been no disputed dues, which have not been deposited with the respective authorities in respect of Sales Tax, income-tax, Wealth-tax, Service tax, Excise Duty and Cess, except the following:

<b>Name of the Statute</b>	<b>Nature of the Dues</b>	<b>(*)Amount (Rs. in lakhs)</b>	<b>Period of which the amount relates</b>	<b>Forum where dispute is pending</b>
AP General Sales Tax Act	Non submission of 'G' forms	7.07	1996-97 & 2001-02	Dy. Commissioner (Appeals)
AP General Sales Tax Act	Sales Tax	2.61	1991-92	Hon'ble High Court of Andhra Pradesh
Central Sales Tax Act	Non submission of 'C' and 'F' forms	25.69	1996-97	Dy. Commissioner (Appeals)
Income Tax Act	Income Tax	106.16	Assessment Year 2007-08	CIT (Appeals), Hyderabad

(\*) Net of pre deposits made

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



- 12.1 The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly clause (xii) of paragraph 4 of the order is not applicable.
- 13.1 In our opinion, the company is not a chit fund or a nidhi/mutual benefit fund/ society. Accordingly, clause (xii) of paragraph 4 of the order is not applicable.
- 14.1 In our opinion, the Company is not dealing in or trading in shares, debentures and other instruments. Accordingly, clause (xiv) of paragraph 4 of the Order is not applicable.
- 15.1 According to the information and explanations given to us, the company has given two guarantees for loans taken by others from financial institutions. The guarantees given by the company along with other co-promoters to financial institutions on behalf of two companies promoted by them are with the approval of shareholders in a general meeting and in accordance with the respective promoters' agreements. Having regard to the information and explanations given to us the said guarantees are not prejudicial to the interest of the company.
- 16.1 In our opinion, the company has not obtained any term loans, accordingly clause (xvi) of paragraph 4 of the Order is not applicable.
- 17.1 According to the information and explanations given to us and on an overall examination of the Balance Sheet of the company, we report that funds raised to the extent of Rs 555.42 lakhs on short-term basis have been used for long-term investment.
- 18.1 According to the information and explanation given to us, the company has made preferential allotment of shares to a party covered in the register maintained under section 301 of the Act. In our opinion, the price at which shares have been issued is not prejudicial to the interest of the company.
- 19.1 The Company has not issued any debentures; during the year accordingly clause (xix) of paragraph 4 of the Order is not applicable.
- 20.1 During the year, the Company has not raised money by public issue. Accordingly clause (xx) of paragraph 4 of the Order is not applicable.
- 21.1 According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

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

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

Camp : Hyderabad  
Date : 14-05-2010



**BALANCE SHEET AS AT 31st MARCH, 2010**

	Schedule Ref.	As at 31.03.2010 Rupees	As at 31.03.2009 Rupees
<b>I. SOURCES OF FUNDS</b>			
1) Shareholders' funds :			
a) Share Capital	1	4,39,49,875	4,19,49,875
b) Reserves & Surplus	2	131,65,62,235	135,98,60,693
		<b>136,05,12,110</b>	<b>140,18,10,568</b>
2) Loan Funds :			
a) Secured Loans	3	10,34,81,058	10,68,00,085
b) Unsecured Loans	4	25,81,54,624	17,58,25,760
		<b>36,16,35,682</b>	<b>28,26,25,845</b>
Deferred Tax Liability		5,38,44,850	-
<b>TOTAL</b>		<b>177,59,92,642</b>	<b>168,44,36,413</b>
<b>II. APPLICATION OF FUNDS</b>			
1) Fixed Assets			
a) Gross Block	5	72,46,87,419	76,14,86,403
b) Less : Depreciation		58,17,20,176	58,59,42,867
c) Net Block		14,29,67,243	17,55,43,536
d) Capital work-in-progress		2,04,50,340	1,25,73,500
		<b>16,34,17,583</b>	<b>18,81,17,036</b>
2) Investments	6	157,42,96,894	147,21,96,137
3) Deferred Tax Asset		-	1,18,76,150
4) Current Assets, Loans & Advances :			
a) Inventories	7	12,19,77,395	15,89,53,291
b) Sundry Debtors	8	8,86,48,442	8,73,02,274
c) Cash & Bank Balances	9	1,98,32,389	2,18,98,449
d) Interest Receivable		37,73,462	38,13,045
e) Loans & Advances	10	8,60,78,431	12,14,89,969
		<b>32,03,10,119</b>	<b>39,34,57,028</b>
Less : Current Liabilities & Provisions :			
a) Liabilities	11	22,60,37,936	35,88,04,692
b) Provisions	12	5,59,94,018	2,24,05,246
		<b>28,20,31,954</b>	<b>38,12,09,938</b>
<b>Net Current Assets</b>		<b>3,82,78,165</b>	<b>1,22,47,090</b>
<b>TOTAL</b>		<b>177,59,92,642</b>	<b>168,44,36,413</b>
Significant Accounting policies and Notes on accounts	18		

