



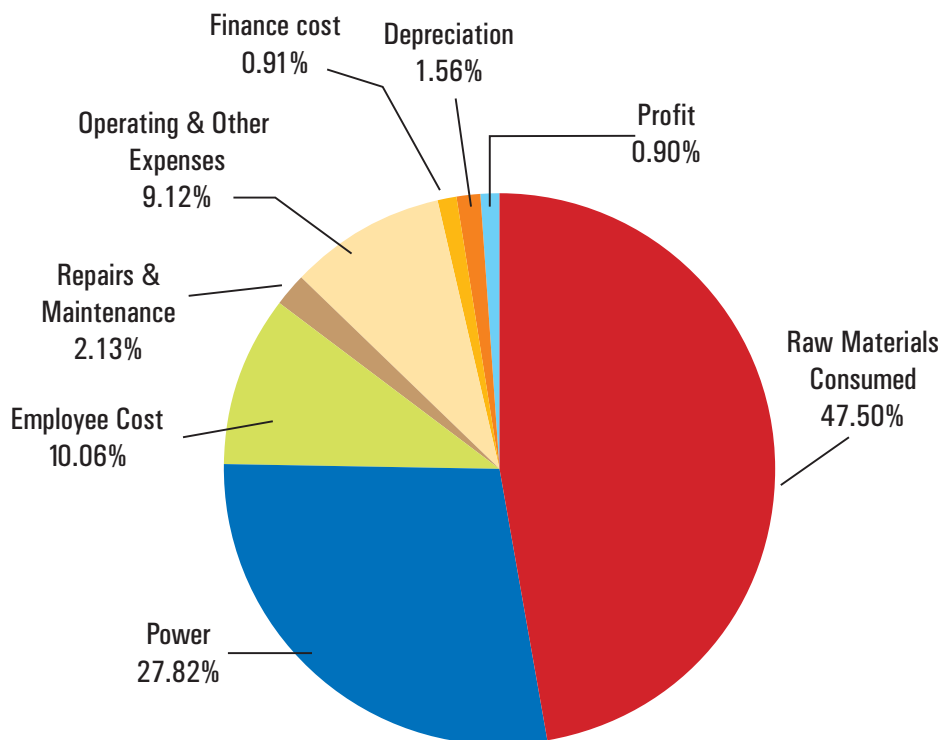
Facor Alloys Limited

10th Annual Report 2012-13

HIGHLIGHTS - 2012-13

PARTICULARS	In ₹ Lacs		In \$ ('000)	
	2012-13	2011-12	2012-13	2011-12
Total Production (in MT)	38570	64000	-	-
Total Turnover (in MT)	37610	64384	-	-
Total Turnover	21972.94	36743.90	40399	71826
Profit before Finance Costs, Tax and Depreciation	775.67	2247.28	1426	4393
Profit after Tax	79.60	671.38	146	1312
Exchange Rate Rs.54.3893 for March, 2013.				

DISTRIBUTION OF REVENUE



CORPORATE INFORMATION

Board of Directors

R.K. Saraf

Chairman & Managing Director

M.D. Saraf

Vice-Chairman & Managing Director

Yogesh Saraf

Joint Managing Director
(upto 31.01.2013)

Ashim Saraf

Joint Managing Director

Anurag Saraf (w.e.f. 15.01.2013)

Joint Managing Director

C.N. Harman

Director (Technical)

K. Jayabharath Reddy

P.V.R.K. Prasad

K. L. Mehrotra

A. S. Kapre

Gautam Khaitan

Arye Berest

Keshaorao Pardhey (w.e.f. 15.01.2013)

Vibhu Bakhru (upto 08.04.2013)

S.S. Sharma

General Manager (Legal) &
Company Secretary

Executives

M.S.S. Sarma

Chief Executive

O.P. Saraswat

Dy. Chief Financial Officer

D.K. Pareek

Director (Projects)

Bankers

Bank of India

Central Bank of India

State Bank of India

Syndicate Bank

State Bank of Bikaner & Jaipur

Indian Overseas Bank

Solicitors

Mulla & Mulla and Craige Blunt & Caroe

Bhaishankar Kanga and Girdharilal

Auditors

SALVE & Co.

Chartered Accountants

Internal Auditors

Rao & Kumar

Chartered Accountants

Registrars & Share Transfer Agents

(for Both Physical & Electronic)

Link Intime India Pvt. Ltd.

C-13 Pannalal Silk Mills

Compound, LBS Road,

Bhandup (W),

MUMBAI – 400 078

Phone No. 022-2594 6970

Fax No. 022-2594 2969

E-mail: rnt.helpdesk@linkintime.co.in

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NOTICE

Notice is hereby given that the **TENTH ANNUAL GENERAL MEETING** of the Members of the Company will be held at the **Registered Office** of the Company at **“Administrative Building, Shreeramnagar-535101, Garividi, Distt. Vizianagaram, Andhra Pradesh”** on **Tuesday, the 13th August, 2013 at 3.00 p.m.** to transact, with or without modifications as may be permissible, the following business:

Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2013 and Statement of Profit & Loss for the year ended on that date and the Reports of the Board of Directors and the Auditors thereon.
2. To appoint a Director in the place of Mr. K. L. Mehrotra, who retires from office by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in the place of Mr. Gautam Khaitan, who retires from office by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Mr. C. N. Harman, who retires from office by rotation and, being eligible, offers himself for re-appointment.
5. To consider and, if thought fit, to pass the following resolution which will be proposed as an Ordinary Resolution:

“RESOLVED THAT pursuant to provisions of Section 224 and other applicable provisions, if any, of the Companies Act, 1956, Messrs SALVE & Co., Chartered Accountants, (Regn. No.109003W) the retiring Auditors of the Company, be and they are hereby re-appointed Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration plus service tax as applicable and reimbursement of expenses incurred by them incidental to their functions as the Board of Directors may fix in that behalf in consultation with the said Auditors.”

AS SPECIAL BUSINESS:

6. To appoint Mr. Anurag Saraf, who was appointed as an Additional Director by the Board of Directors of the company under Article 107 of the Articles of Association of the Company and who holds office under the said Article and Section 260 of the Companies Act, 1956 upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing pursuant to the provisions of Section 257 of the Companies Act, 1956 alongwith a deposit of ₹ 500/- from a member signifying his intention to propose Mr. Anurag Saraf as a candidate for the office of Director, as a Director of the Company and in that behalf to consider and, if thought fit, to pass the following resolution

which will be proposed as an Ordinary Resolution:

“RESOLVED THAT pursuant to the relevant provisions of the Companies Act, 1956 including Section 257, Mr. Anurag Saraf be and is hereby elected and appointed as a Director of the Company liable to retire by rotation.”

7. To appoint Mr. Kesharao Pardhey, who was appointed as an Additional Director by the Board of Directors of the Company under Article 107 of the Articles of Association of the Company and who holds office under the said Article and Section 260 of the Companies Act, 1956 upto the date of this Annual General Meeting and in respect of whom the Company has received notice in writing pursuant to the provisions of Section 257 of the Companies Act, 1956 alongwith a deposit of ₹500/- from a member signifying his intention to propose Mr. Kesharao Pardhey as a candidate for the office of Director, as a Director of the Company and in that behalf to consider and, if thought fit, to pass the following resolution which will be proposed as an Ordinary Resolution:

“RESOLVED THAT pursuant to the relevant provisions of the Companies Act, 1956 including Section 257, Mr. Kesharao Pardhey be and is hereby elected and appointed as a Director of the Company liable to retire by rotation.”

8. To consider and, if thought fit, to pass the following resolution which will be proposed as a Special Resolution:

“RESOLVED that pursuant to the provisions of Sections 198, 269, 309, 316 and all other applicable provisions, if any, of the Companies Act, 1956 (the “Act”) read with Schedule XIII thereto as amended upto date and all guidelines for managerial remuneration issued by the Central Government from time to time, and subject to such further approvals, if any, as may be necessary, the Company hereby approves of the re-appointment of Mr. R. K. Saraf as Managing Director of the Company for a period of 5 years w.e.f. 01.04.2014 upon the terms and conditions as to remuneration and otherwise as set out in the draft agreement prepared in that behalf and submitted to this meeting and initialed by the Secretary for the purpose of identification and which draft agreement, the broad details of which are given in the Explanatory Statement in respect of this item of the Notice, is hereby specifically approved with liberty to the Directors to vary the terms and conditions of the remuneration and appointment and/or the Agreement in such manner as may be agreed to between the Directors and Mr. R. K. Saraf in the best interest of the Company, within the limitations in that behalf as contained in Schedule XIII to the Act or any amendments thereof or otherwise as may be permissible at law and that the Agreement when finalized be executed by the Company by affixing its Common Seal thereon in accordance with

the relevant provisions contained in the Articles of Association of the Company.”

9. To consider and, if thought fit, to pass the following resolution which will be proposed as a Special Resolution:

“RESOLVED that pursuant to the provisions of Sections 198, 269, 309, 316 and all other applicable provisions, if any, of the Companies Act, 1956 (the “Act”) read with Schedule XIII thereto as amended upto date and all guidelines for managerial remuneration issued by the Central Government from time to time, and subject to such further approvals, if any, as may be necessary, the Company hereby approves of the appointment of Mr. M. D. Saraf as Managing Director of the Company for a period of 5 years w.e.f. 01.02.2013 upon the terms and conditions as to remuneration and otherwise as set out in the draft agreement prepared in that behalf and submitted to this meeting and initialed by the Secretary for the purpose of identification and which draft agreement, the broad details of which are given in the Explanatory Statement in respect of this item of the Notice, is hereby specifically approved with liberty to the Directors to vary the terms and conditions of the remuneration and appointment and/or the Agreement in such manner as may be agreed to between the Directors and Mr. M. D. Saraf in the best interest of the Company, within the limitations in that behalf as contained in Schedule XIII to the Act or any amendments thereof or otherwise as may be permissible at law and that the Agreement when finalized be executed by the Company by affixing its Common Seal thereon in accordance with the relevant provisions contained in the Articles of Association of the Company.”

10. To consider and, if thought fit, to pass the following resolution which will be proposed as a Special Resolution:

“RESOLVED that pursuant to the provisions of Sections 198, 269, 309, 314, 316 and all other applicable provisions, if any, of the Companies Act, 1956 (the “Act”) read with Schedule XIII thereto as amended upto date and all guidelines for managerial remuneration issued by the Central Government from time to time, and subject to such further approvals, if any, as may be necessary, the Company hereby approves of the re-appointment of Mr. Ashim Saraf as Jt. Managing Director of the Company for a period of 5 years w.e.f. 01.04.2014 upon the terms and conditions as to remuneration and otherwise as set out in the draft agreement prepared in that behalf and submitted to this meeting and initialed by the Secretary for the purpose of identification and which draft agreement, the broad details of which are given in the Explanatory Statement in respect of this item of the Notice, is hereby specifically approved with liberty to the Directors to vary the terms and conditions of the remuneration and appointment and/or the Agreement in

such manner as may be agreed to between the Directors and Mr. Ashim Saraf in the best interest of the Company, within the limitations in that behalf as contained in Schedule XIII to the Act or any amendments thereof or otherwise as may be permissible at law and that the Agreement when finalized be executed by the Company by affixing its Common Seal thereon in accordance with the relevant provisions contained in the Articles of Association of the Company.”

11. To consider and, if thought fit, to pass the following resolution which will be proposed as a Special Resolution:

“RESOLVED that pursuant to the provisions of Sections 198, 269, 309, 314, 316 and all other applicable provisions, if any, of the Companies Act, 1956 (the “Act”) read with Schedule XIII thereto as amended upto date and all guidelines for managerial remuneration issued by the Central Government from time to time, and subject to such further approvals, if any, as may be necessary, the Company hereby approves of the appointment of Mr. Anurag Saraf as Jt. Managing Director of the Company for a period of 5 years w.e.f. 01.02.2013 upon the terms and conditions as to remuneration and otherwise as set out in the draft agreement prepared in that behalf and submitted to this meeting and initialed by the Secretary for the purpose of identification and which draft agreement, the broad details of which are given in the Explanatory Statement in respect of this item of the Notice, is hereby specifically approved with liberty to the Directors to vary the terms and conditions of the remuneration and appointment and/or the Agreement in such manner as may be agreed to between the Directors and Mr. Anurag Saraf in the best interest of the Company, within the limitations in that behalf as contained in Schedule XIII to the Act or any amendments thereof or otherwise as may be permissible at law and that the Agreement when finalized be executed by the Company by affixing its Common Seal thereon in accordance with the relevant provisions contained in the Articles of Association of the Company.”

12. To consider and, if thought fit, to pass the following resolution which will be proposed as a Special Resolution:

“RESOLVED that pursuant to the provisions of Sections 198, 269, 309 and all other applicable provisions, if any, of the Companies Act, 1956 (the “Act”) read with Schedule XIII thereto as amended upto date and all guidelines for managerial remuneration issued by the Central Government from time to time, and subject to such further approvals, if any, as may be necessary, the Company hereby approves of the re-appointment of Mr. C.N. Harman as Director (Technical) of the Company for a period of 5 years w.e.f. 01.08.2014 upon the terms and conditions as to remuneration and otherwise as set out in the draft agreement prepared in that behalf and submitted to

this meeting and initialed by the Secretary for the purpose of identification and which draft agreement, the broad details of which are given in the Explanatory Statement in respect of this item of the Notice, is hereby specifically approved with liberty to the Directors to vary the terms and conditions of the remuneration and appointment and/or the Agreement in such manner as may be agreed to between the Directors and Mr. C.N. Harman in the best interest of the Company, within the limitations in that behalf as contained in Schedule XIII to the Act or any amendments thereof or otherwise as may be permissible at law and that the Agreement when finalized be executed by the Company by affixing its Common Seal thereon in accordance with the relevant provisions contained in the Articles of Association of the Company.”

NOTES:

1. The relevant explanatory statement pursuant to Section 173 of the Companies Act, 1956 in respect of Item Nos. 6 to 12 of the notice set out above is annexed hereto.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
3. PROXIES IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY AT SHREERAMNAGAR-535101, GARIVIDI, DIST. VIZIANAGARAM (A.P.) NOT LESS THAN 48 HOURS BEFORE HOLDING THE MEETING.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Friday the 9th August, 2013 to Tuesday, the 13th August, 2013, both days inclusive.
5. Pursuant to Section 205C of the Companies Act, 1956, unclaimed dividend is to be transferred to the “Investor Education and Protection Fund” of the Central Government after a period of 7 years from the date of transfer to unpaid dividend A/c. Shareholders who have not en-cashed/misplaced/not received the dividend warrant for the years 2008-09 (interim), 2009-10 & 2010-11 are requested to write to M/s. Link Intime India Pvt. Ltd., (Unit: Facor Alloys Ltd.) C-13, Pannalal Silk Mills Compound, LBS Road, Bhandup (W) Mumbai 400 078, Maharashtra for claiming the dividend. Due dates for the transfer of the unclaimed dividend of the year 2008-09, 2009-10 & 2010-11 to the said fund is 3rd September, 2015, 24th October, 2017 & 15th October, 2018 respectively and shareholders cannot make a claim after these dates.
6. Members are requested to notify immediately any change in their address/bank mandate to their respective Depository Participants (DPs) in respect of their electronic share accounts and to the Registrar and Share Transfer Agent of the Company viz., Link Intime India Pvt. Limited,(Unit: Facor Alloys Ltd.) C-13, Pannalal Silk Mills Compound, LBS Road, Bhandup (W) Mumbai 400 078, Maharashtra in respect of their physical share holding, if any. While intimating change of address to Depositories and Registrar and Share Transfer Agents please indicate your client ID No. / Folio No.,as may be applicable. The address should be complete with Pin Code No.
7. Members holding shares in physical form and desirous of making a nomination in respect of their shareholding in the Company are requested to submit Form No.2B duly filled in and signed to the above Registrar & Transfer Agent. The Form can be had from the Share Department at the Registered Office of the Company at Shreeramnagar-535101 Dist. Vizianagaram, Andhra Pradesh.
8. Shareholders intending to require information about accounts to be explained at the meeting are requested to furnish the queries to the Company at least 10 (ten) days in advance of the Annual General Meeting.
9. Members are requested to bring their copy of the Annual Report with them to the Annual General Meeting.
10. As required by the Listing Agreement with the Stock Exchange, the relevant details in respect of the Directors proposed to be appointed/re-appointed are set out in the Report on Corporate Governance forming part of the Annual Report.
11. The Company's securities are admitted in the National Securities Depository Ltd. and Central Depository Services Ltd. and the ISIN No. allotted to the Company by them in respect of Equity Shares is INE 828G01013.
12. Non-resident Indian Members holding shares in physical form are requested to inform the Registrar and Transfer Agent of the Company about:
 - a) The change in their residential status on return to India for permanent settlement.
 - b) The details of the bank account in India with complete name, branch, account type, account no. and address of the bank.
13. All documents referred to in the accompanying notice are open for inspection at the Registered Office of the Company on all working days between 11.00 a.m. and 1.00 p.m. upto the date of Annual General Meeting.

Registered Office:

Administrative Building,
Shreeramnagar-535 101,
Garividi, Dist. Vizianagaram,
Andhra Pradesh
Dated: 27th May, 2013

By Order of the Board

S.S. Sharma
General Manager (Legal)
& Company Secretary

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT AS REQUIRED BY SECTION 173 OF THE COMPANIES ACT, 1956:

ITEM NO.6 & 11

Mr. Anurag Saraf was appointed as an Additional Director by the Board of Directors of the Company by Circular Resolution No. FAL/CR/01/2013 dated 5th January, 2013 to broad base the Board by inducting professionals and businessmen of proven records with effect from 15.01.2013. Pursuant to Section 260 of the Companies Act, 1956 read with Article 107 of Articles of Association of the Company, he holds office as a Director only until the forthcoming Annual General Meeting of the Company. A Notice has been received from a member pursuant to Section 257 of the Companies Act, 1956 signifying his intention to propose Mr. Anurag Saraf as a candidate for the office of Director.

Mr. Anurag Saraf aged around 42 years is a Bachelor of Engineering in Electronics and is having rich experience in Business Administration. His experience, advice and guidance will be of immense benefit to the Company.

The Board of Directors of the Company at its meeting held on 28.01.2013 has appointed Mr. Anurag Saraf as Joint Managing Director of the Company for a period of 5 years w.e.f. 01.02.2013 although subject to retirement by rotation. The material terms & conditions of his appointment and remuneration, which are in conformity with the Schedule XIII to the Act, are as contained in the draft agreement and as given in the attached Annexure "A" forming part of the Explanatory Statement.

Accordingly, the resolutions in item nos. 6 & 11 of the accompanying Notice are commended for your approval.

Mr. Anurag Saraf is evidently interested in these resolutions concerning him. Mr. M. D. Saraf, Director of the Company, is related to Mr. Anurag Saraf and hence he is also interested in these resolutions.

The agreement between the Company and Mr. Anurag Saraf, Joint Managing Director, providing the terms and conditions of his appointment and remuneration is available for inspection by the members of the Company at the Registered Office between 11 a.m to 2 p.m on any working day of the Company upto and inclusive of the date of the ensuing Annual General Meeting.

An abstract of the draft agreement between the Company and Mr. Anurag Saraf, Joint Managing Director, pursuant to the Section 302 of the Companies Act, 1956 was sent to the members of the Company on 1st February, 2013.

ITEM NO. 7

Mr. Kesharao Pardhey was appointed as an Additional Director by the Board of Directors of the Company by Circular Resolution No. FAL/CR/01/2013 dated 5th January, 2013 to broad base the Board by inducting professionals and businessmen of proven records with effect

from 15.01.2013. Pursuant to Section 260 of the Companies Act, 1956 read with Article 107 of Articles of Association of the Company, he holds office as a Director only until the forth-coming Annual General Meeting of the Company. A Notice has been received from a member pursuant to Section 257 of the Companies Act, 1956 signifying his intention to propose Mr. Kesharao Pardhey as a candidate for the office of Director.

Mr. Kesharao Pardhey aged around 84 years is an Ex-Member of Parliament having rich experience in Business Administration. It is, therefore, considered desirable that the Company should continue to avail the benefit of his versatile business experience. Accordingly, the resolution in item no. 7 of this Notice is commended for your approval.

None of the Directors is interested in the appointment of Mr. Kesharao Pardhey excepting the said appointee.

ITEM NO. 8

Mr. R.K. Saraf is the promoter Director of Ferro Alloys Corporation Ltd (FACOR). He has been associated with the said Company since its inception and as Executive Director from April, 1975 and as Joint Managing Director from December, 1986. He was looking after the Ferro Alloys Division of FACOR. Upon trifurcation of FACOR, this Company was formed to take over the said Division of FACOR. He was then appointed as Managing Director of this Company. Under his stewardship the Company is doing well. It is therefore considered desirable that the Company should continue to avail the benefit of his vast and varied experience in the Ferro Alloys industry and able guidance.

The Board of Directors of the Company therefore re-appointed Mr. R.K. Saraf as Managing Director of the Company for a period of 5 years w.e.f. 01.04.2014 subject to your approval.

The material terms & conditions of his appointment and remuneration which are in conformity with the Schedule XIII to the Act are as contained in the draft Agreement and as given in the attached Annexure "A" forming part of the Explanatory Statement.

Accordingly, the resolution in item no. 8 of this Notice is commended for your approval.

Mr. R. K. Saraf is interested in this resolution relating to him. Mr. M. D. Saraf & Mr. Ashim Saraf, Directors of the Company, are related to Mr. R. K. Saraf and hence they are also interested in this resolution.

The agreement between the Company and Mr. R. K. Saraf, Managing Director, providing the terms and conditions of his appointment and remuneration is available for inspection by the members of the Company at the Registered Office between 11 a.m to 2 p.m on any working day of the Company upto and inclusive of the date of the ensuing Annual General Meeting.

This may be treated as an abstract of the draft agreement between the Company and Mr. R. K. Saraf, Managing Director, pursuant to the Section 302 of the Companies Act, 1956.

ITEM NO. 9

Mr. M. D. Saraf aged around 64 years, is a Commerce Graduate with Bachelors' Degree in Law. He is having more than 4 decades rich experience particularly in Steel Industry to his credit. Ferro Alloys Industry is closely connected with steel/stainless steel industry. It is, therefore, considered desirable that the Company should avail the benefit of his vast and varied experience and able guidance. Accordingly, the resolution in item no. 9 of this Notice is commended for your approval.

The Board of Directors of the Company at its meeting held on 28.01.2013 appointed Mr. M. D. Saraf, as Managing Director of the Company for a period of 5 years w.e.f. 01.02.2013. The material terms and conditions of his appointment and remuneration, which are in conformity with the Schedule XIII to the Act, are as contained in the draft agreement and as given in the attached annexure "A" forming part of the Explanatory Statement.

Mr. M. D. Saraf is interested in this resolution relating to him. Mr. R. K. Saraf and Mr. Anurag Saraf, Directors of the Company, are related to Mr. M. D. Saraf and hence they are interested in this resolution.

The agreement between the Company and Mr. M. D. Saraf, Managing Director providing the terms and conditions of his appointment and remuneration is available for inspection by the members of the Company at the Registered Office between 11 a.m to 2 p.m on any working day of the Company upto and inclusive of the date of the ensuing Annual General Meeting.

An abstract of the draft agreement between the Company and Mr. M. D. Saraf, Managing Director, pursuant to the Section 302 of the Companies Act, 1956 was sent to the members of the Company on 1st February, 2013.

ITEM NO. 10

Mr. Ashim Saraf is M.Sc (Tech) S.T.D. from the Birla Institute of Tech. & Science, Pilani. He has several years experience in business and administration to his credit. During the last couple of years there was significant improvement in the Company's overall performance to which he has contributed immensely. Hence, it is desirable that he should continue as Joint Managing Director of the Company.

Accordingly, the Board of Directors of the Company re-appointed Mr. Ashim Saraf as Joint Managing Director for a period of 5 years w.e.f. 1.4.2014 subject to your approval.

The material terms & conditions of his appointment and remuneration which are in conformity with the Schedule XIII to the Act, are as contained in the draft Agreement and as given in the attached Annexure "A" forming part of the Explanatory Statement.

Accordingly, the resolution in item no. 10 of this Notice is commended for your approval.

Mr. Ashim Saraf is interested in this resolution relating to him. Mr. R. K. Saraf, Director of the Company, is related to Mr. Ashim Saraf and hence he is interested in this resolution.

The agreement between the Company and Mr. Ashim Saraf, Joint Managing Director, providing the terms and conditions of his appointment and remuneration is available for inspection by the members of the Company at the Registered Office between 11 a.m to 2 p.m on any working day of the Company upto and inclusive of the date of the ensuing Annual General Meeting.

This may be treated as an abstract of the draft agreement between the Company and Mr. Ashim Saraf, Joint Managing Director, pursuant to the Section 302 of the Companies Act, 1956.

ITEM NO. 12

Mr. C. N. Harman is basically a Science graduate and was associated with Ferro Alloys Corporation Ltd. (FACOR) since 1957. Upon trifurcation of FACOR, this Company was formed to take over the Ferro Alloys Division of FACOR. He was then appointed as Director (Technical) of this Company. He was looking after all technical matters of the Ferro Alloys Division of FACOR. In view of his more than 5 decades long association with FACOR group and looking into his wide and vast technical experience particularly in development of iron ore, Manganese Ore, Chrome Ore Mines and Ferro Alloys production, it is desirable that he should continue as Director (Technical) of the Company.

Accordingly, the Board of Directors of the Company re-appointed Mr. C.N. Harman as Director (Technical) of the Company for a period of 5 years w.e.f. 01.08.2014. The material terms and conditions of his re-appointment and remuneration which are in conformity with the Schedule XIII to the Companies Act, 1956 are as contained in the draft agreement and as given in the attached Annexure-"B" forming part of the Explanatory Statement.

Accordingly, the resolution in item no. 12 of this Notice is commended for your approval.

Except Mr. Harman, no other Director of the Company is interested in his appointment.

The agreement between the Company and Mr. C. N. Harman, Director (Technical), providing the terms and conditions of his appointment and remuneration is available for inspection by the members of the Company at the Registered Office between 11 a.m to 2 p.m on any working day of the Company upto and inclusive of the date of the ensuing Annual General Meeting.

This may be treated as an abstract of the draft agreement between the Company and Mr. C. N. Harman, Director (Technical), pursuant to the Section 302 of the Companies Act, 1956.

Registered Office :

Administrative Building,
Shreeramnagar-535 101,
Garividi, Dist. Vizianagaram,
Andhra Pradesh
Dated: 27th May, 2013

By Order of the Board,

S.S. Sharma
General Manager (Legal)
& Company Secretary

ANNEXURE A FORMING PART OF EXPLANATORY STATEMENT ANNEXED TO THE NOTICE

MATERIAL TERMS AND CONDITIONS OF THE APPOINTMENT OF MANAGING DIRECTORS AND JOINT MANAGING DIRECTORS

The material terms and conditions of the appointment of Managing Directors and the Joint Managing Directors and their remuneration by way of salary, dearness allowance, perquisites and benefits (which are in conformity with the schedule XIII to the Companies Act, 1956) and as contained in the draft Agreement, are as under:

1. Term of Office:

- | | | |
|---|---|--|
| a) Mr. R. K. Saraf,
Managing Director | : | 5 years with effect from
01.04.2014 |
| b) Mr. M.D. Saraf,
Managing Director | : | 5 years with effect from
01.02.2013 |
| c) Mr. Ashim Saraf,
Joint Managing Director | : | 5 years with effect from
01.04.2014 |
| d) Mr. Anurag Saraf,
Joint Managing Director | : | 5 years with effect from
01.02.2013 |

2. Remuneration for each of them:

- a. Basic Salary: ₹ 105000 per month in scale of ₹ 100000-5000-150000/-

b. Perquisites and allowances:

In addition to the aforesaid salary, each of the Managing Directors and Joint Managing Directors shall also be eligible to the perquisites and allowances as given hereunder; the monetary value of such perquisites and allowances being restricted in the aggregate to ₹ 5,40,000/- per annum or ₹ 45,000/- per month in each case.

The perquisites and allowances payable to each of the Managing Directors and Joint Managing Directors will include dearness and other allowances, accommodation [furnished or otherwise] or House Rent Allowance in lieu thereof, reimbursement of expenses for utilization of gas, electricity, water, furnishing, medical reimbursement at actuals for self and his family, leave travel concession at actuals for self and his family, club fees, medical insurance and such other perquisites within the limits of amount specified above. The said perquisites shall be evaluated, wherever applicable, as per the Income Tax Act, 1961 or any rules there-under (including any statutory modification(s) or re-enactment thereof, for the time being in force). In the absence of any such Rules, the same shall be evaluated at actual cost. However, the Company's contribution to Provident fund, Superannuation or Annuity Fund, to the extent these singly or together are not taxable under the Income Tax Act, and Gratuity payable and

encashment of leave at the end of tenure, as per rules of the Company, shall not be included in the computation of limits for the remuneration. Further, the Company shall provide car for use on company's business and telephone at residence for official purpose. Provision of a car for use on company's business and telephone at residence for official purpose are not to be considered as perquisites.

The Managing Directors and the Joint Managing Directors shall not be paid any sitting fees for attending the meetings of the Board of Directors or Committee thereof.

The term "Family" means spouse, dependent children and dependent parents of the Managing Directors and Joint Managing Directors.

The remuneration payable to each of the Managing Directors and the Joint Managing Directors by way of salary, dearness allowance, perquisites and any other allowances shall not however exceed the ceiling limit of ₹ 18,00,000/- per annum or ₹ 1,50,000/- per month for each of them.

The Board of Directors or any Committee thereof is entitled to determine and revise the salary and perquisites payable to the Managing Directors and Joint Managing Directors of the Company at any time, such that the overall remuneration shall not exceed the aggregate limit of ₹ 18,00,000/- per annum or ₹ 1,50,000/- per month for each of them as specified above.

Notwithstanding anything to the contrary herein contained where in any financial year during the currency of the tenure of the Managing Directors and the Joint Managing Directors, the company has no profits or its profits are inadequate, then also they shall be paid salary, allowances and perquisites as specified above in accordance with the applicable provisions of Schedule XIII of the Companies Act, 1956 and subject to the approval of the Central Government, if any, required.

ANNEXURE B FORMING PART OF EXPLANATORY STATEMENT ANNEXED TO THE NOTICE

MATERIAL TERMS AND CONDITIONS OF THE APPOINTMENT OF DIRECTOR (TECHNICAL)

The material terms and conditions of the appointment of Director (Technical) and his remuneration by way of salary, perquisites and benefits (which are in conformity with the schedule XIII to the Companies Act, 1956) and as contained in the draft agreement are as under :

1. Term of Office :

- | | | |
|--|---|---------------------------|
| Mr. C. N. Harman
Director (Technical) | : | 5 years w.e.f. 01.08.2014 |
|--|---|---------------------------|

2. Remuneration :

- | | | |
|-----------------|---|---|
| a) Basic Salary | : | ₹ 84,000/- per month in the scale of
₹ 68,000/- – 5,000/- – 1,10,000/- |
|-----------------|---|---|

b) Perquisites and Allowances:

In addition to the aforesaid salary, the Director (Technical) shall also be eligible to the perquisites and allowances as given hereunder; the monetary value of such perquisites and allowances being restricted in the aggregate to ₹7,92,000/- per annum or ₹66,000/- per month.

The perquisites and allowances payable to Mr. C.N. Harman will include accommodation (furnished or otherwise) or House Rent Allowance in lieu thereof, reimbursement of expenses for utilization of gas, electricity, water, furnishing, medical reimbursement at actuals for self and his family, leave travel concession at actuals for self and his family, club fees, medical insurance and such other perquisites within the amount specified above as applicable to his cadre as per rules of the Company. The said perquisites shall be evaluated, wherever applicable, as per the Income Tax Act, 1961 or any rules thereunder (including any statutory modification(s) or re-enactment thereof, for the time being in force). However, the Company's contribution to Provident fund, Superannuation or Annuity Fund, to the extent these singly or together are not taxable under the Income Tax Act, and Gratuity payable and encashment of leave at the end of tenure, as per rules of the Company, shall not be included in the computation of limits for the remuneration. Further, the Company shall provide car for use on company's business and telephone at residence for official purpose. Provision of a car for use on company's

business and telephone at residence for official purpose are not to be considered as perquisites.

The term "Family" means the spouse, the dependent children and the dependent parents of the Director (Technical).

The Director (Technical) shall not be paid any sitting fees for attending the meetings of the Board of Directors or Committee thereof.

The remuneration payable to the Director (Technical) by way of salary, perquisites and any other allowances shall not, however, exceed the ceiling limit of ₹ 18,00,000/- per annum or ₹1,50,000/- per month.

The Board of Directors or any Committee thereof is entitled to determine and revise the salary and perquisites payable to the Director (Technical) of the Company at any time, such that the overall remuneration payable shall not exceed the aggregate limit of ₹18,00,000/- per annum or ₹1,50,000/- per month as specified above. The next revision in his salary will be effective from 1st April, 2015.

Notwithstanding anything to the contrary herein contained where, in any financial year during the currency of the tenure of the Director (Technical), the company has no profits or its profits are inadequate, then also he shall be paid salary, allowances and perquisites as specified above in accordance with the applicable provisions of Schedule XIII of the Companies Act, 1956 and subject to the approval of the Central Government, if any, required.

DIRECTORS' REPORT TO THE MEMBERS

The Directors submit the **TENTH ANNUAL REPORT** on the business and operations of the Company and the Audited Statements of Accounts for the year ended 31st March, 2013.

FINANCIAL RESULTS

	For the year ended 31-3-2013	For the year ended 31-3-2012
	(₹ in Lacs)	(₹ in Lacs)
Gross Profit/(Loss)	566.79	1427.16
Depreciation	358.52	411.51
Provision for taxation	160.42	266.45
Tax for earlier years	43.43	0.21
Deferred Tax	(75.18)	77.61
Net Profit/(Loss) for the year	79.60	671.38
Balance brought forward from last year	917.75	246.37
Balance Carried to Balance Sheet	997.35	917.75

OVERALL PERFORMANCE

Ferro Alloy is a crucial intermediates to Steel Industry, hence growth of Ferro Alloys industry is primarily driven by the growth and progress of Steel Industry. The estimated production capacity of ferro alloys in India is more than double of the domestic demand, making the industry partially dependent on domestic market and more on export market. The main market for Indian ferro chrome is China, Japan and South Korea and the current economic situation in all the three countries is not that good. Japan's capacity utilization is low around 60-70% which provides little opportunity for export from India. As far as Korea is concerned, it was doing well till the first half of 2012 and it had some plans of increasing production of Stainless steel, but from the later half of the year they started going down and their capacity utilization too started coming down eventually. And China which was kind of pulling the world, has also become uncertain because of the inflation problem. At present China is importing Chrome Ore as well as Charge Chrome from South Africa in huge quantities and the current situation is such that

China has become a bigger producer of Chrome Alloys compared with South Africa, riding on some inherent advantages like availability of Coal and Coke among others. Further a number of Ferro Chrome Producer in South Africa had recently been forced to stop or cut down production due to lower availability of power coupled with continued weak demand. Despite sharp fall in total production of Ferro Chrome due to power restriction in South Africa, the overall availability of the material is still higher than the demand.

As far as domestic market is concerned, the stainless steel market in India particularly 200 series is passing through a bad phase due to credit squeeze in the market, high inflation, higher power cost, uncertainty of power supply and delay in several projects. The weakness in ferro alloys prices in India has happened largely due to weakness in Export demand. Most ferro alloys producers in India are currently passing through a difficult financial position because of significant fall in prices in recent months and increase in power cost. Lack of demand both in domestic and export markets, coupled with weak price trend and higher cost of power and Chrome Ore are primarily responsible for hardship faced by ferro alloys producers. Further the ongoing power crisis in Andhra Pradesh manifesting in unprecedented power cuts and steep tariff hike have hit the company hard. Besides this, the Company is also burdened heavily by way of claims for Fuel Surcharge Adjustment (FSA) including arrears for earlier years.