Per our report of even date for **BRAHMAYYA & Co.,**  
Chartered Accountants

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

Camp : Hyderabad  
Date : 14-05-2010

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

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

For and on behalf of the Board

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

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

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2010**

	Schedule Ref.	Current Year 31.03.2010 Rupees	Previous Year 31.03.2009 Rupees
<b>I. INCOME :</b>			
Sales		<b>88,87,86,912</b>	83,51,70,818
Less : Excise duty & VAT collections		<b>5,05,37,951</b>	2,85,20,317
		<b>83,82,48,961</b>	80,66,50,501
Increase/(Decrease) in stocks	13	<b>(1,89,01,238)</b>	(3,83,83,196)
Other Income	14	<b>3,77,64,548</b>	1,44,67,018
<b>TOTAL</b>		<b>85,71,12,271</b>	78,27,34,323
<b>II. EXPENDITURE :</b>			
Raw Materials Consumed	15	<b>26,61,40,498</b>	23,93,60,257
Power and fuel		<b>33,95,05,208</b>	29,70,51,960
Staff Cost	16	<b>5,62,50,016</b>	4,25,69,234
Other Expenses	17	<b>7,04,72,854</b>	12,30,65,492
Interest & Finance Charges to Banks and others		<b>3,23,11,701</b>	5,69,37,253
Depreciation		<b>1,48,00,756</b>	1,38,88,117
<b>TOTAL</b>		<b>77,94,81,033</b>	77,28,72,313
<b>III. PROFIT BEFORE TAX</b>		<b>7,76,31,238</b>	98,62,010
Provision for Taxation : Current Tax		<b>(1,35,00,000)</b>	(9,60,000)
Deferred Tax		<b>(1,52,39,430)</b>	(31,61,700)
Fringe Benefit Tax		-	(6,25,000)
MAT credit entitlement		<b>30,00,000</b>	9,60,000
<b>IV. PROFIT AFTER TAX</b>		<b>5,18,91,808</b>	60,75,310
Surplus brought forward from previous year		<b>34,35,38,918</b>	34,89,10,538
Income tax for earlier years		<b>(8,09,00,422)</b>	(6,32,570)
Deferred tax for earlier years		<b>(5,04,81,570)</b>	-
<b>SURPLUS AVAILABLE FOR APPROPRIATION</b>		<b>26,40,48,734</b>	35,43,53,278
<b>V. APPROPRIATIONS :</b>			
Transfer to General Reserve		<b>90,00,000</b>	10,00,000
Proposed Dividend		<b>1,09,85,875</b>	83,88,700
Tax on Proposed Dividend		<b>18,67,050</b>	14,25,660
Surplus carried over to Balance Sheet		<b>24,21,95,809</b>	34,35,38,918
		<b>26,40,48,734</b>	35,43,53,278
<b>VI. Earnings per Share-(basic and diluted) Rs.</b>		<b>11.80</b>	1.45
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/-  
**M.S. LAKSHMAN RAO**  
Managing Director

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

Camp : Hyderabad  
Date : 14-05-2010

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

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



SCHEDULES TO BALANCE SHEET AS AT 31st MARCH, 2010

Particulars	As at 31.03.2010 Rupees	As at 31.03.2009 Rupees
<b>1. SHARECAPITAL</b>		
Authorised :		
2,00,00,000 Equity Shares of Rs.10/- each	<b>20,00,00,000</b>	20,00,00,000
<b>TOTAL</b>	<b>20,00,00,000</b>	20,00,00,000
<b>Issued :</b>		
43,96,450 Equity Shares of Rs.10/- each (Previous year 41,96,450 shares)	<b>4,39,64,500</b>	4,19,64,500
Subscribed & Paid up :		
43,94,350 Equity Shares of Rs.10/- each (Previous year 41,94,350 shares) fully paid up	<b>4,39,43,500</b>	4,19,43,500
Amount received on 2100 forfeited shares	<b>6,375</b>	6,375
<b>TOTAL</b>	<b>4,39,49,875</b>	4,19,49,875

**2. RESERVES AND SURPLUS**

Particulars	As at 31.03.2009 Rupees	Additions Rupees	Deductions Rupees	As at 31.03.2010 Rupees
a) Capital Reserve				
i) State Govt. Subsidy	15,00,000	--	--	<b>15,00,000</b>
ii) Share Premium	6,11,79,000	5,80,00,000*	--	<b>11,91,79,000</b>
b) General Reserve	90,10,00,000	90,00,000	--	<b>91,00,00,000</b>
c) Asset Revaluation Reserve	5,26,42,775	--	89,55,349**	<b>4,36,87,426</b>
d) Surplus in Profit & Loss Account	34,35,38,918	--	--	<b>24,21,95,809</b>
<b>TOTAL</b>	<b>135,98,60,693</b>			<b>131,65,62,235</b>

\* Received on preferential allotment made during the year

\*\* Credited to "Profit on sale of fixed assets".



Particulars	As at 31.03.2010 Rupees	As at 31.03.2009 Rupees
<b>3. SECURED LOANS:</b>		
1) Cash credit from a bank on hypothication of Stock of Finished goods, Raw Materials, stores and spares and book debts and a first charge on all the fixed assets of the Company and guaranteed by Managing Director and a shareholder of the Company, in their personal capacity.	<b>10,09,66,523</b>	10,36,51,218
2) Due to others on hypothication of vehicles	<b>25,14,535</b>	31,48,867
<b>TOTAL</b>	<b>10,34,81,058</b>	10,68,00,085
<b>4. UNSECURED LOANS:</b>		
Short Term Loans and Advances :		
From Directors	<b>6,89,41,922</b>	7,01,82,844
Inter Corporate Deposits	<b>18,80,48,427</b>	10,44,82,132
From LIC of India	<b>11,64,275</b>	11,60,784
<b>TOTAL</b>	<b>25,81,54,624</b>	17,58,25,760



**SCHEDULE - 5 FIXED ASSETS**

(in Rupees)