On account of above and other factors, during the year under consideration the production during the financial year 2012-13 was 38,570 M.T. as against 64,000 M.T. in the previous year recording a steep fall of 40%. Owing to unfavourable market conditions, the overall turnover of the Company declined from ₹ 367.44 crores in 2011-2012 to ₹ 219.73 crores in 2012-2013. Exports were ₹ 132.07 crores as against ₹ 289.19 crores in the previous year. The Company derived 60% of its total sales from exports and during the year under review foreign currency earnings in rupee terms was ₹ 121.79 crores. The profit before tax too was lower at ₹ 2.08 crores as compared to ₹ 10.16 crores in the previous year recording a steep fall of 80%.

DIVIDEND

In order to conserve and plough back the resources, your Directors have not recommended any dividend for the year on Equity Shares of the company.

PROSPECTS

Ferro alloy refers to various alloys of iron, which are used in the production of mild steel, carbon steel, special alloy steel and stainless steel. India's steel production is increasing every year, thereby the consumption of Ferro Alloys is also increasing. Preliminary figures released by the International Stainless Steel Forum (ISSF) show that worldwide stainless steel crude production has increased after the first nine months of 2012 by 2.9% compared to the same period of 2011.

Total production for the first three quarters was 26.1 million metric tons (Mt.). In Asia, China increased its Stainless Steel production in the first 9 months of 2012 by 7.9% to 11.4 Mt. and it now accounts for about 44% of the World's Stainless Steel Production. After the first 9 months of 2012, Asia accounts for almost 70% of the World's Stainless Steel Production. The projected growth of over 8% of stainless steel and carbon steel till 2015 augurs well for the continued growth of ferro alloys production in India. The ferro alloys industry has a capacity of 5.15 million tonnes. It is accounting for nearly 10% of the world's ferro alloys production and is among the 10 largest producers of the material in the world. The market situation has become over supply because the supply increased but the consumption decreased. Steel market including stainless steel has been passing through difficult times due to credit squeeze in the market, high inflation, high power cost, uncertainty of power supply and delay in several projects. Nervousness is visible in the sector and production has been lower. The International price of HC Ferro Chrome started moving downwards. The main reason for the decline is lack of demand by the end users.

At the same time, the Indian Ferro Alloys Industry has grappled with various issues, such as non-availability of power with competitive rate, suitable quality and quantity of Chrome Ore/Coke, minimum duty protection etc. Besides, the Industry has to compete with the integrated producers having captive Mines situated in South Africa, Australia, Brazil, CIS, etc to sell acceptable quality of Chrome Alloys in the world market for earning the valuable foreign exchange for the country. Reductants viz Anthracite Coal, Coke, Charcoal etc. are vital inputs for the Ferro Alloys Industry. The consumption of these reductants for producing one ton of Ferro Alloys varies between 600 to 2,000 kgs, depending on the Ferro Alloys produced. The availability of these items in good quality is declining in the country and the Ferro Alloy Industry may have to totally depend on import of these reductants on regular basis. Further the present Import Duty on Ferro Alloys is 5%, but this is not sufficient, as the import of Ferro Alloys is increasing every year, when the domestic Industry is operating at around 60% of capacity leaving balance 40% lying idle. These cheap imports from China and other countries are steadily grabbing the domestic market share to meet the expected rising demand from steel Industry. Further the problems of this industry are aggravated because of the high input cost of power including FSA charges. The ferro alloy Industry is a power intensive Industry, the power cost is about 35-40 percent of its total production cost. Repeated power tariff hikes by state run power utility company have put the Industry in a fix. In addition to the higher power tariff, the frequent power cuts in Andhra Pradesh are affecting the Industry badly. At such high power tariff, there is hardly any margin and viability in the production of ferro alloys. These issues need to be addressed by the Government to enable the Ferro Alloys Producers to compete in the Domestic as well as International Markets.

FINANCE

The Company has not invited any deposit from public during the year.

CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the Accounting Standard (AS) -21 on Consolidated Financial Statements read with Accounting Standard AS-23 on Accounting for Investments in Associates, the audited Consolidated Financial Statements are provided in the Annual Report.

SUBSIDIARIES

In terms of the general circular issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Statement of Profit and Loss and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company. However, the financial information of the subsidiary companies is disclosed in the Annual Report in compliance with the said circular. The company will make available the Annual Accounts of the subsidiary companies and related detailed information to any member of the Company who may be interested in obtaining the same. The annual accounts of the Company will also be kept open for inspection at the Registered Office of the Company and that of the respective subsidiary companies as well. Further, the Consolidated Financial Statements presented by the Company include the financial results of the subsidiary companies.

INDUSTRIAL RELATIONS

The overall industrial relations in the Company were generally satisfactory.

DIRECTORS

Mr. Yogesh Saraf & Mr. Vibhu Bakhru resigned as Directors of the company effective 01st February, 2013 & 09th April 2013 respectively. The Directors place on record their appreciation for the valuable services rendered by them.

Mr. Anurag Saraf and Mr. Kesharao Pardhey were appointed as Additional Directors on the Board w.e.f. 15th January, 2013. Notices have been received from members along with a deposit of ₹ 500/- each under Section 257 of the Companies Act, 1956 signifying their intention to propose them as Directors of the Company.

Mr. K. L. Mehrotra, Mr. C. N. Harman and Mr. Gautam Khaitan, Directors of the Company, retire by rotation and, being eligible offer themselves for re-election.

The Company has formulated a code of conduct for all members of the Board and Senior Management Personnel. All concerned members/ executives have affirmed compliance with the said code.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217 (2AA) of Companies Act, 1956, your Directors confirm that -

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanations;

- ii) they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- iii) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) they have prepared the annual accounts on a going concern basis.

AUDIT COMMITTEE

The Audit Committee formed by the Board of Directors of the Company consists of Mr. K. Jayabharath Reddy, Mr. P.V.R.K. Prasad & Mr. A.S. Kapre who are Non-Executive Independent Directors of the Company and Mr. R.K. Saraf. Mr. K. Jayabharath Reddy is its Chairman. The Committee's role, terms of reference and the authority and powers are in conformity with the requirement of the Companies Act, 1956 and the Listing Agreement.

AUDITORS

You are requested to appoint Auditors for the current year and to fix their remuneration. M/s SALVE & Co., Chartered Accountants hold office upto the conclusion of the ensuing 10th Annual General Meeting. The Company has received a requisite Certificate pursuant to Section 224 (1B) of the Companies Act 1956 regarding their eligibility for re-appointment as Auditors of the Company.

COST AUDITOR

Pursuant to provisions of Section 233 B of the Companies Act, 1956 and with prior approval of Central Government Mr. Prakash Uppalapati, Cost Accountant, having an arm's length relationship with the Company and who is free from any disqualification as specified under Section 233 B (5) read with Section 224 and sub-section 3 and sub-section 4 of Section 226 of the Companies Act, 1956 has been appointed by the Board as Cost Auditor of the Company to conduct audit of cost records of the Company for the year ended 31st March 2013. His appointment is in accordance with the limits specified in Section 224 (1B) of the Companies Act, 1956. Cost Audit Reports would be submitted to the Central Government within prescribed time.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The statement giving details of conservation of energy, technology absorption, foreign exchange earnings and outgo, in accordance with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed and marked Annexure 'A' which forms part of this Report.

PARTICULARS OF EMPLOYEES

During the year under review there were no employees receiving

remuneration of or in excess of ₹ 60,00,000/- per annum or ₹ 5,00,000/- per month requiring disclosure as per the provisions of Section 217(2A) read with the Companies (Particulars of Employees) Rules, 1975.

CORPORATE GOVERNANCE

Management Discussion and Analysis, Corporate Governance Report and Auditors' Certificate regarding compliance of conditions of Corporate Governance are made a part of the Annual Report.

ACKNOWLEDGEMENT AND APPRECIATION

Your Directors place on record their gratitude for the support and co-operation received from Central and State Governments, Financial Institutions & Banks, Customers, Suppliers and Shareholders and for their continued support. The Board also expresses its sincere appreciation to the dedicated and committed team of employees and workmen.

On behalf of Board of Directors,

Place : New Delhi
Dated : 27th May, 2013

R.K. SARAF
Chairman & Managing Director

ANNEXURE 'A' TO THE DIRECTORS' REPORT

Additional information as required under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

A. CONSERVATION OF ENERGY

- a) Measures taken
 - 1) 10 sets of energy efficient Metal Halide High bay fittings were fixed in place of MV Lamps in Raw Material and Metal Handling yards.
 - 2) By placing insulation layer of clay bricks in circular pans in place of Quartz fines, not only the bottom plates of pans are protected but inside turbulence due to gushing of metal and slag is also avoided. As a result contamination of the metal cake with slag is avoided considerably and energy consumed in reprocessing of the contaminated metal is saved to large extent.
- b) Additional investment and proposals, if any, being implemented for reduction of consumption of energy : Nil
- c) Impact of measures at (a) and (b) for reduction of energy consumption and consequent impact on the cost of production of goods : Moderate saving in power consumption
- d) Total energy consumption and energy consumption per unit of production in prescribed form 'A' : Form "A" is inapplicable to Ferro Alloys Industry

B. TECHNOLOGY ABSORPTION

Research and development

- a) Specific areas in which R & D carried out by the company : The present Production process of H.C. Ferro Chrome has got a limitation of recovery of only 84% to 85% of chrome even after following the best process control methods and loosing about 14% to 16% of Chromium oxide in slag, both in metallic and Oxide form. The slag is being used only for landfill. Till date efforts are made only to recover the entrapped metal in slag, which is around 2% to 2.5%, by mechanical means (Gigging). We have taken up Research & Development study on recovering the chromium & Iron lost in the slag to an extent of 98% to 100% respectively by smelting the slag along with coke and required fluxes in electric arc furnace by maintaining optimum slag basicity.
We succeeded in pilot scale work and could recover about 10% of additional saleable metal from 1 Ton of slag. Now on commercial scale we have to establish the result.
- b) Benefits derived as a result of above R & D : Yet to be established
- c) Future plan of action : NIL
- d) Expenditure on Research & Development : NIL
- e) Technology absorption, adaptation and innovation :
 - i) Efforts, in brief, made towards Technology absorption, adaptation and innovation : Nil

- ii) Benefits derived as a result of above efforts : Nil
- iii) Information regarding technology imported : Nil during the last five years

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

- 1) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans
- 2) Total Foreign Exchange used and earned (2012-2013)

During the year 2012-13 18913 MT Ferro Chrome was exported. Directors undertake extensive foreign travelling to explore new avenues of exports and to understand latest developments in the international markets.

	<u>(₹ in Lacs)</u>
i) CIF value of imports :	865.58
ii) Expenditure in Foreign Currency :	318.31
iii) Foreign Exchange earned :	12179.04

On behalf of Board of Directors,

Place : New Delhi
 Dated : 27th May, 2013

R.K. SARAF
 Chairman & Managing Director

MANAGEMENT DISCUSSIONS AND ANALYSIS
INDUSTRY STRUCTURE, DEVELOPMENT AND OTHER RELATED MATTERS

Ferro alloy refers to various alloys of iron, which are used in the production of mild steel, carbon steel, special alloy steel and stainless steel. India’s steel production is increasing every year, thereby the consumption of Ferro Alloys is also increasing. Preliminary figures released by the International Stainless Steel Forum (ISSF) show that worldwide stainless steel crude production has increased after the first nine months of 2012 by 2.9% compared to the same period of 2011. Total production for the first three quarters was 26.1 million metric tons (Mt.). In Asia, China increased its Stainless Steel production in the first 9 months of 2012 by 7.9% to 11.4 Mt. and it now accounts for about 44% of the World’s Stainless Steel Production. After the first 9 months of 2012, Asia accounts for almost 70% of the World’s Stainless Steel Production. The projected growth of over 8% of stainless steel and carbon steel till 2015 augurs well for the continued growth of ferro alloys production in India. The ferro alloys industry has a capacity of 5.15 million tonnes. It is accounting for nearly 10% of the world’s ferro alloys production and is among the 10 largest producers of the material in the world. The market situation has become over supply because the supply increased but the consumption decreased. Steel market including stainless steel has been passing through difficult times due to credit squeeze in the market, high inflation, high power cost, uncertainty of power supply and delay in several projects. Nervousness is visible in the sector and production has been lower. The International price of HC Ferro Chrome started moving downwards. The main reason for the decline is lack of demand by the end users.

substantial volatility in prices. The performance of the Company is dependent to a large extent on the prevailing prices in the international market which is influenced / set by large producers in South Africa and Kazakhstan. To hedge against the vagaries of the market, Company has entered into long-term contracts for supply of HCFC. Such long term supply contracts has helped the Company to a great deal by way of committed off-take. Apart from committed supply, company also keeps aside tonnage for selling in the spot market so as to benefit from upward trend in prices, if any.

The Indian Ferro Alloys Industry has grappled with various issues, such as non-availability of power with competitive rate, suitable quality and quantity of Chrome Ore / Coke, minimum duty protection etc. Besides, the Industry has to compete with the integrated producers having captive mines situated in South Africa, Australia, Brazil, CIS, etc. to sell acceptable quality of Chrome Alloys in the world market for earning the valuable foreign exchange for the country. Reductants viz Anthracite Coal, Coke, Charcoal etc. are vital inputs for the Ferro Alloys Industry. The consumption of these reductants for producing one ton of Ferro Alloys varies between 600 to 2,000 kgs, depending on the Ferro Alloys produced. The availability of these items in good quality is declining in the country and the Ferro Alloy Industry may have to totally depend on import of these reductants on regular basis. Further the present Import Duty on Ferro Alloys is 5%, but this is not sufficient, as the import of Ferro Alloys is increasing every year, when the domestic Industry is operating at around 60% of capacity leaving balance 40% lying idle. These cheap imports from China and other countries are steadily grabbing the domestic market share to meet the expected rising demand from steel Industry. Further the problems of this industry are aggravated because of the high input cost of power including FSA charges. The ferro alloy Industry is a power intensive Industry, the power cost is about 35-40 percent of its total production

RISKS AND CONCERNS / OPPORTUNITIES AND THREATS / OUTLOOK

The Ferro Alloys Industry is highly cyclical in nature reflecting a similar trend in the stainless steel industry and as a result, there is

cost. Repeated power tariff hikes by state run power utility company have put the Industry in a fix. Further the ongoing power crisis in Andhra Pradesh manifesting in unprecedented power cuts and steep tariff hike have hit the company hard. Besides this, the Company is also burdened heavily by way of claims for Fuel Surcharge Adjustment (FSA) including arrears for earlier years. These issues need to be addressed by the Government to enable the Ferro Alloys Producers to compete in the Domestic as well as International Markets.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Company is continuously endeavoring to maintain high standards of internal control designed to provide adequate assurance on the efficiency of operations and security of its assets. The adequacy and effectiveness of the internal control across various activities, as well as compliance with laid-down systems and policies are comprehensively and frequently monitored by management at all levels of the organization, internal and statutory auditors and based on the experience gained and suggestions received, if any, these are updated, modified and accordingly implemented. The Audit Committee of Board of Directors also reviews these matters from time to time in their meetings.

FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

Ferro Alloy is a crucial intermediates to Steel Industry, hence growth of Ferro Alloys industry is primarily driven by the growth and progress of Steel Industry. The estimated production capacity of ferro alloys in India is more than double of the domestic demand, making the industry partially dependent on domestic market and more on export market. The main market for Indian ferro chrome is China, Japan and South Korea and the current economic situation in all the three countries is not that good. Japan's capacity utilization is low around 60-70% which provides little opportunity for export from India. As far as Korea is concerned, it was doing well till the first half of 2012 and it had some plans of increasing production of Stainless steel, but from the later half of the year they started going down and their capacity utilization too started coming down eventually. And China which was kind of pulling the world, has also become uncertain because of the inflation problem. At present China is importing Chrome Ore as well as Charge Chrome from South Africa in huge quantities and the current situation is such that China has become a bigger producer of Chrome Alloys compared with South Africa, riding on some inherent advantages like availability of Coal and Coke among others. Further a number of Ferro Chrome Producer in South Africa had recently been forced to stop or cut down production due to lower availability of power coupled with continued weak demand. Despite sharp fall in total production of Ferro Chrome due to power restriction in South Africa, the overall availability of the material is still higher than the demand.

As far as domestic market is concerned, the stainless steel market in India particularly 200 series is passing through a bad phase due

to credit squeeze in the market, high inflation, higher power cost, uncertainty of power supply and delay in several projects. The weakness in ferro alloys prices in India has happened largely due to weakness in Export demand. Most ferro alloys producers in India are currently passing through a difficult financial position because of significant fall in prices in recent months and increase in power cost. Lack of demand both in domestic and export markets, coupled with weak price trend and higher cost of power and Chrome Ore are primarily responsible for hardship faced by ferro alloys producers. Further the ongoing power crisis in Andhra Pradesh manifesting in unprecedented power cuts and steep tariff hike have hit the company hard. Besides this, the Company is also burdened heavily by way of claims for Fuel Surcharge Adjustment (FSA) including arrears for earlier years.

On account of above and other factors, during the year under consideration the production during the financial year 2012-13 was 38,570 M.T. as against 64,000 M.T. in the previous year recording a steep fall of 40%. Owing to unfavourable market conditions, the overall turnover of the Company declined from ₹ 367.44 crores in 2011-2012 to ₹ 219.73 crores in 2012-2013. Exports were ₹ 132.07 crores as against ₹ 289.19 crores in the previous year. The Company derived 60% of its total sales from exports and during the year under review foreign currency earnings in rupee terms was ₹ 121.79 crores. The profit before tax too was lower at ₹ 2.08 crores as compared to ₹ 10.16 crores in the previous year recording a steep fall of 80%.

MATERIAL DEVELOPMENT IN HUMAN RESOURCES/INDUSTRIAL RELATIONS FRONT INCLUDING PEOPLE EMPLOYED

Employees participation schemes such as Central Safety Committee, Quality Circles, Intra department level reviews have been adopted to ensure transparency and open communication at all levels. In house training to employees was imparted focusing on safety, productivity and skills improvement inputs. Multi skills improvement program has been implemented encouraging the trade workmen to learn additional skills. Executives were nominated to various seminars and programs for exposure to the best business practices. Adequate cost consciousness in the minds of all employees has been inculcated to attain the ultimate goal of cost reduction. The overall manpower consisting of workmen, supervisors and managers etc. worked out to 623 excluding indirect employment.

CAUTIONARY STATEMENT

Statements in this Management Discussion and Analysis Report are based upon data available with the Company and on certain assumptions having regard to the economic conditions, government policies, political developments within and outside the country. The management is not in a position to guarantee the accuracy of the assumptions and the projected performance of the Company in future. It is, therefore, cautioned that the actual results may differ from those expressed or implied herein.

CORPORATE GOVERNANCE REPORT

1. BRIEF STATEMENT ON COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The company follows good business ethics and practices aimed at ensuring growth and prosperity to the corporate entity for the benefit of all the partners constituting it viz. shareholders, promoters, investors, lenders, suppliers, customers, creditors and the work-force, in particular, and the society in general. With this end in view, the Board and Management of the Company has always been following good corporate governance practices of legal compliance, transparency, accountability etc. for efficient conduct of its business.

2. BOARD OF DIRECTORS

Name of the Directors	Category	No. of Director-ship held in other Public Limited Companies as on 31.03.2013	No. of Membership/ Chairmanship of Board Committee of other public limited companies as on 31.03.2013	No. of Board Meetings attended	Whether Last AGM attended
Mr. R.K. Saraf Chairman & Managing Director	Executive*	3	1	5	Yes
Mr. M.D. Saraf Vice Chairman & Managing Director	Executive*	4	Nil	0	No
Mr. Yogesh Saraf Joint Managing Director (upto 31.01.2013)	Executive*	NA	NA	3	No
Mr. Ashim Saraf Joint Managing Director	Executive*	3	Nil	5	Yes
Mr. Anurag Saraf Joint Managing Director (w.e.f. 15.01.2013)	Executive*	4	2	0	NA
Mr. C. N. Harman Director (Technical)	Executive	Nil	Nil	2	Yes
Mr. Arye Berest	Non-Independent Non-Executive**	2***	Nil	1	No
Mr. K. Jayabharath Reddy	Independent Non-Executive	6	4	4	No
Mr. P.V.R.K. Prasad	Independent Non-Executive	1	Nil	5	Yes
Mr. Gautam Khaitan	Independent Non-Executive	11	10	0	No
Mr. A.S. Kapre	Independent Non-Executive	3	6	5	Yes
Mr. K. L. Mehrotra	Independent Non-Executive	3	Nil	4	No
Mr. Vibhu Bakhru (upto 08-04-2013)	Independent Non-Executive	3	Nil	2	No
Mr. Kesharao Pardhey (w.e.f. 15.01.2013)	Independent Non-Executive	1	Nil	1	NA

* Represents Promoter Group; ** Represents Foreign Investor; ***Excluding directorship in foreign companies

During the Financial Year April 2012 to March 2013, 5 Board Meetings were held on 11/05/12, 28/07/12, 18/09/2012, 26/10/12 and 28/01/13.

3. AUDIT COMMITTEE

a) Composition, name of members and Chairman:

The Committee presently consists of 4 Members viz. Mr. K. Jayabharath Reddy, Mr. P.V.R.K. Prasad, Mr. A.S. Kapre who are Non-Executive Independent Directors of the Company and Mr. R.K.Saraf. The Chairman of the Committee is Mr. K. Jayabharath Reddy.

Mr. K. Jayabharath Reddy is a Post Graduate in Economics Statistics from Delhi School of Economics and Post Graduate in Economics from Madras University.

Mr. P.V.R.K. Prasad is a Post Graduate in English Literature (Gold Medallist) and Law Graduate from Nagpur University.

Mr. A.S. Kapre is an Engineering and Law Graduate and has over 3 decades experience mainly in Projects and Corporate Lending, Rehabilitation Finance and Risk Management.

Mr. R.K. Saraf is an Industrialist having several years rich business experience of running the industries.

b) No. of meetings and attendance:

There were four meetings during the year 2012-13 on 11/05/12, 28/07/12, 26/10/2012 & 28/01/13. All four meetings were attended by all members.

c) Brief description of terms of reference:

The Committee's terms of reference, authority and powers are in conformity with the requirement of the Companies Act, 1956 and the Listing Agreement.

4. REMUNERATION COMMITTEE:

a) Shri K. L. Mehrotra, an independent director was inducted as member of the Remuneration Committee w.e.f. 06-05-2013 by the Board of Directors. The Committee presently consists of 4 Members viz. Mr. P.V.R.K. Prasad, Mr. Gautam Khaitan, Mr. K. L. Mehrotra and Mr. A.S. Kapre who are non-executive independent Directors of the Company. The remuneration being paid to the Managing Directors, Joint Managing Directors and Wholetime Director is well within the limits as prescribed in Schedule XIII of the Companies Act, 1956 and was approved by the Remuneration Committee, Board of Directors and Shareholders.

b) Details of remuneration payable to Managerial Personnel for the year 2012-13 :

	Name of Directors	Total Remuneration including perquisites in cash	Estimated value of other perquisites in kind	Period of Agreement
1.	Mr. R.K. Saraf, CMD	₹ 1616877/-	₹ 136366/-	5 years from 01/04/09
2.	Mr. M. D. Saraf, VC & MD (designated as M.D. w.e.f. 01.02.13)	₹ 299329/-	₹ 17950/-	5 years from 01/02/13
3.	Mr. Ashim Saraf, JMD	₹ 2149121/-	-	5 years from 01/04/09
4.	Mr. Yogesh Saraf (ceased w.e.f. 01.02.13)	₹ 2011127/-	-	5 years from 01/05/09
5.	Mr. Anurag Saraf, JMD (designated as J.M.D. w.e.f. 01.02.13)	₹ 328645/-	-	5 years from 01/02/13
6.	Mr. C. N. Harman, Director (Tech.)	₹ 1279008/-	₹ 102960/-	5 years from 01/08/09

c) The Non-Executive Directors are paid remuneration by way of sitting fees only for each meeting attended by them. During the year 2012-13, they were paid sitting fees/remuneration as under:

	Name of Director	Sitting fees paid	No. of equity shares of ₹ 1/- each held
1.	Mr. A. S. Kapre	₹ 75000/-*	150000
2.	Mr. K Jayabharath Reddy	₹ 60000/-*	-
3.	Mr. P. V. R. K. Prasad	₹ 80000/-*	-

	Name of Director	Sitting fees paid	No. of equity shares of ₹ 1/- each held
4.	Mr. Gautam Khaitan	-	-
5.	Mr. Arye Berest	₹ 10000/-	-
6.	Mr. K. L. Mehrotra	₹ 40000/-	-
7.	Mr. Vibhu Bakhru (ceased w.e.f. 09.04.2013)	₹ 20000/-	-
8.	Mr. Kesharao Pardhey (appointed w.e.f. 15.01.13)	₹ 10000/-	100
	Total	₹ 295000/-	

* Includes sitting fees paid for attending Committee Meetings.

Notes: (i) There are no stock options and severance fees.

(ii) No notice period is specified for Directors resignation/termination.

5. SHARE TRANSFER AND SHAREHOLDERS'/INVESTORS' GRIEVANCES COMMITTEE

The Committee presently consists of 3 Members viz., Mr. R. K. Saraf, Mr. C.N. Harman and Mr. P.V.R.K. Prasad. The Chairman of the Committee is Mr. P.V.R.K. Prasad.

- a) Mr. S. S. Sharma, General Manager (Legal) & Company Secretary of the Company is the Compliance Officer
- b) No. of Shareholders' complaints received during the period 1-4-2012 to 31-3-2013 21
- c) No. of complaints not solved to the satisfaction of the Shareholders Nil
- d) Number of pending complaints as on 31-3-2013 Nil

6. GENERAL BODY MEETINGS

- a) Location and time where last three Annual General Meetings (AGMs) were held

AGM held	Day, date & time	Venue
7 th AGM	Saturday, 18 th September, 2010 at 2.30 p.m.	Administrative Building, Shreeramnagar-535 101, Garividi, Dist-Vizianagaram (A.P.)
8 th AGM	Tuesday, 13 th September, 2011 at 3.30 p.m.	- do -
9 th AGM	Tuesday, 18 th September, 2012 at 3.00 p.m.	- do -

- b) Whether any special Resolution passed in the last AGM : No
- c) Whether any special Resolution passed last year through postal ballot : No
- d) Whether any special Resolution is proposed to be conducted through postal ballot this year : No
- e) Procedure for postal ballot : NA

7. DISCLOSURES

- a) There were no materially significant related-party transactions i.e. transactions of the Company of material nature, with its promoters, Directors or the management, their Subsidiaries or relatives etc. that may have potential conflict with the interest of the Company at large.
- b) There were no instances of non-compliance and no penalties or strictures have been imposed on the Company by Stock Exchange or SEBI or any statutory authorities on any matter related to capital markets during the last year.
- c) Pursuant to the requirements of SEBI (Prohibition of Insider Trading) Regulations, 1992 as amended, the Company has adopted a 'Code of Conduct' for 'Prevention of Insider Trading' (The code). The code is applicable to all Directors and such designated employees who are expected to have access to unpublished price sensitive information relating to the Company.

Mr. S. S. Sharma, General Manager (Legal) & Company Secretary has been appointed as the Compliance Officer for monitoring adherence to the Regulations.

- d) Company has not adopted Whistle Blower Policy since it is a non-mandatory requirement.
- e) Disclosure of information as per SEBI (Substantial Acquisition of Shares & Takeover) Regulations, 2011 – List of persons, who are constituting group as defined under MRTP Act, 1969 is as under:

I) PROMOTERS

1. Mrs. Mohinidevi Saraf
2. Mrs. Bimladevi Vithaldas Saraf
3. Mr. Narayandas Saraf
4. Mr. R. K. Saraf
5. Mr. Murlidhar Saraf

II) Relatives of above five Promoters as defined under the Companies Act, 1956.

III) Group / Associated Entities:

- | | |
|--|--|
| (1) ARK Mercantile Private Limited; | (2) Arka Resources Private Limited; |
| (3) Asim Minerals Private Limited; | (4) Best Minerals Limited; |
| (5) Cati Madencilik Ithalat Ve Ihracat Anonim Sirketi; | (6) Cornell Corporation SA.; |
| (7) Dass Paper Products Ltd; | (8) Deepee Sales Corporation; |
| (9) Facor Electric Limited; | (10) FACOR Employees Welfare Trust; |
| (11) Facor Energy India Ltd; | (12) Facor Energy Limited; |
| (13) Facor Minerals (Netherlands) B.V.; | (14) Facor Minerals Pte. Ltd, Singapore; |
| (15) Facor Power Ltd; | (16) FACOR Reality and Infrastructure Ltd; |
| (17) Facor Solar Ltd; | (18) FACOR Steels Limited; |
| (19) Facor Turkrom Mining (Netherlands) B.V.; | (20) FAL Employees Welfare Trust; |
| (21) FAL Power Ventures Private Limited; | (22) Ferro Alloys Corporation Limited; |
| (23) GDP Infrastructure Private Limited; | (24) Geedee Sales Services; |
| (25) Globalscale Investments Ltd; | (26) Godawaridevi Saraf and Sons; |
| (27) Imagetec Ltd; | (28) Investar Ltd; |
| (29) Mezeron Enterprises Private Limited; | (30) NDS Minerals Private Limited; |
| (31) Pioneer Facor IT Infradevelopers Pvt. Limited; | (32) Precisetec Ltd; |
| (33) Premier Commercial Corporation; | (34) Raghavendra Sarkar Ventures Private Ltd; |
| (35) Rai Bahadur Shreeram and Company Private Limited; | (36) Saraf Bandhu Private Limited; |
| (37) Shreeram Durgaprasad Ores Private Limited; | (38) Shreeram Shipping Services Pvt. Ltd; |
| (39) Suchitra Investments & Leasing Ltd; | (40) Super Vision Ltd; |
| (41) Teracota Consultancy Services Ltd; | (42) Trusta Resources S.L.; |
| (43) Tusta Trading Company Inc; | (44) UMT International Limited; |
| (45) V&G Commercial Private Limited; | (46) Vakrangee Press Limited; |
| (47) Vanita Enterprises Private Limited; | (48) Vidharbha Iron & Steel Corporation Limited; |
| (49) YMR Enterprise Private Limited. | |

8. MEANS OF COMMUNICATION

- a) Quarterly results are communicated through newspaper advertisement.
- b) The quarterly results are published in the "Business Standard" and "Praja Sakti" newspapers.
- c) We have Website for displaying results or official news releases.
- d) No presentation is made to institutional investors or to the analyst.

9. GENERAL SHAREHOLDER INFORMATION

- i) AGM-Date, Time and Venue:

Date	Time	Venue
13 th August, 2013	3.00 p.m.	Administrative Building, Shreeramnagar-535 101, Garividi; Dist: Vizianagaram, Andhra Pradesh.

- ii) The particulars of Directors as required under Clause 49 IV (G) (i) of the Listing Agreement are as under: –

Name of Director	Date of Birth	Date of Appointment	Experience in specific functional areas	Qualifications	List of Other Public Limited Companies in which Directorship held as on 31-3-2013	Chairman/ Member of the committee of Board of other public Limited Companies on which he was a Director as on 31-3-2013	Shares held
1) Shri K. L. Mehrotra	9th Oct., 1948	18 th September, 2010	Having over 4 decades rich & versatile experience in senior level dealing with technical & commercial matters of Government Organisations	B.Tech, FIE, MIIM, MII, ChemE	Bharat Dynamics Ltd., MSTC Ltd., National Buildings Construction Corporation Limited	Nil	Nil
2) Shri C. N. Harman	2 nd August, 1932	1 st August, 2004	Development of Iron Ore, Manganese Ore as well as production of Ferro Alloys and Factory Administration	Science Graduate	Nil	Nil	1544
3) Shri Gautam Khaitan	6 th May, 1965	27 th October, 2007	Over 20 years rich experience in practice of legal matters	B.Com., LLB	J.K. Sugar Ltd., Salora International Ltd., Aravali Securities & Finance Ltd., KRBL Ltd., QH Talbros Ltd., Medsave Healthcare (TPA) Ltd., Arcotech Uniexpat Ltd., Bharat Seats Ltd, Texmaco Infrastructure & Holdings Ltd, Arcofemi Healthcare Ltd., Arcotech Ltd.	10	NIL

Name of Director	Date of Birth	Date of Appointment	Experience in specific functional areas	Qualifications	List of Other Public Limited Companies in which Directorship held as on 31-3-2013	Chairman/ Member of the committee of Board of other public Limited Companies on which he was a Director as on 31-3-2013	Shares held
4) Shri Kesharao Pardhey	21 st August, 1929	15 th January, 2013	Business Administration	Sahitya Sudhakar (Mumbai Hindi Vidya Peeth)	Somlite Mercantile Ltd.	Nil	100
5) Shri Anurag Saraf	17 th May, 1971	15 th January, 2013	Business Administration	B.E (Electronics)	FACOR Steels Ltd, FACOR Power Ltd, FACOR Realty & Infrastructure Ltd, Vidarbha Iron & Steel Corporation Ltd	02	2507354

- iii) Financial Year ending : 31st March
- iv) Date of Book closure from : Friday, 9th August, 2013 to Tuesday, 13th August, 2013 (both days inclusive)
- v) Dividend payment date : Not Applicable
- vi) Listing on Stock Exchange and stock code : The Bombay Stock Exchange Ltd., 532656
- vii) Market price data-High/Low (based on the closing prices) and volume during each month in the financial year 2012-13 and performance in comparison to Broad based BSE-SENSEX index during the said financial year as downloaded from BSE website are as under:

Month	Bombay Stock Exchange (Rupees)			BSE Sensex	
	High	Low	Volume (No. of shares)	High	Low
April 2012	4.60	3.62	1443877	17664.10	17010.16
May 2012	3.92	2.95	1332516	17432.33	15809.71
June 2012	3.59	2.60	1282325	17448.48	15748.98
July 2012	3.50	2.59	1585101	17631.19	16598.48
August 2012	2.93	2.25	1543414	17972.54	17026.97
September 2012	3.10	2.20	1964231	18869.94	17250.80
October 2012	3.30	2.50	2524535	19137.29	18393.42
November 2012	2.65	2.26	1706265	19372.70	18255.69
December 2012	2.71	2.25	1850255	19612.18	19149.03
January 2013	2.66	2.09	1931755	20203.66	19508.93
February 2013	2.17	1.48	1652055	19966.69	18793.97
March 2013	1.90	1.27	1350913	19754.66	18568.43

viii) **Registrar & Transfer Agent (RTA):**

The Company has appointed M/s Link Intime India Pvt. Ltd., C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (W), MUMBAI-400 078 as its Registrar and Share Transfer Agent for handling the share registry work in terms of both physical and electronic (Dematerialisation of shares). Accordingly, the shareholders are required to approach Link Intime India Pvt. Ltd. for all work relating to the Company's shares including transfer and transmission of shares, issue of duplicate share certificates, splitting, consolidation and replacement of share certificates as well as for dematerialisation of shares held in the company. The shareholders are also requested to send all correspondence relating to company's shares to Link Intime India Pvt. Ltd.

ix) **Share Transfer System:**

All valid transfer deeds received from the shareholders/investors are registered with the approval of the share transfer committee constituted by the Board of Directors of the Company and the share certificates after endorsement are generally returned by registered post within 15 days (w.e.f. from 01.10.2012) from date of lodgment of transfer deeds. The deficient transfer documents are returned to the sender with objection memos for making good the shortcomings.

x) a) Distribution of share holding as on 31.03.2013:

No. of equity shares held	No. of shareholders	No. of shares held	% of issued share Capital
upto 500	42267	4696734	2.40
501 to 1000	6720	6213799	3.18
1001 to 2000	3848	6589969	3.37
2001 to 3000	1646	4468795	2.29
3001 to 4000	758	2832000	1.45
4001 to 5000	1140	5569225	2.85
5001 to 10000	1553	12398444	6.34
10001 and above	1522	152778389	78.12
Total	59454	195547355	100.00
Physical Mode	21944	739491	0.38
Electronic Mode	37510	194807864	99.62

b) Categories of shareholders as on 31.03.2013 :

S. No.	Categories	No. of shares held	Percentage
a.	Promoters, their relatives, associates etc.	91021467	46.55
b.	Financial Institutions	34020	0.02
c.	State Government Company/State Financial Corporation	4046	-
d.	Nationalised Banks	1770	-
e.	Bodies Corporate	15839339	8.10
f.	Others	88646713	45.33
	Total	195547355	100.00

xi) Dematerialisation of shares and liquidity:

99.62 % of the share capital has been dematerialized as on 31st March, 2013.

xii) The Company has not issued any GDRs / ADRs / Warrants. None of the instruments issued by the Company is pending for conversion into equity shares.

xiii) Plant location: Shreeramnagar-535 101, Garividi, Dist:Vizianagaram, Andhra Pradesh

xiv) Address for correspondence:

a) For matters relating to Company's shares:
Link Intime India Pvt. Ltd.,
C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (W), MUMBAI-400 078

b) For other matters:
FACOR Alloys Ltd
Shreeramnagar-535101, Garividi; Dist: Vizianagaram, Andhra Pradesh.