Sl. No.	Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK		
		As at 31.03.2009	Additions	Tran / Adj 31.03.2010	Upto 31.03.2009	For the Year	Tran / Adj	Upto 31.03.2010	As at 31.03.2010	As at 31.03.2009
1	LAND	5,51,05,206	-	4,56,10,206	-	-	-	-	4,56,10,206	5,51,05,206
2	BUILDINGS	8,29,65,601	-	8,29,65,601	5,27,72,157	17,05,360	-	5,44,77,507	2,84,88,094	3,01,93,444
3	PLANT & MACHINERY	59,40,85,743	1,12,44,768	56,50,59,100	51,35,77,433	1,16,74,704	1,90,23,443	50,62,28,694	5,88,30,406	8,05,08,310
4	FURNITURE	33,43,282	29,000	33,72,282	28,57,928	1,22,225	-	29,80,153	3,92,129	4,85,354
5	OFFICE EQUIPMENT	87,34,372	2,64,313	89,98,685	63,24,063	3,80,276	-	67,04,339	22,94,346	24,10,309
6	VEHICLES	1,72,52,199	14,23,346	1,86,81,545	1,04,11,286	9,18,197	-	1,13,29,483	73,52,062	68,40,913
	TOTAL	76,14,86,403	1,29,67,427	72,46,87,419	58,59,42,867	1,48,00,752	1,90,23,443	58,17,20,176	14,29,67,243	17,55,43,536
	ADD: CAPITAL WORK-IN-PROGRESS								2,04,50,340	1,25,73,500
	TOTAL	76,14,86,403	1,29,67,427	72,46,87,419	58,59,42,867	1,48,00,752	-	58,17,20,176	16,34,17,583	18,81,17,036
	PREVIOUS YEAR	75,88,90,392	31,96,011	76,14,86,403	57,49,38,601	1,38,86,309	-	58,59,42,867	18,81,17,036	19,27,05,027



Sch. No.	Particulars	As at 31.03.2010 Rupees		As at 31.03.2009 Rupees	
<b>6.</b>	<b>INVESTMENTS - (AT COST) NON-TRADE, LONG-TERM</b>				
	<b>a) Government Securities :</b>				
	2000 Units of Rs.10/- each in Unit Trust of India Unit Growth Scheme 2000		<b>21,500</b>		<b>21,500</b>
	<b>TOTAL (a)</b>		<b>21,500</b>		<b>21,500</b>
	<b>b) Other Investments :</b>				
	<b>I. QUOTED</b>				
	1,35,000 Equity Shares of Rs.10/- each fully paidup in Basil Infrastructure Projects Ltd.		<b>13,50,000</b>		<b>13,50,000</b>
	3,000 Equity Shares of Rs.10/- each fully paidup in Bank of India		<b>1,35,000</b>		<b>1,35,000</b>
	380 Equity Shares of Rs.10/- each fully paidup in State Bank of Travancore		<b>2,28,000</b>		<b>2,28,000</b>
	<b>TOTAL (b) (I)</b>		<b>17,13,000</b>		<b>17,13,000</b>
	<b>II. UNQUOTED</b>				
	#14,01,41,414 Equity Shares of Rs.10/- each fully paidup in Konaseema Gas Power Ltd.,		<b>143,06,46,210</b>		<b>134,31,00,000</b>
	1,00,000 Equity Shares of Rs.10/- each fully paidup in Konaseema Power Corporation Ltd.,		<b>10,00,000</b>		<b>10,00,000</b>
	*61,72,670 Equity Shares of Rs.10/- each fully paidup in Orissa Power Consortium Ltd.,		<b>6,17,26,700</b>		<b>6,17,26,700</b>
	<b>Share Application Money with :</b>				
	i) Indo-Us Coal Washeries Ltd.		<b>1,08,57,364</b>		<b>1,08,57,364</b>
	ii) Orissa Hydrel Power Balimela Ltd.		<b>1,40,90,000</b>		<b>1,40,90,000</b>
	iii) Karthik Rukmini Alloys & Energy Ltd.		<b>5,52,42,120</b>		<b>4,06,87,573</b>
	<b>TOTAL (b) (II)</b>		<b>157,35,62,394</b>		<b>147,14,61,637</b>
	<b>TOTAL (b)</b>		<b>157,52,75,394</b>		<b>147,31,74,637</b>
	<b>TOTAL (a+b)</b>		<b>157,52,96,894</b>		<b>147,31,96,137</b>
	Less : Diminution in the value of Investments		<b>10,00,000</b>		<b>10,00,000</b>
	<b>TOTAL</b>		<b>157,42,96,894</b>		<b>147,21,96,137</b>
		Book Value	Market Value	Book Value	Market Value
	Aggregate value of :				
	Quoted Investments (net of diminution in value)	3,63,000	12,55,038	3,63,000	14,66,630
	Unquoted Investments (net of diminution in value)	157,39,33,894	NA	147,18,33,137	NA
	<b>TOTAL</b>	<b>157,42,96,894</b>	<b>12,55,038</b>	<b>147,21,96,137</b>	<b>14,66,630</b>

# includes 184.589 lacs (P.Y.184.589 lacs) shares acquired, & 60 lacs shares sold, the title in respect of which is in the process of transfer. 12.7682 crores 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. 1,18,36,414 Shares acquired during the year, out of which 60,00,000 shares are sold.