10. COMPLIANCE:**Disclosure under Clause 53 of the Listing Agreement regarding certain agreements with the media companies:**

Pursuant to the requirement of Clause 53 of the Listing Agreement, the Company would like to inform that no agreement(s) have been entered with media companies and/or their associates which has resulted / will result in any kind of shareholding in the Company and consequently any other related disclosures viz., details of nominee (s) of the media companies on the Board of the Company, any management control or potential conflict of interest arising out of such agreements, etc. are not applicable. Nor has the Company entered into any other back to back treaties / contracts / agreements / Mous or similar instruments with media companies and / or their associates.

11. INVESTOR SAFEGUARDS AND OTHER INFORMATION:**a) Clause 5 A for dealing with the unclaimed shares:**

Pursuant to a Scheme of Arrangement annexed to and forming part of the Rehabilitation Scheme sanctioned to Ferro Alloys Corporation Ltd. (FACOR) for its revival, it was trifurcated into three separate companies viz., Ferro Alloys Corporation Ltd. (FACOR), Facor Alloys Ltd. (FAL) & Facor Steels Ltd. (FSL). After reorganization and restructuring of share capital of FACOR, new equity shares of ₹ 1/- each fully paid up of all the above referred three companies in lieu of the old shares of ₹10/- each of FACOR were issued and these share certificates were forwarded to the eligible shareholders under cover of Registered Letter dated 31-08-2004. Certain letters in sizeable numbers were returned back undelivered to the company due to non-updation of latest Postal Addresses by the respective shareholders in the records of the company. Not only this but all subsequent correspondences addressed to these shareholders by the company such as Annual Report, Postal Ballot & Dividend Warrants etc. were also returned back undelivered due to the said reason.

Apropos to clause 5 A II inserted in the Listing Agreement (w.e.f. 16th Dec., 2010) which provides that company shall transfer all these unclaimed shares into one Folio in the name of "Unclaimed Suspense Account" and these shares can be dematerialized and kept with one of the Depository Participants and all corporate benefits in terms of securities accruing on such shares viz. Bonus shares, Split etc. shall also be credited to such Unclaimed Suspense Account. In compliance of the newly inserted Clause, this Annual Report should be construed as a fourth reminder from the company whereby a request is made to all the concerned shareholders to get the correct particulars/latest address recorded in the records of the company at the earliest. Company has also given a news paper advertisement to this effect besides uploading the message on company's website.

b) Registration of Email Addresses:

Ministry of Corporate Affairs has taken a 'Green Initiative in Corporate Governance' by issuing Circulars 17/2011 and 18/2011 dated 21st April, 2011 read with Circular bearing No. CIR/CFD/DIL/7/2011 dated 05.10.2011 of SEBI, whereby Companies are permitted to send Notices/documents including Annual Report comprising Balance Sheet, Statement of Profit & Loss, Directors Report, Auditors Report etc. in electronic mode (hereinafter 'documents'), provided the Company has obtained email addresses of its members for sending these documents through email by giving an advance opportunity to every shareholder to register their email address and changes therein from time to time with the Company.

Accordingly, shareholders holding shares in physical form are requested to register their email addresses and changes therein from time to time, by directly sending the relevant email address along with details such as name, address, folio no., no. of shares held to the Registrars and Share Transfer Agents, M/s Link Intime India Pvt.Ltd., Mumbai.

In respect of shares held in electronic form, the email address along with DP ID / Client ID and other shareholder details as mentioned above should be registered by the shareholders with their respective Depository Participants. Upon registration of the email address, the Company proposes to send notices and documents, in electronic form, to such shareholders.

c) Dematerialisation of Shares:

Shareholders are requested to convert their physical holding to demat / electronic form through any of the registered Depository Participants (DPs) to avoid the hassles involved in dealing in physical shares such as possibility of loss, mutilation, etc. and also to ensure safe and speedy transaction in respect of the shares held.

d) Registration of National Electronic Clearing Services (NECS) / Electronic Clearing Services (ECS) mandate:

NECS/ECS facility ensures timely remittance of dividend without possible loss / delay in postal transit. Shareholders/Members holding shares in electronic form may register their NECS/ECS details with the respective DPs and Shareholders / Members holding shares in physical form may register their NECS/ECS details with the Registrars and Share Transfer Agents, to receive dividends, if declared, via the NECS / ECS mode.

e) **Updation of Address / Bank Details:**

To receive all communications/corporate actions promptly, shareholders holding shares in dematerialized form are requested to please update their address / bank details with the respective DPs and in case of physical shares, the updated details have to be intimated to the Registrar & Share Transfer Agents.

f) **Consolidation of multiple folios (in respect of physical shareholding):**

Members are requested to consolidate their shareholdings under multiple folios to eliminate the receipt of multiple communications and this would ensure that future correspondence / corporate benefits could then be sent to the consolidated folio.

12. NON-MANDATORY REQUIREMENTS

The Company at present has not adopted the Non-mandatory requirements as per Clause 49 of the Listing Agreement except constitution of Remuneration Committee.

DECLARATION ON COMPLIANCE OF THE COMPANY'S CODE OF CONDUCT

As provided under Clause 49 of the Listing Agreement with the Stock Exchange, the Board Members and the Senior Management Personnel have confirmed Compliance with the Code of Conduct for the year ended 31st March, 2013.

Place : New Delhi
Date : 27th May, 2013

R.K. Saraf
Chairman & Managing Director

AUDITORS' CERTIFICATE

To the Members of
FACOR Alloys Limited

We have examined the compliance of conditions of Corporate Governance by FACOR Alloys Ltd., for the year ended on 31st March 2013, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been in the manner described in the Guidance Note on Certification of Corporate Governance issued by the Institute of Chartered Accountants of India and has been limited to a review of the procedures and implementation thereof adopted by the Company for ensuring compliance with the conditions of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

We have conducted our review on the basis of the relevant records and documents maintained by the Company and furnished to us for the review, and the information and explanations given to us by the Company.

Based on such a review, we certify that the Company has complied, in all material respects, with the conditions of Corporate Governance, as stipulated in Clause 49 of the Listing Agreements.

On the basis of the records maintained by the Company and furnished to us and the information and explanations given to us by the Company, we state that there were no investor grievances pending against the Company for a period exceeding one month.

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

Place : New Delhi
Date : 27th May, 2013

For SALVE & Co.
Chartered Accountants
(Regn. No. 109003W)
C.A. K.P. Sahasrabudhe
Partner
Membership No. 7021

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENT

To the Members of Facor Alloys Limited

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2013;
- b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditors' Report) Order, 2003 ("the Order"), as amended, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, 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 purpose of our audit;
 - b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - d. in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956; and
 - e. on the basis of written representations received from the directors as on 31st March, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For SALVE & Co.
Chartered Accountants,
(Regn.No. 109003W)

Place : New Delhi
Date : 27th May, 2013

C.A. K.P. SAHASRABUDHE
Partner
Membership No. 7021

ANNEXURE TO THE AUDITORS' REPORT:

The Annexure referred to in our report to the members of Facor Alloys Limited ('the Company') for the year ended 31st March, 2013.

We report that:

- i)
 - a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - b) All the fixed assets have been physically verified by the Management at reasonable intervals and no material discrepancies were noticed on such verification.
 - c) The Company has not disposed of any major part of fixed assets during the year.
- ii)
 - a) Physical verification of inventory has been conducted at reasonable intervals by the Management.
 - b) In our opinion, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c) The Company is maintaining proper records of inventory and no material discrepancies were noticed by the Management on physical verification.
- iii)
 - 1)
 - (a) The Company has granted unsecured loans to six Companies covered in the Register maintained U/s.301 of the Act. The maximum amount involved during the year was Rs. 3646.38 lacs and the year end balance(including interest) of such loans aggregated to Rs. 3373.74 lacs.
 - (b) In our opinion, the terms and conditions of such loans are not prima facie prejudicial to the interest of the Company. Loans to the Subsidiary Companies are free of interest.
 - (c) The principal amount is repayable on demand and thus, there are no over dues.
 - 2) The Company has not taken any loan during the year from Companies, firms or other parties covered in the Register maintained under section 301 of the Companies Act, 1956.
- iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services and during the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- v)
 - a) According to the information and explanations given to us, based on the disclosure of interest made by the directors of the Company, transactions that need to be entered into register in pursuance of Sections 301 of the Companies Act, 1956 have been so entered.
 - b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained u/s 301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi) The Company has not accepted any fixed deposits from the public within the meaning of Sections 58A, 58AA or any other relevant provisions of the Companies (Acceptance of Deposit) Rules, 1975.
- vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- viii) We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- ix)
 - (a)
 - 1) According to the records examined by us, the Company is regular in depositing the undisputed statutory dues, including Provident Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess, with the appropriate authorities. No amounts are outstanding for transfer to the Investors Education and Protection Fund under Section 205C of the Companies Act, 1956.
 - 2) According to the information and explanations given to us, no undisputed amount payable in respect of Income Tax, Wealth Tax, Service Tax, Sales Tax, Customs Duty, Excise Duty and Cess were in arrears as at 31st March, 2013 for a period of more than 6 months from the date they became payable.
 - (b) The Company has disputed statutory dues of Rs. 21.27 lacs in respect of Sales Tax for financial year 2003-04, which has not been deposited on account of the matter being pending before AP High Court.

- x) The Company has no accumulated losses as on 31st March, 2013 and it has not incurred cash losses during the financial year ended on that date and in the immediately preceding financial year.
- xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.
- xii) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to the Company and, therefore, Clauses 4(xiii)(a), (xiii) (b), (xiii) (c) and (xiii) (d) of the said Order are not applicable.
- xiv) The Company is not dealing in or trading in shares, securities, debentures and other investments.
- xv) The Company has not given any guarantee for loans taken by others from banks or financial institutions, the terms and conditions whereof are prejudicial to the interest of the Company.
- xvi) The Company has not raised any term loan during the year.
- xvii) On the basis of an overall examination of the Balance Sheet of the Company, in our opinion, the funds raised on short term basis have not been used for long term investment.
- xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956 during the year.
- xix) During the year covered by our audit report, the Company has not issued any secured debentures.
- xx) The Company has not raised any money by public issues during the year.
- xxi) According to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For SALVE & Co.
Chartered Accountants,
(Regn.No.109003W)

Place : New Delhi
Date : 27th May, 2013

C.A. K.P. SAHASRABUDHE
Partner
Membership No. 7021

BALANCE SHEET AS AT 31ST MARCH, 2013

STANDALONE ACCOUNTS

(₹ in lacs)

	Note Nos.	As at 31st March, 2013	As at 31st March, 2012
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	2	1,955.48	1,955.48
Reserves and Surplus	3	12,615.38	12,535.78
		14,570.86	14,491.26
Non-Current Liabilities			
Long-Term Borrowings	4	11.81	33.43
Deferred Tax Liabilities (Net)	5	473.52	548.70
Long-Term Provisions	6	1,129.84	1,173.90
		1,615.17	1,756.03
Current Liabilities			
Short-Term Borrowings	7	4,533.58	3,287.62
Trade Payables	8	1,011.60	3,463.84
Other Current Liabilities	9	1,548.99	1,113.84
Short-Term Provisions	10	154.32	182.55
		7,248.49	8,047.85
		23,434.52	24,295.14
TOTAL			
ASSETS			
Non-Current Assets			
Fixed Assets-Tangible	11	2,438.80	2,705.80
Non-Current Investments	12	5,760.30	5,468.47
Long-Term Loans and Advances	13	1,159.41	922.68
		9,358.51	9,096.95
Current Assets			
Inventories	14	3,706.74	2,752.91
Trade Receivables	15	3,252.03	2,995.15
Cash and Cash Equivalents	16	2,100.26	6,613.40
Short-Term Loans and Advances	17	4,981.38	2,749.84
Other Current Assets	18	35.60	86.89
		14,076.01	15,198.19
		23,434.52	24,295.14
TOTAL			
Significant Accounting Policies	1		
Notes on Financial Statements	2 to 38		

As per our report of even date attached,
For SALVE & Co.

Chartered Accountants
(Regn. No. 109003W)

C.A. K.P. SAHASRABUDHE
Partner
Membership No. 7021

New Delhi : 27th May, 2013

For and on behalf of the Board,

R.K. SARAF
Chairman & Managing Director

M.D. SARAF
Vice Chairman & Managing Director

S.S. SHARMA
General Manager (Legal) &
Company Secretary

New Delhi : 27th May, 2013

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2013

STANDALONE ACCOUNTS

	Note Nos.	Year Ended 31st March, 2013	Year Ended 31st March, 2012
(₹ in lacs)			
INCOME			
Revenue from Operations	19	22,840.27	37,863.63
Other Income	20	146.32	394.77
Total Revenue		22,986.59	38,258.40
EXPENDITURE			
Cost of Materials Consumed	21	10,919.15	20,814.65
Changes in Inventories of Finished Goods and Stock-in-Process	22	(652.87)	180.30
Employee Benefits Expense	23	2,312.75	2,240.70
Finance Costs	24	208.88	819.72
Depreciation and Amortisation Expense	11	358.52	411.51
Other Expenses	25	9,631.89	12,775.87
Total Expenses		22,778.32	37,242.75
Profit/(Loss) Before Tax		208.27	1,015.65
Tax Expenses			
Current Tax		160.42	266.45
Tax for Earlier Years		43.43	0.21
Deferred Tax		(75.18)	77.61
		128.67	344.27
Profit/(Loss) for the year		79.60	671.38
Earning per equity share of face value of ₹ 1/- each			
Basic and Diluted (in ₹)	26	0.04	0.34
Significant Accounting Policies	1		
Notes on Financial Statements	2 to 38		

As per our report of even date attached,

For SALVE & Co.
Chartered Accountants
(Regn. No. 109003W)C.A. K.P. SAHASRABUDHE
Partner
Membership No. 7021

New Delhi : 27th May, 2013

S.S. SHARMA
General Manager (Legal) &
Company Secretary

New Delhi : 27th May, 2013

For and on behalf of the Board,

R.K. SARAF
Chairman & Managing DirectorM.D. SARAF
Vice Chairman & Managing Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2013
PURSUANT TO CLAUSE 32 OF THE LISTING AGREEMENT

STANDALONE ACCOUNTS

(₹ in lacs)

	2012-13	2011-12
(A) CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax	208.27	1,015.65
Adjustment for:		
Depreciation	358.52	411.51
Exchange difference on translation (Net)	(2.13)	132.57
Interest and Dividend Income	(137.06)	(339.33)
Finance Costs	208.88	819.72
Profit/Loss on Sale of Fixed Assets (Net)	0.65	0.93
	<u>428.86</u>	<u>1,025.40</u>
Operating Profit before Working Capital Changes	637.13	2,041.05
Adjustment for:		
Trade and Other Receivables	(2,717.53)	4,166.86
Inventories	(953.83)	2,559.31
Trade Payables	(2,001.42)	(1,163.10)
Others	3,696.94	(1,645.93)
	<u>(1,975.84)</u>	<u>3,917.14</u>
Cash Generated from Operations	(1,338.71)	5,958.19
Direct Taxes Paid/Adjusted	(314.84)	(166.79)
	<u>(314.84)</u>	<u>(166.79)</u>
Net Cash Flow from Operating Activities	(1,653.55)	5,791.40
(B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(121.41)	(49.32)
Sale of Fixed Assets	29.23	2.00
Purchase of Investments	(291.83)	(3,592.46)
Interest and Dividend Income	214.76	300.52
Net Cash Flow (used in) /from Investing Activities	(169.25)	(3,339.26)
(C) CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Long and Short Term Borrowings	1,224.34	(292.69)
Finance Costs Paid	(217.73)	(822.98)
Dividend/Corporate Tax on Dividend Paid	-	(454.54)
Net Cash Flow (used in) /from Financing Activities	1,006.61	(1,570.21)
Net Increase/(Decrease) in Cash and Cash Equivalents	(816.19)	881.93
Opening Balance of Cash and Cash Equivalents	2,343.53	1,461.60
Closing Balance of Cash and Cash Equivalents	1,527.34	2,343.53
Net Increase/(Decrease) in Cash and Cash Equivalents	(816.19)	881.93

As per our report of even date attached,
For SALVE & Co.
Chartered Accountants
(Regn. No. 109003W)

C.A. K.P. SAHASRABUDHE
Partner
Membership No. 7021

New Delhi : 27th May, 2013

S.S. SHARMA
General Manager (Legal) &
Company Secretary

New Delhi : 27th May, 2013

For and on behalf of the Board,

R.K. SARAF
Chairman & Managing Director

M.D. SARAF
Vice Chairman & Managing Director

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

STANDALONE ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Corporate Information

Facor Alloys Limited ("The Company") is a Public Limited Company incorporated in India under the Companies Act, 1956. It is part of Worldwide reputed FACOR Group of Industries. The Company is listed at Bombay Stock Exchange. The Company, one of the India's largest producers of Ferro Alloys Products produces Ferro Alloys product at its works in Andhra Pradesh and caters both domestic and international markets. The product is used in the manufacture of Steel/Stainless Steel.

(b) Basis of Preparation of Financial Statements

These accounts have been prepared under the historical cost convention on accrual basis of accounting in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956, as adopted consistently by the Company.

(c) Fixed Assets :

All fixed assets are valued at cost net of recoverable taxes less depreciation. Roll-over charges on forward exchange contracts and loss or gain on conversion of foreign currency liabilities for acquisition of fixed assets are added to or deducted from the cost of fixed assets.

(d) Intangible asset :

Intangible asset acquired separately are measured at cost less amortisation and impairment losses, if any. Intangible assets are amortised on a straight line basis over the estimated useful life.

(e) Depreciation :

Depreciation is provided on different fixed assets on the basis of 'straight line method' and 'written down value method' at rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

(f) Foreign Exchange Transactions :

- (i) Transactions in foreign exchange are translated to Indian Rupees at the rate of exchange ruling on the date of transaction.
- (ii) All foreign currency liabilities related to acquisition of Fixed Assets remaining unsettled at the end of the year are converted at contract rates, where covered by foreign exchange contracts and at year end rates in other cases and the difference in translation is adjusted in the carrying cost of such assets.
- (iii) Other outstanding foreign currency liabilities and receivables are translated at the year end rates and the difference in translation is recognized in the Statement of Profit and Loss.

(g) Investments :

Current Investments are carried at lower of cost and quoted/fair value.

Long term investments are stated at cost and provision for diminution is made, if such diminution is other than temporary in nature.

(h) Current Assets :

Finished Goods and Stock-in-Process are valued at cost or net realisable value whichever is lower. Other inventories are valued at cost. All other items of current assets are stated after provisions for any diminution in value.

(i) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Sales comprise sale of goods and services, conversion charges, Inter-unit transfers and exports. Sales are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are inclusive of excise duty but net of trade discounts and VAT. However, excise duty relating to sales is reduced from gross turnover for disclosing net turnover. Export benefits are recognised on accrual basis as per schemes specified in Foreign Trade Policy, as amended from time to time. Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable. Dividend income is recognised when the right to receive is established.

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

STANDALONE ACCOUNTS

(j) Employee Benefits :

- (i) Short-term employee benefits are recognised as an expense at the undiscounted amount in the Statement of Profit and Loss for the year in which the related service is rendered.
- (ii) Post employment and other long term employee benefits are recognised as an expense in the Statement of Profit and Loss for the year in which the employee has rendered services. The expense is recognised at the present value of the amounts payable determined using actuarial valuation techniques. Actuarial gains and losses in respect of post employment and other long term benefits are charged to the Statement of Profit and Loss.

(k) Borrowing Costs :

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

(l) Provision for Current and deferred Tax :

Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961. Deferred tax resulting from "timing differences " between taxable and accounting income is accounted for using the tax rates and laws that are enacted or substantively enacted as on the Balance Sheet date. The deferred tax asset is recognised and carried forward only to the extent that there is a virtual certainty that the asset will be realised in future.

(m) Contingent liabilities :

Contingent Liabilities are not recognised but are disclosed in the notes.

2. SHARE CAPITAL

	As at 31st March, 2013	As at 31st March, 2012
(₹ in lacs)		
Authorised Share Capital:		
360,000,000 (Previous Year- 360,000,000) Equity Shares of ₹ 1/- each	3,600.00	3,600.00
3,900,000 (Previous Year- 3,900,000) 0.01% Redeemable Preference Shares of ₹ 100/- each	3,900.00	3,900.00
TOTAL	7,500.00	7,500.00
Issued, Subscribed and Paid up:		
195,547,355 (Previous Year- 195,547,355) Equity Shares of ₹ 1/- each fully paid-up	1,955.48	1,955.48
TOTAL	1,955.48	1,955.48

2.1 The details of Shareholders holding more than 5% shares :

Name of the Shareholder	As at 31st March, 2013		As at 31st March, 2012	
	No. of Shares	% held	No. of Shares	% held
Rai Bahadur Shreeram and Company Private Limited	61,055,682	31.22%	22,980,831	11.75%

2.2 The reconciliation of number of shares outstanding at the beginning and at the end of the reporting period:

Particulars	As at 31st March, 2013	As at 31st March, 2012
	No. of Shares	No. of Shares
Shares outstanding at the beginning of the year	195,547,355	195,547,355
Shares issued during the year	-	-
Shares bought back during the year	-	-
Shares outstanding at the end of the year	195,547,355	195,547,355

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

STANDALONE ACCOUNTS

2.3 Terms/rights attached to Equity Shares:

The Company has only one class of Equity Shares having a par value of ₹ 1/- per share. The Equity Shares have equal rights, preferences and restrictions which are in accordance with the provisions of law, in particular the Companies Act, 1956.

3. RESERVES AND SURPLUS

(₹ in lacs)

	As at 31st March, 2013	As at 31st March, 2012
Capital Reserve		
Balance as at the beginning and end of the year	8,700.51	8,700.51
Securities Premium Reserve		
Balance as at the beginning and end of the year	2,667.52	2,667.52
General Reserve		
Balance as at the beginning and end of the year	250.00	250.00
Statement of Profit and Loss		
Balance as at the beginning of the year	917.75	246.37
Add: Profit/(Loss) for the year	79.60	671.38
Balance as at the end of the year	997.35	917.75
TOTAL	12,615.38	12,535.78

4. LONG-TERM BORROWINGS

(Unsecured)

Deferred payment liabilities	11.81	33.43
Terms of repayment : Payable in equal monthly instalments.	11.81	33.43
TOTAL	11.81	33.43

5. DEFERRED TAX LIABILITIES (NET)

Deferred Tax Liability:

Difference between Book and Income Tax depreciation	542.68	617.77
Deferred Tax Assets:		
Disallowance u/s 43B of the Income Tax Act, 1961 to be allowed on payment basis	69.16	69.07
Net Deferred Tax Liability	473.52	548.70

6. LONG-TERM PROVISIONS

Provision for Employee Benefits:

P.L. Encashment (Unfunded)	109.31	153.37
Others	1,020.53	1,020.53
TOTAL	1,129.84	1,173.90

7. SHORT-TERM BORROWINGS

From Banks (Secured) :

Cash Credit Accounts	2,731.03	1,834.47
Bills Discounted	1,802.55	1,453.15
TOTAL	4,533.58	3,287.62

Secured by hypothecation of stocks of raw-materials, finished products, book debts, and other receivables and by way of second charge on fixed assets of the Company in respect of immovable properties and guaranteed by two Directors.

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

STANDALONE ACCOUNTS

(₹ in lacs)

	<u>As at 31st March, 2013</u>	<u>As at 31st March, 2012</u>
8. TRADE PAYABLES		
Trade Payables	1,011.60	3,463.84
TOTAL	<u>1,011.60</u>	<u>3,463.84</u>

Small scale industrial undertakings, to whom ₹ 3.89 lacs (Previous Year ₹ 0.55 lac) are due for a period exceeding 30 days, have been identified based on the information available with the Company and are as follows:

T.S.Enterprises and Bharat Engineering Works.

9. OTHER CURRENT LIABILITIES		
Unpaid dividends	17.92	17.96
Other Payables *	1,531.07	1,095.88
TOTAL	<u>1,548.99</u>	<u>1,113.84</u>

*Includes statutory dues, security deposits and advance from customers.

10. SHORT-TERM PROVISIONS		
Provision for Employee Benefits:		
P.L.Encashment (Unfunded)	99.82	48.94
For Taxation	54.50	133.61
TOTAL	<u>154.32</u>	<u>182.55</u>

11. FIXED ASSETS

(₹ in lacs)

Particulars	GROSS BLOCK AT COST				DEPRECIATION				NET BLOCK	
	As at 1.04.2012	Additions/ Adjustments	Deductions/ Adjustments	As at 31.03.2013	Upto 1.04.2012	For the Year	Deductions/ Adjustments	Upto 31.03.2013	As at 31.03.2013	As at 31.03.2012
Tangible Assets:										
Land Freehold	77.33	2.17	-	79.50	-	-	-	-	79.50	77.33
Mines and Quarries Freehold	1.14	-	-	1.14	-	-	-	-	1.14	1.14
Buildings	914.27	-	-	914.27	596.78	20.13	-	616.91	297.36	317.49
Railway Siding	53.99	-	-	53.99	32.37	2.96	-	35.33	18.66	21.62
Plant and Machinery	4,579.86	17.87	-	4,597.73	2,612.91	257.51	-	2,870.42	1,727.31	1,966.95
Office and Other Equipments	335.88	13.27	7.24	341.91	229.70	20.55	5.98	244.27	97.64	106.18
Furniture and Fixtures	165.89	0.84	1.15	165.58	145.75	3.77	1.14	148.38	17.20	20.14
Vehicles	611.29	87.26	94.89	603.66	416.34	53.60	66.27	403.67	199.99	194.95
TOTAL	6,739.65	121.41	103.28	6,757.78	4,033.85	358.52	73.39	4,318.98	2,438.80	2,705.80
Previous Year	6,754.69	49.32	64.36	6,739.65	3,683.77	411.51	61.43	4,033.85	2,705.80	-

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

STANDALONE ACCOUNTS

12. NON-CURRENT INVESTMENTS

(₹ in lacs)

	As at 31st March, 2013	As at 31st March, 2012
Trade Investments : (At Cost)		
In Equity Shares of Subsidiary Companies - Unquoted, fully paid up		
5,000 (Previous Year- 5,000) Best Minerals Limited of ₹ 100/- each	5.00	5.00
10,000 (Previous Year- 10,000) FAL Power Ventures Pvt. Ltd. of ₹ 10/- each (Formerly known as BEC Power Private Limited)	1,583.75	1,583.75
50,000 (Previous Year- 50,000) Facor Electric Limited of ₹ 10/- each	5.01	5.01
543,000 (Previous Year- 5,001) Facor Minerals Pte Limited of USD 1 each	281.53	2.65
18,000 (Previous Year- Nil) Facor Minerals (Netherlands) BV of EURO 1 each	12.95	-
	1,888.24	1,596.41
In Equity Shares of Associated Companies - Unquoted, fully paid up		
1,36,663 (Previous Year-1,36,663) Vidharbha Iron & Steel Corporation Limited of ₹ 10/- each	13.67	13.67
20,000,000 (Previous Year- 20,000,000) Facor Power Limited of ₹ 10/- each	2,000.00	2,000.00
	2,013.67	2,013.67
Others - In Equity Shares -Unquoted, fully paid up		
3,000 (Previous Year- 3,000) Sunil Healthcare Limited of ₹ 10/- each	0.20	0.20
20 (Previous Year- 20) Anand Udyog Premises Co-operative Society Limited of ₹ 50/- each	0.01	0.01
1,742,700 (Previous Year- 17,42,700) Pioneer Facor IT Infradevelopers Pvt. Limited of ₹ 1/- each	1,855.63	1,855.63
	1,855.84	1,855.84
In Government Securities : Unquoted		
6 Years National Savings Certificates Deposited with Government/Semi Government Authorities as Security Deposit.	2.55	2.55
	5,760.30	5,468.47
TOTAL	5,760.30	5,468.47
Aggregate amount of Unquoted Investments	5,760.30	5,468.47

13. LONG-TERM LOANS AND ADVANCES

(Unsecured and Considered Good)

Security Deposits

	1,159.41	922.68
TOTAL	1,159.41	922.68

14. INVENTORIES

(As per Inventory taken, valued and as certified by the Management)

(At Cost unless otherwise stated)

Raw Materials (includes in transit ₹ 33.57 lacs, Previous year ₹ 52.10 lacs)	2,650.97	2,335.63
Stock-in-Process (At Cost or Net realisable value whichever is lower)	71.17	82.04
Finished Goods (At Cost or Net realisable value whichever is lower)	845.36	181.62
Stores and Spare Parts	121.69	135.47
Loose Tools	17.55	18.15
TOTAL	3,706.74	2,752.91

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

		STANDALONE ACCOUNTS	
		(₹ in lacs)	
		As at	As at
		<u>31st March, 2013</u>	<u>31st March, 2012</u>
15. TRADE RECEIVABLES			
(Unsecured and Considered Good)			
Over six months		87.55	156.74
Others		<u>3,164.48</u>	<u>2,838.41</u>
TOTAL		<u>3,252.03</u>	<u>2,995.15</u>
16. CASH AND CASH EQUIVALENTS			
Cash in hand		9.97	8.99
With Scheduled Banks:			
In Current Accounts		867.37	234.54
In Current Accounts- For Unpaid Dividend		<u>17.92</u>	<u>18.06</u>
		885.29	252.60
In Fixed Deposit Accounts:			
With original maturity upto three months		650.00	2,100.00
With original maturity of more than three months but less than twelve months		<u>555.00</u>	<u>4,251.81</u>
		2,090.29	6,604.41
TOTAL		<u>2,100.26</u>	<u>6,613.40</u>
Fixed Deposit Receipts lodged with Banks as security deposit for Letters of Credit/Guarantees ₹ 555.00 lacs (Previous Year ₹ 1.81 lacs)			
17. SHORT-TERM LOANS AND ADVANCES			
(Unsecured and Considered Good)			
Loans and Advances to Related Parties		4,110.86	1,584.43
Others		<u>870.52</u>	<u>1,165.41</u>
TOTAL		<u>4,981.38</u>	<u>2,749.84</u>
18. OTHER CURRENT ASSETS			
Interest accrued on Fixed Deposits		10.14	60.00
Claims Recoverable		<u>25.46</u>	<u>26.89</u>
TOTAL		<u>35.60</u>	<u>86.89</u>
19. REVENUE FROM OPERATIONS			
		Year Ended	Year Ended
		<u>31st March, 2013</u>	<u>31st March, 2012</u>
Sale of products, less returns		19,903.36	35,091.79
Sale of Services		<u>2,825.81</u>	<u>2,272.58</u>
		22,729.17	37,364.37
Less: Excise Duty		<u>756.23</u>	<u>620.47</u>
		21,972.94	36,743.90
Add: Export Incentives		<u>867.33</u>	<u>1,119.73</u>
TOTAL		<u>22,840.27</u>	<u>37,863.63</u>

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

19.1 PARTICULARS OF SALE OF PRODUCTS

STANDALONE ACCOUNTS
(₹ in lacs)

	Year Ended 31st March, 2013	Year Ended 31st March, 2012
	Gross Sales	
Ferro Alloys	19,647.82	34,693.99
Off Grade / By-products	255.54	397.80
Services rendered (Conversion Charges)	2,825.81	2,272.58
TOTAL	22,729.17	37,364.37

20. OTHER INCOME

INTEREST INCOME:

Interest on Deposits	72.49	196.37
Other Interest	64.57	142.96
	137.06	339.33
Miscellaneous receipts	9.91	56.37
Profit /(Loss) on Fixed Assets Sold/Discarded (Net)	(0.65)	(0.93)
TOTAL	146.32	394.77

21. COST OF MATERIALS CONSUMED

Opening stock of Materials	2,335.63	4,763.62
Add: Purchases	11,234.49	18,386.66
	13,570.12	23,150.28
Less: Closing stock of Materials	2,650.97	2,335.63
Cost of Materials Consumed	10,919.15	20,814.65

21.1 PARTICULARS OF MATERIALS CONSUMED

Chrome Ore/Concentrate/Others	7,804.19	14,481.24
Coke and Coal	2,807.82	5,901.02
Quartz	28.87	39.76
Carbon paste/Electrode paste	194.74	284.44
Miscellaneous	83.53	108.19
TOTAL	10,919.15	20,814.65

22. CHANGES IN INVENTORIES OF FINISHED

GOODS AND STOCK-IN PROCESS

Closing stock:		
Finished Goods	845.36	181.62
Stock-in-Process	71.17	82.04
	916.53	263.66
Opening stock:		
Finished Goods	181.62	350.36
Stock-in-Process	82.04	93.60
	263.66	443.96
Decrease/(Increase) in Inventories	(652.87)	180.30

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

STANDALONE ACCOUNTS

23. EMPLOYEE BENEFITS EXPENSE

(₹ in lacs)

	Year Ended 31st March, 2013	Year Ended 31st March, 2012
Salaries, Wages and Bonus	1,627.46	1,487.16
Contribution to Provident and Other Funds	337.68	270.84
Welfare Expenses	279.88	422.05
Directors' Remuneration	67.73	60.65
TOTAL	2,312.75	2,240.70

24. FINANCE COSTS

Interest:		
On Fixed Loan	-	413.10
On Others	188.61	383.37
	188.61	796.47
Other Borrowing Costs	20.27	23.25
TOTAL	208.88	819.72

25. OTHER EXPENSES

Power and Fuel	6,393.94	6,611.92
Mining, Handling and other Production Expenses	583.74	910.45
Freight, Shipment and Sales Expenses	691.78	1,084.08
Stores and Spares	240.70	269.61
Works Expenses	680.07	751.31
Transport Expenses	109.09	183.81
Repairs and Maintenance to Plant and Machinery	327.55	844.95
Repairs and Maintenance to Buildings	162.12	293.51
Insurance	15.00	23.94
Rent (Net)	31.04	7.83
Rates and Taxes	15.68	14.16
Commission and Brokerage on Sales	234.07	1,120.69
Donations	15.21	59.49
Payment to Auditors	4.35	3.88
Directors' Sitting Fees	2.95	2.90
Foreign Exchange Loss	12.94	505.21
Miscellaneous Expenses	111.66	88.13
TOTAL	9,631.89	12,775.87

25.1 PAYMENT TO AUDITORS

(A) Statutory Auditor

Audit Fees	2.50	2.25
Tax Audit Fees	0.15	0.15
Certification and Consultation Fees	0.30	0.22
Reimbursement of Expenses	0.83	0.61
Sub-Total (A)	3.78	3.23

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

STANDALONE ACCOUNTS

(₹ in lacs)

	Year Ended 31st March, 2013	Year Ended 31st March, 2012
(B) Cost Auditor		
Audit Fees	0.50	0.50
Management Services	-	0.10
Certification and Consultation Fees	0.05	0.05
Reimbursement of Expenses	0.02	-
Sub-Total (B)	0.57	0.65
TOTAL (A + B)	4.35	3.88

26. EARNING PER SHARE (BASIC AND DILUTED)

(i) Net Profit after Tax	79.60	671.38
(ii) Weighted average number of equity shares (Nos. in lacs)	1,955.48	1,955.48
(iii) Earning per Share: (₹ per share)	0.04	0.34

27. Disclosure pursuant to Accounting Standard - 15 (Revised) "Employee Benefits" :

Defined Contribution Plan :

Amount of ₹ 220.16 Lacs (Previous Year ₹ 201.16 Lacs) is recognised as expense and included in "Employee Benefits Expense" in Note 23 of the Statement of Profit and Loss.