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

Sch. No.	Particulars	As at 31.03.2010 Rupees	As at 31.03.2009 Rupees
<b>7.</b>	<b>INVENTORIES</b> (As valued and certified by the Managing Director)		
	Raw materials	7,39,42,061	9,61,46,759
	Stores & Spares	1,89,23,288	1,47,93,248
	Finished Goods	2,91,12,046	4,80,13,284
	<b>TOTAL</b>	<b>12,19,77,395</b>	<b>15,89,53,291</b>
<b>8.</b>	<b>SUNDRY DEBTORS (Unsecured)</b>		
	Debts outstanding over Six months		
	- Considered good	1,62,65,679	27,20,269
	- Considered doubtful	79,49,228	79,49,228
		<b>2,42,14,907</b>	<b>1,06,69,497</b>
	Other debts considered good	7,23,82,763	8,45,82,005
		<b>9,65,97,670</b>	<b>9,52,51,502</b>
	Less : Provision for doubtful debts	79,49,228	79,49,228
	<b>TOTAL</b>	<b>8,86,48,442</b>	<b>8,73,02,274</b>
<b>9.</b>	<b>CASH &amp; BANK BALANCES</b>		
	Cash on hand	4,90,967	1,43,052
	Balances with Scheduled Banks :		
	- in Current Accounts	25,96,461	59,78,429
	(includes Rs.21,80,634 on amount of unpaid dividends - previous year is Rs.27,13,515)		
	- in Margin Money Deposit Accounts	1,67,34,961	1,57,66,968
	(Against Bank guarantees and Letters of Credit obtained from a Banker)		
	Balance with Post Office in Savings Bank Account	10,000	10,000
	<b>TOTAL</b>	<b>1,98,32,389</b>	<b>2,18,98,449</b>
<b>10.</b>	<b>LOANS AND ADVANCES</b> (Unsecured, Considered good recoverable in cash or kind or for value to be received)		
	Advances Recoverable	45,07,687	80,08,922
	Deposits Recoverable	4,40,05,616	4,96,02,616
	Balances with Central Excise Authorities	9,48,989	31,74,437
	Claims Receivable	37,93,899	31,40,275
	Prepaid Expenses	31,87,608	31,34,025
	Income Tax paid under protest	5,34,746	4,92,39,613
	Advance Payment of Income Tax	8,43,721	14,80,081
	MAT credit entitlement	39,45,335	37,10,000
	Advance for Purchase of Investments	2,43,10,830	-
	[Refer note no of Schedule 18(II)]		
	<b>TOTAL</b>	<b>8,60,78,431</b>	<b>12,14,89,969</b>



Sch. No.	Particulars	As at 31.03.2010 Rupees	As at 31.03.2009 Rupees
<b>11.</b>	<b>CURRENT LIABILITIES</b>		
	Sundry Creditors	15,45,66,483	28,58,21,500
	Advances received against Sales	3,69,81,519	2,43,92,028
	Trade deposits refundable	8,00,000	8,00,000
	Un-paid Dividends	21,80,634	27,13,515
	Creditors for other finances	3,15,09,300	4,50,77,649
	<b>TOTAL</b>	<b>22,60,37,936</b>	<b>35,88,04,692</b>
<b>12.</b>	<b>PROVISIONS</b>		
	Provision for Gratuity	59,81,966	90,66,650
	Provision for compensated leaves	11,12,465	19,39,236
	Provision for Income Tax	3,60,46,662	9,60,000
	Provision for Fringe Benefit Tax	-	6,25,000
	Proposed Dividend	1,09,85,875	83,88,700
	Tax on Proposed Dividend	18,67,050	14,25,660
	<b>TOTAL</b>	<b>5,59,94,018</b>	<b>2,24,05,246</b>
<b>SCHEDULES TO PROFIT &amp; LOSS ACCOUNT :</b>			
<b>13.</b>	<b>INCREASE / (DECREASE) IN STOCKS :</b>		
	Closing Stock :	2,91,12,046	4,80,13,284
	Less: Opening Stock	4,80,13,284	8,63,96,480
		<b>(1,89,01,238)</b>	<b>(3,83,83,196)</b>
<b>14.</b>	<b>OTHER INCOME :</b>		
	Rent received	24,00,000	24,00,000
	Interest received from Banks & others	71,24,543	54,92,055
	Dividends Received	15,000	59,000
	Profit on Sale of Fixed Assets	1,57,28,030	14,00,000
	Add : Tranfer from revaluation reserve	89,55,349	5,60,240
		<b>2,46,83,379</b>	<b>19,60,240</b>
	Miscellaneous receipts	28,50,301	13,02,069
	Provisions no longer required	4,85,215	44,812
	Excess Depreciation provided in earlier years written back	-	28,84,043
	Sundry Credit Balances written back	2,06,110	3,24,799
	<b>TOTAL</b>	<b>3,77,64,548</b>	<b>1,44,67,018</b>

Sch. No.	Particulars	As at 31.03.2010 Rupees	As at 31.03.2009 Rupees
<b>15.</b>	<b>RAW MATERIALS CONSUMED :</b>		
	Opening stock	9,61,46,759	15,55,99,415
	Add : Purchases (Net)	24,39,35,800	22,92,57,247
		-----	-----
		34,00,82,559	38,48,56,662
	Less : Cost of Raw Material sold	-	4,93,49,646
	Less : Closing Stock	7,39,42,061	9,61,46,759
		-----	-----
	<b>TOTAL</b>	<b>26,61,40,498</b>	<b>23,93,60,257</b>
		=====	=====
<b>16.</b>	<b>STAFF COST :</b>		
	Salaries, Allowances and Bonus	4,96,91,989	3,50,85,735
	Contributions to Provident and other Funds	48,95,131	39,33,122
	Welfare expenses	39,95,642	22,93,227
	Gratuity	(23,32,746)	12,57,150
		-----	-----
	<b>TOTAL</b>	<b>5,62,50,016</b>	<b>4,25,69,234</b>
		=====	=====
<b>17.</b>	<b>OTHER EXPENSES :</b>		
	Other Manufacturing Expenses	1,86,57,483	1,51,18,003
	Stores consumed	42,69,107	39,21,984
	Repairs & Maintenance:		
	Plant & Machinery	67,31,724	74,98,734
	Buildings	3,21,960	4,76,290
	Vehicles	20,89,269	14,99,090
	Others	19,88,134	20,86,605
	Insurance	25,99,609	31,07,717
	Rent	35,41,120	33,37,144
	Rates, Taxes & Duties	7,49,508	-44,02,967
	Directors' Sitting Fees	4,00,000	3,30,000
	Auditors' Remuneration :		
	As Auditors	1,35,000	1,35,000
	for Tax Audit	10,000	25,000
	for Certification charges	1,33,100	85,500
		-----	-----
		2,78,100	2,45,500
	Transport, Selling and Other Distribution expenses	1,62,98,529	4,61,05,331
	Sales Commission	21,18,872	21,09,074
	Donations	9,24,530	-
	Miscellaneous Expenses	95,04,909	1,01,24,498
	Bad debts, Irrecoverable Deposits & Advances written off	-	95,49,566
	Loss on sale of Raw Materials	-	2,19,58,923
		-----	-----
	<b>TOTAL</b>	<b>7,04,72,854</b>	<b>12,30,65,492</b>
		=====	=====