Defined Benefit Plan :

The company has a defined benefit gratuity plan. Every employee who has completed five years or more of service is entitled to Gratuity on terms not less favourable than the provisions of the Payment of Gratuity Act, 1972. The scheme is funded with SBI Life Insurance in form of qualifying insurance policy.

The company also extends benefit of compensated absences to the employees, whereby they are eligible to carry forward their entitlement of privilege leave for encashment. This is an unfunded plan.

The following tables summarises the components of net expense recognised in the Statement of Profit and Loss and Balance Sheet for the respective plans.

(a) Reconciliation of Opening and Closing balances of the present value of the Defined Benefit Obligation :

(₹ in lacs)

Particulars	2012-13		2011-12	
	Gratuity	PL Encashment	Gratuity	PL Encashment
Present value of Defined Benefit Obligation at the beginning of the year	932.11	202.31	889.93	190.50
Interest Cost	74.57	16.19	71.19	15.24
Current Service Cost	44.25	16.27	44.02	14.54
Actuarial Losses/(Gains)	87.47	26.78	44.55	30.26
Benefits Paid	(190.54)	(52.42)	(117.58)	(48.23)
Present value of Defined Benefit Obligation at the close of the year	947.86	209.13	932.11	202.31

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

STANDALONE ACCOUNTS

(b) Changes in the Fair Value of Plan Assets and reconciliation thereof :

(₹ in lacs)

Particulars	2012-13		2011-12	
	Gratuity	PL Encashment	Gratuity	PL Encashment
Fair Value of Plan Assets at the Beginning of the year	905.02	-	898.61	-
Add : Expected Return on Plan Assets	76.92	-	71.89	-
Add/(Less) : Actuarial Gains/(Losses)	11.87	-	(1.98)	-
Add : Contributions	107.08	-	54.08	-
Less : Benefits Paid	(190.54)	-	(117.58)	-
Fair Value of Plan Assets at the close of the year	910.35	-	905.02	-

(c) Amount recognised in the Balance Sheet including a reconciliation of the present value of the defined obligation in (a) and the fair value of the plan assets in (b) to assets and liabilities recognised in the Balance Sheet :

(₹ in lacs)

Particulars	2012-13		2011-12	
	Gratuity	PL Encashment	Gratuity	PL Encashment
Present Value of Defined Benefit Obligation	947.86	209.13	932.11	202.31
Less : Fair Value of Plan Assets	910.35	-	905.02	-
Present Value of unfunded obligation	37.51	209.13	27.09	202.31

(d) Amount recognised in the Statement of Profit and Loss are as follows

(₹ in lacs)

Particulars	2012-13		2011-12	
	Gratuity	PL Encashment	Gratuity	PL Encashment
Current Service Cost	44.25	16.27	44.02	14.54
Interest Cost	74.57	16.19	71.19	15.24
Expected return on Plan Asset	(76.92)	-	(71.89)	-
Net actuarial loss/(gain)	75.60	26.78	46.53	30.26
Net periodic cost	117.50	59.24	89.85	60.04

(e) Actuarial Assumptions as at the Balance Sheet date :

Particulars	2012-13		2011-12	
	Gratuity	PL Encashment	Gratuity	PL Encashment
Mortality table	LIC a (1994-96)	LIC a (1994-96)	LIC a (1994-96)	LIC a (1994-96)
Discount Rate	8%	8%	8%	8%
Salary Escalation Rate	5%	5%	5%	5%

(f) Movement in net liability recognised in Balance sheet :

(₹ in lacs)

Particulars	2012-13		2011-12	
	Gratuity	PL Encashment	Gratuity	PL Encashment
Opening net liability	27.09	202.31	(8.68)	190.50
Expenses as above	117.50	59.24	89.85	60.04
Contributions Paid	(107.08)	(52.42)	(54.08)	(48.23)
Closing net liability	37.51	209.13	27.09	202.31

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

STANDALONE ACCOUNTS

(g) Other Disclosures :

(₹ in lacs)

Particulars	2012-13		2011-12		2010-11		2009-10	
	Gratuity	PL Encashment	Gratuity	PL Encashment	Gratuity	PL Encashment	Gratuity	PL Encashment
Defined Benefit Obligation	947.86	209.13	932.11	202.31	889.93	190.50	827.53	170.22
Plan Assets	910.35	-	905.02	-	898.61	-	801.09	-
Surplus/(Deficit)	(37.51)	(209.13)	(27.09)	(202.31)	8.68	(190.50)	(26.44)	(170.22)

	2012 - 13		2011 - 12	
	₹ in lacs	Percentage	₹ in lacs	Percentage
28. (a) 1. Value of Consumption of imported Raw Materials	2,421.01	22.17	4,428.19	21.27
2. Value of Consumption of indigenous Raw Materials	8,498.14	77.83	16,386.46	78.73
	10,919.15	100.00	20,814.65	100.00
(b) 1. Value of Consumption of imported Components and Spare Parts:	-	-	-	-
2. Value of Consumption of indigenous Components and Spare Parts:	176.69	100.00	440.49	100.00
	176.69	100.00	440.49	100.00

29. C.I.F. Value of Imports :	(₹ in lacs)	
	2012-13	2011-12
(a) Raw Materials	865.58	2,513.00
(b) Components and Spare Parts	-	-
	865.58	2,513.00

30. Expenditure in Foreign Currency :	(₹ in lacs)	
	2012-13	2011-12
(i) Commission on Sales	234.07	1,120.69
(ii) Travelling Expenses	38.56	36.94
(iii) Miscellaneous	45.68	56.57
	318.31	1,214.20

31. Dividend remitted in foreign exchange :	(₹ in Lacs)	
	01.04.2011 to 31.03.2012	01.04.2010 to 31.03.2011
(a) Period to which relates	-	-
(b) Number of Non-resident Shareholders	-	6
(c) Number of equity shares held on which dividend was due	-	42,567,505
(d) Amount remitted in foreign currency	-	85.14

32. Earnings in Foreign Exchange on account of Export of Goods on F.O.B. basis **12,179.04** 26,217.16

33. There are no Micro, Small and Medium Enterprises, to whom the company owes dues, which are outstanding as at the Balance Sheet date. The above information has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

STANDALONE ACCOUNTS

34. Segment Information:

The Management Information System of the Company identifies and monitors Ferro Alloys as the business segment. The Company is managed organisationally as a single unit. In the opinion of the management, the Company is primarily engaged in the business of Ferro Alloys. As the basic nature of these activities are governed by the same set of risk and return, these constitute and are grouped as single segment as per Accounting Standard (AS) 17 dealing with segment reporting issued by ICAI.

35. Contingent Liabilities and Commitments

(I) Contingent Liabilities :

- (a) Claims against the Company not acknowledged as debts, since disputed ₹ 4198.05 lacs (Previous Year ₹ 21.27 lacs).
- (b) A standby Letter of Credit (SBLC) for a sum of 10 Million USD from Bank of India, Visakhapatnam is provided to the Bank of India, London for sanctioning a loan of 10 Million USD to Facor Minerals (Netherlands) B.V., one of the wholly owned overseas subsidiary of the Company. The said SBLC facility is secured by way of first charge on fixed assets of the Company by deposit of title deeds in respect of immovable properties.
- (c) Counter guarantees in favour of Consortium Banks in respect of their outstandings with Facor Steels Limited. Due to the nature of the liability, its financial impact is not ascertainable.

(II) Capital and other Commitments:

- (a) Estimated amount of contracts on Capital Account remaining to be executed and not provided for in accounts ₹ NIL (Previous Year ₹ NIL).

36. Related Party Disclosure:-

I List of related parties:-

- A Name and nature of relationship with the related party where control exists:
 - Best Minerals Ltd. - Subsidiary Company
 - Facor Electric Ltd. - Subsidiary Company
 - FAL Power Ventures Pvt Ltd. - Subsidiary Company
(Formerly known as BEC Power Private Limited)
 - Facor Minerals Pte Ltd. - Subsidiary Company
 - Facor Minerals Netherlands B.V. - Subsidiary Company
- B Enterprise, over which key management personnel and their relatives exercise significant influence, with whom transactions have taken place during the year :

<ul style="list-style-type: none"> 1 Ferro Alloys Corporation Limited 3 Rai Bahadur Shreeram and Company Private Limited 5 Saraf Bandhu Private Limited 7 Shreeram Shipping Services Pvt. Ltd. 9 Shri Durgaprasad Saraf Charitable Trust 11 Vidharbha Iron & Steel Corporation Limited 	<ul style="list-style-type: none"> 2 Facor Steels Limited 4 Godawaridevi Saraf & Sons 6 GDP Infrastructure Private Limited 8 Smt. Godawaridevi Saraf Janseva Trust 10 Shri.R.B.Shreeram Religious & Charitable Trust 12 Facor Power Limited
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- C Key Management Personnel :

<ul style="list-style-type: none"> i) R.K. Saraf ii) M.D.Saraf iii) Yogesh Saraf (upto 31-01-2013) iv) Ashim Saraf v) Anurag Saraf (w.e.f. 15-01-2013) vi) C.N.Harman 	<ul style="list-style-type: none"> Chairman & Managing Director Vice Chairman & Managing Director Joint Managing Director Joint Managing Director Joint Managing Director Director (Technical)
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- D Relative of a Key Management Personnel :
 - i) Mrs. Sunanda Devi Saraf

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

STANDALONE ACCOUNTS

II Transactions with Related Parties during the year ended 31-03-2013 in the ordinary course of business.

(₹ in lacs)

Particulars	With Subsidiary Companies		With Enterprise where Significant influence exists		With Key Management Personnel & Relatives	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
i) Sale of Goods	-	-	397.77	875.59	-	-
ii) Purchase of Goods	-	-	5,566.79	9,114.10	-	-
iii) Sale of Assets	-	-	28.62	-	-	-
iv) Purchase of Assets	-	-	87.26	-	-	-
v) Rent paid	-	-	44.76	77.94	15.00	18.00
vi) Rent received	5.00	-	1.06	1.20	-	-
vii) Interest paid	-	-	8.12	116.73	-	-
viii) Donation paid	-	-	13.50	49.50	-	-
ix) Short Term Loans and Advances given	516.21	1,558.56	-	-	-	-
x) Clearing & forwarding and other service charges	-	-	5.17	11.58	-	-
xi) Directors' remuneration	-	-	-	-	79.41	70.85
xii) Share application pending allotment	-	-	-	(1,750.00)	-	-
xiii) Investments	291.83	1,591.41	-	2,000.00	-	-
xiv) Balances outstanding at the year end:						
a) Short Term Loans and Advances given	2,079.69	1,563.48	1,324.85	20.95	-	-
b) Share application pending allotment	-	-	-	-	-	-
c) Trade Payables	-	-	-	800.76	-	-
d) Trade Receivables	-	-	1,107.30	240.27	-	-
e) Managerial Remuneration Payables	-	-	-	-	3.41	1.46
f) Other Payables	-	-	30.32	4.92	-	-

37. Previous Year's figures have been re-grouped wherever necessary.

38. The Ministry of Corporate Affairs, Government of India, vide Circular No. 2 and 3 dated 8th February, 2011 and 21st February, 2011 respectively has granted a general exemption from compliance with section 212 of the Companies Act, 1956, subject to the fulfillment of conditions stipulated in the circular. The Company has satisfied the conditions stipulated in the circular and hence is entitled to the exemption. Necessary information relating to the subsidiaries has been included in the Consolidated Financial Statements. The annual accounts of the subsidiary companies are available for inspection by any shareholder at the Registered office of the Company. The annual accounts of the subsidiary companies are also available for inspection at their respective registered offices.

As per our report of even date attached,

For SALVE & Co.
Chartered Accountants
(Regn. No. 109003W)

C.A. K.P. SAHASRABUDHE
Partner
Membership No. 7021

New Delhi : 27th May, 2013

S.S. SHARMA
General Manager (Legal) &
Company Secretary

New Delhi : 27th May, 2013

For and on behalf of the Board,

R.K. SARAF
Chairman & Managing Director

M.D. SARAF
Vice Chairman & Managing Director

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Facor Alloys Limited

We have audited the accompanying consolidated financial statements of Facor Alloys Limited ("the Company") and its subsidiaries, associates which comprise the consolidated Balance Sheet as at 31st March, 2013, and the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Company as at 31st March, 2013;
- (b) in the case of the consolidated Statement of Profit and Loss, of the loss for the year ended on that date; and
- (c) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

Other Matters

Financial statements of certain subsidiaries which reflect total assets of Rs.1,203.11 Lacs as at 31st March, 2013, total revenue of Rs. "Nil" and net cash flows amounting to Rs. (-) 0.23 Lacs for the year then ended, have been audited by us.

We did not audit the financial statements of subsidiaries, whose financial statements reflect total assets of Rs.7,015.70 Lacs as at 31st March, 2013, total revenues of Rs. "Nil" and net cash flows amounting to Rs.1,377.27 Lacs for the year then ended. These financial statements have been audited by other auditors whose reports have been furnished to us and our opinion, is based solely on the report of other auditors.

The consolidated financial statements also reflect the group's share of loss of Rs. 28.81 Lacs in respect of the consolidated loss of an associate, Pioneer Facor IT Infradevelopers Pvt. Ltd., for the year ended 31st March, 2013, whose financial statements have been audited by other auditor. Our opinion in so far as it relates to the amount included in respect of this associate is based solely on the report of the other auditor furnished to us.

For SALVE & Co.
Chartered Accountants
(Regn. No. 109003 W)

C.A. K.P. Sahasrabudhe
Partner
Membership No. 7021

Place : New Delhi
Date : 27th May, 2013

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2013

	Note Nos.	As at 31st March, 2013	(₹ in lacs) As at 31st March, 2012
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	2	1,955.48	1,955.48
Reserves and Surplus	3	12,180.94	12,435.67
		14,136.42	14,391.15
Minority Interest		39.67	-
Non-Current Liabilities			
Long-Term Borrowings	4	5,439.56	33.43
Deferred Tax Liabilities (Net)	5	473.33	548.70
Long-Term Provisions	6	1,129.84	1,173.90
		7,042.73	1,756.03
Current Liabilities			
Short-Term Borrowings	7	4,533.58	3,287.62
Trade Payables	8	1,011.60	3,463.84
Other Current Liabilities	9	2,242.85	1,143.24
Short-Term Provisions	10	154.32	182.55
		7,942.35	8,077.25
	TOTAL	29,161.17	24,224.43
ASSETS			
Non-Current Assets			
Fixed Assets			
Tangible Assets	11	2,485.75	2,752.83
Intangible Assets	11	7,000.12	1,589.75
		9,485.87	4,342.58
Non-Current Investments	12	3,845.33	3,874.14
Long-Term Loans and Advances	13	1,168.73	922.72
Other Non- Current Assets	14	1,198.34	1,152.95
		15,698.27	10,292.39
Current Assets			
Inventories	15	3,706.74	2,752.91
Trade Receivables	16	3,252.03	2,995.15
Cash and Cash Equivalents	17	3,513.69	6,649.79
Short-Term Loans and Advances	18	2,954.83	1,447.30
Other Current Assets	19	35.61	86.89
		13,462.90	13,932.04
	TOTAL	29,161.17	24,224.43
Significant Accounting Policies	1		
Notes on Financial Statements	2 to 32		

As per our report of even date attached,
For SALVE & Co.
Chartered Accountants
(Regn. No. 109003W)

C.A. K.P. SAHASRABUDHE
Partner
Membership No. 7021

New Delhi : 27th May, 2013

S.S. SHARMA
General Manager (Legal) &
Company Secretary

New Delhi : 27th May, 2013

For and on behalf of the Board,

R.K. SARAF
Chairman & Managing Director

M.D. SARAF
Vice Chairman & Managing Director

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2013

	Note Nos.	Year Ended 31st March, 2013	(₹ in lacs) Year Ended 31st March, 2012
INCOME			
Revenue from Operations	20	22,840.27	37,863.63
Other Income	21	146.34	305.40
Total Revenue		22,986.61	38,169.03
EXPENDITURE :			
Cost of Materials Consumed	22	10,919.15	20,814.65
Changes in Inventories of Finished Goods & Stock-in-Process	23	(652.87)	180.30
Employee Benefits Expense	24	2,318.71	2,241.63
Finance Costs	25	300.05	819.72
Depreciation and Amortisation Expense.....	26	403.35	411.51
Other Expenses	27	9,833.47	12,781.18
Total Expenses		23,121.86	37,248.99
Profit/(Loss) Before exceptional items and Tax		(135.25)	920.04
Exceptional items.....		3.21	-
Profit/(Loss) Before Tax		(132.04)	920.04
Tax Expenses			
Current Tax		160.42	266.45
Tax for Earlier Years		43.43	0.21
Deferred Tax		(75.37)	77.61
		128.48	344.27
Profit/(Loss) after Tax but before share of Profit / Loss from Associate & Minority Interest		(260.52)	575.77
Minority Interest		8.23	-
Share of Profit/ (Loss) from Associate After Tax		(28.81)	0.07
Profit/ (Loss) for the year		(281.10)	575.84
Earning per equity share of face value of ₹ 1/- each			
Basic and Diluted (in ₹)	28	(0.14)	0.29
Significant Accounting Policies	1		
Notes on Financial Statements	2 to 32		