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

**Annexure to and forming part of Balance Sheet as at and Profit & Loss Account for the year ended 31<sup>st</sup> March, 2010:**

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

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

**(2) FIXED ASSETS:**

- (a) Fixed Assets, other than Land, Building and Plant & Machinery are stated at cost less accumulated depreciation. Cost of acquisition of Fixed Assets is net of CENVAT and inclusive of freight, duties, taxes, incidental expenses including interest on specific borrowing and pre-operative expenses as allocated.
- (b) Land, Buildings and Plant & Machinery were revalued during the year ended 31<sup>st</sup> March, 2000 which now appear at carrying values based on such valuation.

**(3) INVESTMENTS:**

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

**(4) INVENTORIES:**

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

**(5) REVENUE RECOGNITION:**

- (a) Sales are inclusive of excise duty, export incentives and net of trade and quantity discounts and rebates.
- (b) Interest and Dividend income from investments is accounted on accrual basis.
- (c) Insurance and other claims/refunds and export incentives and accounted for as and when admitted by appropriate authorities.

**(6) EMPLOYEE BENEFITS:**

- (i) Defined Contribution Plans

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



(ii) Defined Benefit Plans

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

(iii) Other Long Term Benefits

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

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

**(7) DEPRECIATION:**

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

**(8) FOREIGN CURRENCY TRANSACTIONS:**

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

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

**II. NOTES ON ACCOUNTS:**

	Unit	Current Year	Previous Year
1. Estimated amount of contracts remaining to be executed on Capital Account and not provided for - Letters of Credit opened	Rs.	Nil	Nil
2. Contingent liabilities			
a) Unexpired Bank Guarantees and letters of Credit .	Rs.	4,93,96,690	5,68,12,825
b) The company together with two other promoter companies has furnished an undertaking on behalf of Konaseema Gas Power Limited (KGPL) jointly promoted by them to the financial institutions to finance the cost over-run, if any, in respect of the power project being executed by the said company.  Accordingly, the company has entered into an agreement with IFCI to buy back 3 Crores of equity shares of Rs. 10 each in KGPL, which have been subscribed by them, during the year, to meet the cost over run.			
c) The company together with another promoter company has furnished an undertaking on behalf of Orissa Power Consortium Limited jointly promoted by them to the financial institutions to finance the cost over-run, if any, in respect of the power project being executed by the said company.			



	Unit	Current Year	Previous Year
d) Unexpired Guarantees given to Financial Institutions and strategic Investors on behalf of a Body Corporate	Rs.	57,10,00,000	51,10,00,000
e) Disputed Sales Tax Demands for non-submission of "C" & "F" Forms	Rs.	35,36,852	35,36,852
f) Disputed Income Tax demands	Rs.	1,06,16,206	12,61,25,560
g) Disputed demands on supply of power	Rs.	13,50,68,859	15,17,49,310
An amount of Rs 5.35 Lakhs (Previous year Rs.492.40 Lakhs) paid under protest against items (e) and (f) is shown under the head "Loans and Advances".			
4. Dues outstanding for more than 45 days to Micro Small and Medium Enterprises to the extent such parties have been identified from the available information are	Rs	Nil	Nil
5. Details of Managing Director's remuneration:			
a. Details of remuneration:			
Remuneration	Rs	9,00,000	9,00,000
Contribution to Provident and other funds	Rs	2,43,000	2,43,000
Other Perquisites:	Rs	1,70,325	17,700
Commission on profits	Rs	16,56,461	-
Total	Rs	29,69,786	11,60,700
b. Computation of net profit u/s 198 read with 309(5) of the Companies Act, 1956			
Profit before Income Tax	Rs	7,76,31,238	-
Add: Remuneration to Managing Director	Rs	29,69,786	-
Directors Sitting Fees	Rs	4,00,000	-
		<b>8,10,01,024</b>	-
Less: Capital Profit on sale of fixed assets		2,16,05,299	-
Adjusted profits under sec 349 of the Act		<b>5,93,95,725</b>	-
Remuneration to the Managing Director at 5% thereon		<b>29,69,786</b>	-
6. Disclosures on "Employee Benefits" as per Accounting Standard 15 – "Employee Benefits" issued by the Institute of Chartered Accountants of India			

	Unit	Current Year	Previous Year
<b><u>Defined Contribution Plans</u></b>			
Contribution to Defined Contribution plans, recognized as expense for the year, are as under:			
Employer's Contribution to Provident and Pension Funds	Rs.	37,91,624	25,28,857
Employer's Contribution to Employees State Insurance	Rs.	5,94,986	10,26,088
Contribution to Superannuation Scheme	Rs.	5,08,521	3,76,875
<b><u>Defined Benefit Plans:</u></b>			
<b>Reconciliation of opening and closing balances of Defined Benefit obligations</b>			
<b>a. <u>Gratuity (Funded):</u></b>			
Defined Benefit obligation at beginning of the year:	Rs.	1,10,16,172	1,08,00,015
Interest Cost	Rs.	7,54,571	8,23,033
Current Service Cost	Rs.	11,60,817	13,72,041
Benefits paid	Rs.	(4,73,181)	(10,24,194)
Actuarial loss/(gain) on obligation	Rs.	(40,80,171)	(9,54,723)
		-----	-----
Defined Benefit obligation at the end year		83,78,208	1,10,16,172
<b>b. <u>Earned Leave Encashment (Non-funded):</u></b>			
Defined Benefit obligation at beginning of the year:	Rs.	19,39,236	19,40,317
Interest Cost	Rs.	1,35,747	1,47,477
Current Service Cost	Rs.	6,46,697	9,50,193
Benefits paid	Rs.	-	(1,93,716)
Actuarial loss/(gain) on obligation	Rs.	(16,09,215)	(9,05,035)
		-----	-----
Defined Benefit obligation at the end year, recognised as liability in the Balance Sheet		11,12,465	19,39,236
<b>Reconciliation of fair value of assets and obligations</b>			
<b>a. <u>Gratuity (Funded):</u></b>			
Fair value of plan assets*	Rs.	23,96,242	19,49,522
Present value of obligation	Rs.	83,78,208	1,10,16,172
Amount recognized as liability in Balance Sheet	Rs.	59,81,966	90,66,650

\* Represents fair value of assets held by the Gratuity Trust in Group Gratuity Policy with Life Insurance Corporation of India



	Unit	Current Year	Previous Year
<b>Expenses recognized during the year (in the statement of Profit &amp; Loss Account)</b>			
<b>a. <u>Gratuity (Funded)</u> :</b>			
Current Service Cost	Rs.	11,60,817	13,72,041
Interest Cost	Rs.	7,54,571	8,23,033
Expected return on plan assets	Rs.	(1,88,001)	(1,43,004)
Actuarial (gain)/loss	Rs.	(40,60,133)	(9,69,476)
Expenses recognized in the statement of Profit and Loss Account	Rs.	(23,32,746)	10,82,594
<b>b. <u>Earned Leave Encashment (Non-funded)</u> :</b>			
Current Service Cost	Rs.	6,46,697	9,50,193
Interest Cost	Rs.	1,35,747	1,47,477
Actuarial (gain)/loss	Rs.	(16,09,215)	(9,05,035)
Expenses recognized in the statement of Profit and Loss Account		<b>(8,26,771)</b>	<b>1,92,635</b>

**Principal Actuarial Assumptions:****a. Gratuity (Funded)**

Discount Rate	8%	7%
Salary Escalation Rate	5%	5%
Attrition Rate	4%	4%

**b. Earned Leave Encashment (Non-funded)**

Discount Rate	8%	7%
---------------	----	----

**The above information is certified by an Actuary**

7. The company operates in only one business segment of manufacture of Ferro Alloys and there are no geographical segments to be reported.

8. Related Party Transactions:

Related parties in terms of AS 18 issued by the Institute of Chartered Accountants of India.

a) Associates: Konaseema Gas Power Ltd.  
VBC Industries Limited  
Orissa power Consortium Limited.

b) Key Managerial Personnel:  
Sri. M S Lakshman Rao, Managing Director



Transactions carried out with Related Parties during 2009-10						Amount Rs.	
S. No.	Nature of Transactions	Referred in (a) Above	Referred in (b) Above	Referred in (c) Above	Referred in (d) Above	TOTAL	
1	Purchases	11,31,509 (20,18,767)	0 (0)	0 (0)	0 (0)	0 (0)	11,31,509 (20,18,767)
2	Sales	3,06,09,201 (45,70,743)	0 (0)	0 (0)	0 (0)	0 (0)	3,06,09,201 (45,70,743)
3	Remuneration	0 (0)	29,69,786 (11,60,700)	0 (0)	0 (0)	0 (0)	29,69,786 (11,60,700)
4	Interest Paid	0 (0)	0 (0)	1,02,24,487 (96,14,434)	0 (0)	0 (0)	1,02,24,487 (96,14,434)
5	Rent Paid	0 (0)	0 (0)	0 (0)	16,50,000 (16,50,000)	0 (0)	16,50,000 (16,50,000)
6	Rent Received	24,00,000 (24,00,000)	0 (0)	0 (0)	0 (0)	0 (0)	24,00,000 (24,00,000)
7	Amounts Payable as at the end of the year	0 (0)	0 (27,22,850)	7,04,51,222 (7,14,69,294)	6,39,541 (11,54,661)	0 (0)	7,10,90,763 (7,53,46,805)
8	Balance of deposits receivable at the end of the year	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (7,50,000)
9	Balance of deposits payable at the end of the year	4,00,000 (4,00,000)	0 (0)	0 (0)	0 (0)	0 (0)	4,00,000 (4,00,000)

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



	Unit	Current Year	Previous Year
c) Relatives of key Managerial Personnel: Dr. M V V S Murthi Sri M S Rama Rao			
d) Others: Enterprises in which Key Managerial Personnel or their relatives have substantial interest:  VBC Exports Ltd. Techno infratech project (India) pvt. Ltd. BASIL infrastructure projects Ltd. Indo-Us Coal Washeries Ltd.			
9. Earning per Share (EPS):			
a) Net Profit available for Equity Share Holders	Rs.	5,18,91,808	48,82,500
b) Weighted Average Number of Equity Shares used as denominator for calculating EPS	Nos.	43,96,650	41,94,350
c) Basic and Diluted Earnings per Share of Rs.10 each	Rs.	11.80	1.45
10. Major Components of Deferred Tax Liability / (Asset)			
a) Deferred Tax Liability :			
1. Timing Difference between book and tax Depreciation	Rs	1,47,27,788	1,83,23,697
2. Items of contingent liability in nature claimed as expenditure for tax purposes	Rs.	4,41,14,190	-
<b>Total:</b>	Rs	<b>5,88,41,978</b>	<b>1,83,23,697</b>
b) Deferred Tax Asset:			
i. Sums Covered under section 40a(ia) & 43B of the Income Tax Act 1961	Rs	23,56,593	2,74,97,904
ii. Provision for Doubtful Debts	Rs	26,40,535	27,01,943
iii. Un-absorbed depreciation available under the Income Tax Act, 1961	Rs	-	-
<b>Total:</b>	Rs	<b>49,97,128</b>	<b>3,01,99,847</b>
c) Net Deferred Tax Liability/(Asset)	Rs	<b>5,38,44,850</b>	<b>(1,18,76,150)</b>



	Unit	Current Year	Previous Year
11. According to an internal technical assessment, there is no impairment in the carrying cost of cash generating assets of the Company in terms of Accounting Standard 28 (AS 28) issued by the Institute of Chartered Accountants of India.			
12. Additional information as required under part-II of Schedule VI to the Companies Act, 1956			
i) Licensed Capacity:			
a) Ferro Silicon	MT	15,000	15,000
b) Pig Iron /Silico Manganese/Ferro Manganese	MT	45,500	45,500
c) Ferro Chrome/Charge Chrome	MT	20,400	20,400
ii) Installed Capacity:			
Ferro Silicon	MT	10,000	10,000
Ferro Chrome	MT	31,500	31,500
Silico Manganese / Ferro Manganese (As certified by the Managing Director)	MT	27,000	27,000
iii) Production:			
Ferro Silicon	MT	15,198	11,340
iv) Opening Stock:			
Quantity:			
Ferro Silicon	MT	133	516
Silico Manganese	MT	439	553
Ferro Manganese	MT	1	1
Ferro Chrome	MT	-	126
Value:			
Ferro Silicon	Rs	64,22,312	3,01,25,632
Silico Manganese	Rs	2,35,21,094	2,80,14,822
Others	Rs	1,80,38,900	2,38,26,383
Ferro Manganese		30,978	32,747
Ferro Chrome		-	43,96,896
		<b>4,80,13,284</b>	<b>8,63,96,480</b>
		=====	=====



	Unit	Current Year	Previous Year
V. Closing Stocks:			
Quantity:			
Ferro Silicon	MT	122	133
Silico Manganese	MT	252	439
Ferro Manganese	MT	1	1
Value:			
Ferro Silicon	Rs	52,58,163	64,22,312
Silico Manganese	Rs	1,37,58,822	2,35,21,093
Ferro Manganese	Rs	31,568	30,978
Others	Rs	1,00,63,493	1,80,38,900
<b>Total</b>		<b>2,91,12,046</b>	<b>4,80,13,283</b>
		=====	=====
vi) Turnover			
a) Quantity			
Ferro Silicon	MT	15,209	11,723
Ferro Chrome	MT	-	245
Silico Manganese	MT	187	119
b) Value:			
Ferro Silicon	Rs.	87,54,81,710	81,44,67,713
Ferro Chrome	Rs.	-	1,03,49,040
Silico Manganese	Rs.	14,16,861	56,97,827
Ferro Manganese	Rs.	-	-
Others	Rs.	1,18,88,341	46,56,238
<b>Total</b>	Rs.	<b>88,87,86,912</b>	<b>83,51,70,818</b>
		=====	=====
vii) Consumption of Raw Materials			
a) Quantity			
Quartz	MT	24,840	19,550
Charcoal	MT	22,897	20,842
Carbon Paste	MT	801	686
b) Value			
Quartz	Rs.	1,58,32,912	1,13,54,932
Charcoal	Rs.	19,14,85,580	16,97,31,654
Carbon Paste	Rs.	2,02,61,540	2,10,88,027
Others	Rs.	3,85,60,466	3,71,85,644
<b>Total</b>	Rs.	<b>26,61,40,498</b>	<b>23,93,60,257</b>
		=====	=====



	Unit	Current Year	Previous Year
viii) Analysis of Raw materials & stores consumed			
Indigenous:			
Percentage Value	%	100	100
Imported: Percentage Value	Rs.	27,04,09,604	24,32,82,241
Percentage Value	%	-	-
Value	Rs.	-	-
<b>Total</b>		27,04,09,604	24,32,82,241
ix) Expenditure in foreign currency during the financial Year on account of traveling	Rs.	135,917	-
x) Earnings in foreign exchange on account of third party Exports of goods calculated on FOB basis.	Rs.	12,71,10,855	32,96,71,499
13. Previous Year's figures have been regrouped and rearranged wherever necessary			
14. 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

Camp : Hyderabad  
Date : 14-05-2010

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

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

For and on behalf of the Board

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

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



CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2010

	Year Ended 31.03.2010 Rs.	Year Ended 31.03.2009 Rs.
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>		
Net Profit/(Loss) before Tax and after extraordinary items	7,76,31,238	98,62,010
Adjustments for :		
Depreciation	1,48,00,756	1,38,88,117
Interest Paid	3,23,11,701	5,69,37,253
Interest Received	(71,24,543)	(54,92,055)
Provisions no longer required	(4,85,215)	(28,84,043)
Dividend received	(15,000)	(59,000)
Profit on sale of fixed assets	(2,46,83,379)	(19,60,240)
Provision for Gratuity & Leave encashment	(39,11,455)	3,48,351
Bad debts, Irrecoverable Deposits & Advances written off	-	95,49,566
Loss on sale of Raw materials	-	2,19,58,923
<b>Operating Profit before working capital changes</b>	<b>8,85,24,103</b>	<b>10,21,48,882</b>
Adjustments for :		
Trade and other receivables	(1,50,00,939)	3,66,07,415
Inventories	3,69,75,896	7,29,33,231
Trade payables	(14,73,07,616)	(11,29,17,610)
Cash generated from operations	(3,68,08,556)	9,87,71,918
Interest Paid	(3,23,11,701)	(5,69,37,253)
Direct taxes paid	71,93,203	(1,49,76,991)
<b>NET CASH FLOW/(USED) FROM OPERATING ACTIVITIES (A)</b>	<b>(6,19,27,054)</b>	<b>2,68,57,674</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(1,29,67,427)	(31,96,011)
(Increase)/Decrease in Capital work-in-progress	(78,76,840)	(38,20,264)
Sale of Investments	-	1,82,00,000
Purchase of Investments	(10,21,00,757)	(4,64,67,573)
Interest received	71,24,543	54,92,055
Sale of Fixed Assets	4,64,70,998	20,00,000
Dividend received	15,000	59,000
<b>NET CASH FLOW / (USED) IN INVESTING ACTIVITIES (B)</b>	<b>(6,93,34,483)</b>	<b>(2,77,32,793)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase in share capital on preferential allotment	20,00,000	--
Share premium received on preferential issue	5,80,00,000	--
Increase / (Decrease) in Borrowings	7,90,09,837	1,44,46,805
Dividend Paid	(83,88,700)	(83,88,700)
Tax on dividend	(14,25,660)	(14,25,660)
<b>NET CASH GENERATED/(USED) IN FINANCING ACTIVITIES (C)</b>	<b>12,91,95,477</b>	<b>46,32,445</b>
Net Increase/(decrease) in cash and cash equivalents (A+B+C)	(20,66,060)	37,57,326
Cash and Cash equivalents at the beginning of the year	2,18,98,449	1,81,41,123
Cash and Cash equivalents as at the close of the year	1,98,32,389	2,18,98,449

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

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

For and on behalf of the Board  
Sd/-  
**M.N. RAO**  
Director

Camp : Hyderabad  
Date : 14-05-2010

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

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



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

**I. Registration Details**

 Company Identification No. (CIN) 

 Registration No. 

 State Code 

 Balance Sheet Date 
**II. Capital Raised During the Year (Amount in Rs. Thousands)**

Public Issue	Rights Issue	Bonus Issue	Private Placement*
<input type="text" value="NIL"/>	<input type="text" value="NIL"/>	<input type="text" value="NIL"/>	<input type="text" value="2000"/>

\* Preferential Allotment

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

Total Liabilities	Total Assets
<input type="text" value="17,75,992"/>	<input type="text" value="17,75,992"/>

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

Paid up Capital	Reserves & Surplus	Secured Loans	Unsecured Loans
<input type="text" value="43,950"/>	<input type="text" value="13,16,562"/>	<input type="text" value="1,03,481"/>	<input type="text" value="2,58,155"/>

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

Net Fixed Assets	Investments	Net Current Assets	Misc. Expenditure
<input type="text" value="1,63,417"/>	<input type="text" value="15,74,297"/>	<input type="text" value="38,278"/>	<input type="text" value="NIL"/>

Accumulated Losses

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

Turnover	Total Expenditure	Profit/Loss before Tax	Profit/Loss after Tax
<input type="text" value="8,57,112"/>	<input type="text" value="7,79,481"/>	<input type="text" value="77,631"/>	<input type="text" value="51,892"/>

Earnings Per Share in Rs.

Dividend %

**V. Generic Names of Three Principal Products/Services of Company**

Item Code No. <input type="text" value="72022100"/>	<input type="text" value="72024100"/>	<input type="text" value="72023000"/>
---	---------------------------------------	---------------------------------------

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



FORM 2B

Account No. :

No. of Shares:

NOMINATION FORM

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

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

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

Name and Address of Nominee

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

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

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

(if nominee is a minor)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Name, Address and Signature of two Witnesses

Name and Address

Signature with Date

1.

2.



**Instructions :**

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

**FOR OFFICE USE ONLY**

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



# VBC FERRO ALLOYS LIMITED

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

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


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

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

Date :

Signature of the First Shareholder

### Notes:

- 
1. Please attach photocopy of a cheque or a blank cancelled cheque issued by your Bank relating to your above account for verifying the accuracy of the code number.
  2. You are advised to submit the ECS Bank details in the format prescribed latest by 14.07.2010 to enable us to include the same for the payment of the current years dividend.



**TWENTY EIGHTH ANNUAL REPORT  
2009-2010**



**VBC FERRO ALLOYS LIMITED**

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

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### TWENTY EIGHTH ANNUAL GENERAL MEETING

Day : Wednesday  
Date : 14.07.2010  
Time : 03.00 P.M.  
Venue : Surana Udyog Auditorium, FAPCCI, 11-6-841  
Red Hills, HYDERABAD - 500 004.

### REGISTERED OFFICE

6-2-913/914, Third Floor, Progressive Towers, Khairatabad,  
HYDERABAD - 500 004. ANDHRA PRADESH, INDIA.  
Tel +91 40 23301166/99, Fax +91 40 23390721

### WORKS

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

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