As per our report of even date attached,
For SALVE & Co.
Chartered Accountants
(Regn. No. 109003W)

C.A. K.P. SAHASRABUDHE
Partner
Membership No. 7021

New Delhi : 27th May, 2013

S.S. SHARMA
General Manager (Legal) &
Company Secretary

New Delhi : 27th May, 2013

For and on behalf of the Board,

R.K. SARAF
Chairman & Managing Director

M.D. SARAF
Vice Chairman & Managing Director

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2013
PURSUANT TO CLAUSE 32 OF THE LISTING AGREEMENT

	2012-13	2011-12
(₹ in lacs)		
(A) CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit / (Loss) before tax	(132.04)	920.04
Add : Income from associate after Tax.....	(28.81)	0.07
Adjustment for:		
Depreciation	403.44	411.80
Exchange difference on translation (Net)	(2.13)	132.57
Interest and Dividend Income	(137.08)	(249.96)
Finance Costs	300.05	819.72
Profit/Loss on Sale of Fixed Assets (Net).....	0.65	0.93
	<u>564.93</u>	<u>1,115.06</u>
Operating Profit before Working Capital Changes	404.08	2,035.17
Adjustment for:		
Trade and Other Receivables	(1,974.98)	5,459.39
Inventories	(953.83)	2,559.31
Trade Payables	(1,345.82)	(1,136.99)
Others	3,696.95	(1,645.93)
	<u>(577.68)</u>	<u>5,235.78</u>
Cash Generated from Operations.....	(173.60)	7,270.95
Direct Taxes Paid/Adjusted.....	(314.84)	(166.79)
	<u>(314.84)</u>	<u>(166.79)</u>
Net Cash Flow from Operating Activities	(488.44)	7,104.16
(B) CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	(121.42)	(96.62)
Addition to Intangibles	(5,455.20)	(1,582.76)
Sale of Fixed Assets	29.24	2.00
Purchase/Sale of Investments	28.82	(2,001.12)
Interest and Dividend Income	186.93	216.33
Net Cash Flow (used in) /from Investing Activities	(5,331.63)	(3,462.17)
(C) CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from Long and Short Term Borrowings	6,652.09	(292.69)
Other Non current assets.....	(45.39)	(1,152.95)
Finance Costs Paid	(300.05)	(819.72)
Dividend/Corporate Tax on Dividend Paid	-	(454.54)
	<u>6,306.65</u>	<u>(2,719.90)</u>
Adjustment to net worth on consolidation:		
i) Foreign Currency Translation Reserve	17.84	(4.27)
ii) Adjustment to minority interest.....	47.90	-
iii) Addition to Capital Reserves	1.40	-
iv) Adjustment on account of consolidation.....	7.13	(4.27)
	<u>74.27</u>	<u>(4.27)</u>
Net Cash Flow (used in)/from Financing Activities.....	6,380.92	(2,724.17)
Net Increase/(Decrease) in Cash and Cash Equivalents	560.85	917.82
Opening Balance of Cash and Cash Equivalents	2,379.92	1,462.10
Closing Balance of Cash and Cash Equivalents	2,940.77	2,379.92
Net Increase/(Decrease) in Cash and Cash Equivalents	560.85	917.82

As per our report of even date attached,
For SALVE & Co.
Chartered Accountants
(Regn. No. 109003W)

C.A. K.P. SAHASRABUDHE
Partner
Membership No. 7021

New Delhi : 27th May, 2013

S.S. SHARMA
General Manager (Legal) &
Company Secretary

New Delhi : 27th May, 2013

For and on behalf of the Board,

R.K. SARAF
Chairman & Managing Director

M.D. SARAF
Vice Chairman & Managing Director

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

1. SIGNIFICANT ACCOUNTING POLICIES

(A) Principles of Consolidation

- a) The consolidated financial statements present the consolidated accounts of Facor Alloys Limited, its following subsidiaries and associate companies in terms of Accounting Standard 21 & Accounting Standard 23 notified pursuant to the Companies (Accounting Standards) Rules, 2006.

Subsidiary Companies

Sl. No.	Name of the Company	Relationship	Proportion of ownership & Voting Power	Country of Incorporation
1.	Best Minerals Limited (BML)	Subsidiary	100%	India
2.	FAL Power Ventures Pvt. Ltd. (FPVPL) [Formerly known as BEC Power Pvt. Ltd.]	Subsidiary	100%	India
3.	Facor Electric Ltd. (FEL)	Subsidiary	100%	India
4.	Facor Minerals Pte. Limited (FML)	Subsidiary	100%	Singapore
5.	Facor Minerals (Netherlands) B.V. (FMN)	Subsidiary	100%	Netherland
6.	Facor Turkkrom Mining (Netherlands) B.V. (FTM)	Subsidiary of FMN	51%	Netherland
7.	Cati Madencilik Ithalat ve Ihracat A.S. (Cati)	Subsidiary of FTM	100%	Turkey

Associate Company:

Sl. No.	Name of the Associate	Proportion of ownership & Voting Power	Country of Incorporation
1.	Pioneer Facor IT Infradevelopers Pvt. Ltd.	20.40%	India

- b) The financial statements of the Company and its subsidiaries have been consolidated on a line-by-line basis adding together the book value of like items of assets, liabilities, income and expenses, after eliminating intra-group balances, intra group transactions and any unrealized profits.
- c) The consolidated financial statements have been prepared using accounting policies for like transactions and are presented, to the extent possible, in the same manner as the company's separate financial statements.
- d) The financial statements of FML have been prepared in accordance with Singapore Generally Accepted Accounting Principles. This subsidiary is not significant as compared to the Company's consolidated operations and hence, the impact thereof, if any, on account of any difference to the Indian Generally Accepted Accounting Principles (IGAAP) is not material.
- e) The financial statements of FMN and fellow subsidiary FTM have been prepared in accordance with Netherland Generally Accepted Accounting Principles. The impact on account of any difference to the Indian Generally Accepted Accounting Principles (IGAAP) is not material in view of Company's consolidated operations.
- f) The financial statements of fellow subsidiary Cati have been prepared in accordance with IFRS. The impact on account of any difference to the Indian Generally Accepted Accounting Principles (IGAAP) is not material in view of Company's consolidated operations.
- g) In translating the financial statements of the non-integral foreign subsidiary for incorporation in the consolidated financial statements, the assets and liabilities, both monetary and non-monetary are translated at the closing rate; income and expenses items are translated at average exchange rate; and all resulting exchange differences are accumulated in foreign currency translation reserve.
- h) The difference between the cost of investment in the subsidiaries, over the net assets at the time of acquisition of shares in the subsidiaries is recognized in financial statements as Goodwill or Capital Reserve as the case may be.
- i) Minority Interest's share of net profit of consolidated subsidiaries for the year is identified and adjusted against the income of the group in order to arrive at the net income attributable to shareholders of the Company.
- j) Minority interest's share of net assets of consolidated subsidiaries is identified and presented in the consolidated balance sheet

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

separate from liabilities and the equity of the Company’s shareholders.

- k) Investments in Associate Company has been accounted under the equity method as per (AS 23) – “Accounting for Investments in Associates in Consolidated Financial Statements”.
 - l) The difference between the cost of investments in the associates and the share of net assets at the time of acquisition of shares in the associates is identified in the financial statements as Goodwill or Capital Reserve as the case may be.
 - m) The financial statements of FMN are for the period from the date of incorporation i.e. 29th June, 2012 to 31st March, 2013.
- (B) Investments other than investments in subsidiaries and associates have been accounted as per Accounting Standard (AS) 13 on “Accounting for Investments”.
- (C) Other Significant Accounting Policies;
These are set out under the head “Significant Accounting Policies” of the company & the subsidiaries. Differences in accounting policies followed by the other entities have been reviewed and no adjustments have been made, since the impact of these differences is not significant.
- (D) Notes to these consolidated financial statements are intended to serve as a means of informative disclosure and a guide to better understanding. Recognising this purpose, the Company has disclosed only such notes from the individual financial statements, which fairly present the needed disclosure.
- (E) Deferred tax expense or benefit is recognized on timing differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.
- (F) Consolidated Employee benefits are same as Employee benefits of standalone Facor Alloys Limited.
- (G) Consolidated contingent liabilities and commitments are the same as contingent liabilities and commitments of standalone Facor Alloys Ltd.

2. SHARE CAPITAL

		(₹ in lacs)	
		As at	As at
		31st March, 2013	31st March, 2012
Authorised Share Capital:			
360,000,000	(Previous Year- 360,000,000) Equity Shares of ₹ 1/- each	3,600.00	3,600.00
3,900,000	(Previous Year- 3,900,000) 0.01% Redeemable Preference Shares of ₹ 100/- each	3,900.00	3,900.00
TOTAL		7,500.00	7,500.00
Issued, Subscribed and Paid up:			
195,547,355	(Previous Year- 195,547,355) Equity Shares of ₹ 1/- each fully paid-up	1,955.48	1,955.48
TOTAL		1,955.48	1,955.48

2.1 The details of Shareholders holding more than 5% shares :

Name of the Shareholder	As at 31st March, 2013		As at 31st March, 2012	
	No. of Shares	% held	No. of Shares	% held
Rai Bahadur Shreeram and Company Private Limited	61,055,682	31.22%	22,980,831	11.75%

2.2 The reconciliation of number of shares outstanding at the beginning and at the end of the reporting period:

Particulars	As at 31st March, 2013		As at 31st March, 2012	
	No. of Shares		No. of Shares	
Shares outstanding at the beginning of the year	195,547,355		195,547,355	
Shares issued during the year	-		-	
Shares bought back during the year	-		-	
Shares outstanding at the end of the year	195,547,355		195,547,355	

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

2.3 Terms/rights attached to Equity Shares:

The Company has only one class of Equity Shares having a par value of ₹ 1/- per share. The Equity Shares have equal rights, preferences and restrictions which are in accordance with the provisions of law, in particular the Companies Act, 1956.

3. RESERVES AND SURPLUS

	As at <u>31st March, 2013</u>	(₹ in lacs) As at 31st March, 2012
Capital Reserve		
Balance as at the beginning of the year	8,700.55	8,700.55
Add : Addition during the year	<u>1.40</u>	-
Balance as at the end of the year	8,701.95	8,700.55
Securities Premium Reserve		
Balance as at the beginning and end of the year	2,667.52	2,667.52
Foreign Currency Translation Reserve		
Balance as at the beginning of the year	(4.27)	-
Add: Movement during the year	<u>17.84</u>	(4.27)
Balance as at the end of the year	13.57	(4.27)
General Reserve		
Balance as at the beginning and end of the year	250.00	250.00
Statement of Profit & Loss		
Balance as at the beginning of the year	821.87	246.03
Add: Profit/(Loss) for the year	(281.10)	575.84
Less: Transferred to Goodwill on Consolidation	<u>7.13</u>	-
	(273.97)	575.84
Balance as at the end of the year	<u>547.90</u>	821.87
TOTAL	<u>12,180.94</u>	<u>12,435.67</u>

4. LONG-TERM BORROWINGS

(Secured)		
From Bank		
Term Loan from Bank	5,427.75	-
Terms of repayment : Payable in 20 equal quarterly installment [Collaterally secured by SBLC issued By Bank of India, Visakhapatnam]		
(Unsecured)		
Deferred payment liabilities	11.81	33.43
Terms of repayment : Payable in equal monthly installments		
TOTAL	<u>5,439.56</u>	<u>33.43</u>

5. DEFERRED TAX LIABILITIES (NET)

Deferred Tax Liability:		
Difference between Book and Income Tax depreciation	542.68	617.77
Deferred Tax Assets:		
Disallowance u/s 43B of the Income Tax Act, 1961 and Others to be allowed on payment basis	<u>69.35</u>	69.07
Net Deferred Tax Liability	<u>473.33</u>	<u>548.70</u>

6. LONG TERM PROVISIONS

Provision for Employee Benefits:		
P.L.Encashment (Unfunded)	109.31	153.37
Others	<u>1,020.53</u>	<u>1,020.53</u>
TOTAL	<u>1,129.84</u>	<u>1,173.90</u>

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

(₹ in lacs)

	As at 31st March, 2013	As at 31st March, 2012
7. SHORT-TERM BORROWINGS		
From Banks (Secured) :		
Cash Credit Accounts	2,731.03	1,834.47
Bills Discounted	1,802.55	1,453.15
TOTAL	4,533.58	3,287.62
Secured by hypothecation of stocks of raw-materials, finished products, book debts, and other receivables and by way of second charge on fixed assets of the Company in respect of immovable properties and guaranteed by two Directors.		
8. TRADE PAYABLES		
Trade Payables	1,011.60	3,463.84
TOTAL	1,011.60	3,463.84
9. OTHER CURRENT LIABILITIES		
Unpaid dividends	17.92	17.96
Other Payables*	1,693.02	1,125.28
Other Payables -Related Party	531.91	-
TOTAL	2,242.85	1,143.24
*Includes statutory dues, security deposits and advance from customers.		
10. SHORT-TERM PROVISIONS		
Provision for Employee Benefits:		
P.L.Encashment (Unfunded)	99.82	48.94
For Taxation	54.50	133.61
TOTAL	154.32	182.55

11. FIXED ASSETS

(₹ in lacs)

Particulars	GROSS BLOCK AT COST				DEPRECIATION				NET BLOCK	
	As at 1.04.2012	Additions/ Adjustments	Deductions/ Adjustments	As at 31.03.2013	Upto 1.04.2012	For the Year	Deductions/ Adjustments	Upto 31.03.2013	As at 31.03.2013	As at 31.03.2012
Tangible Assets:										
Land Freehold	124.13	2.18	-	126.31	-	-	-	-	126.31	124.13
Mines and Quarries Freehold	1.14	-	-	1.14	-	-	-	-	1.14	1.14
Buildings	914.27	-	-	914.27	596.78	20.13	-	616.91	297.36	317.49
Railway Siding	53.99	-	-	53.99	32.37	2.96	-	35.33	18.66	21.62
Plant and Machinery	4,579.86	17.87	-	4,597.73	2,612.91	257.51	-	2,870.42	1,727.31	1,966.75
Office and Other Equipments	336.31	13.27	7.24	342.34	229.90	20.64	5.98	244.56	97.78	106.61
Furniture and Fixtures	165.98	0.84	1.15	165.67	145.84	3.77	1.14	148.47	17.20	20.14
Vehicles	611.29	87.26	94.89	603.66	416.34	53.60	66.27	403.67	199.99	194.95
TOTAL	6,786.97	121.42	103.28	6,805.11	4,034.14	358.61	73.39	4,319.36	2,485.75	2,752.83
Previous Year	6,754.71	96.62	64.36	6,786.97	3,683.77	411.80	61.43	4,034.14	2,752.83	-
Intangible Assets:										
Goodwill	1,589.75	5,455.20	-	7,044.95	-	44.83	-	44.83	7,000.12	1,589.75
Previous Year	6.99	1,582.76	-	1,589.75	-	-	-	-	1,589.75	-

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

12. NON-CURRENT INVESTMENTS

(₹ in lacs)

	As at 31st March, 2013	As at 31st March, 2012
Trade Investments : (At Cost)		
In Equity Shares of Associate Company - Unquoted, fully paid up		
17,42,700 (Previous Year - 17,42,700) Pioneer Facor IT Infradevelopers Pvt. Ltd. of ₹ 1/- each (at cost) (refer note 12.2)	1,855.63	1,855.63
Add: Share of Profit / (Loss) net	(26.74)	2.07
	<u>1,828.89</u>	<u>1,857.70</u>
Others - In Equity Shares -Unquoted, fully paid up		
1,36,663 (Previous Year-1,36,663) Vidarbha Iron & Steel Corporation Limited of ₹ 10/- each	13.67	13.67
20,000,000 (Previous Year- 20,000,000) Facor Power Limited of ₹ 10/- each	2,000.00	2,000.00
3,000 (Previous Year- 3,000) Sunil Healthcare Limited of ₹ 10/- each	0.20	0.20
20 (Previous Year- 20) Anand Udyog Premises Co-operative Society Limited of ₹ 50/- each	0.01	0.01
	<u>2,013.88</u>	<u>2,013.88</u>
In Government Securities : Unquoted		
6 Years National Savings Certificates	2.55	2.55
12 Years National Plan Saving Certificates	0.01	0.01
TOTAL	<u>3,845.33</u>	<u>3,874.14</u>
12.1 Aggregate amount of Unquoted Investments	<u>3,845.33</u>	<u>3,874.14</u>
12.2 Goodwill arising at acquisition ₹ 1500.22 lacs (Previous year ₹ 1500.22 lacs)		
13. LONG-TERM LOANS AND ADVANCES		
(Unsecured and Considered Good)		
Security Deposits	1,166.40	922.72
Prepaid expenses	2.33	-
TOTAL	<u>1,168.73</u>	<u>922.72</u>
14. OTHER NON CURRENT ASSETS		
Unamortised Expenditures	1,198.34	1,152.95
TOTAL	<u>1,198.34</u>	<u>1,152.95</u>
15. INVENTORIES		
(As per Inventory taken, valued and as certified by the Management)		
(At Cost unless otherwise stated)		
Raw Materials (includes in transit ₹ 33.57 lacs, Previous year ₹ 52.10 lacs)	2,650.97	2,335.63
Stock-in-Process (At Cost or Net realisable value whichever is lower)	71.17	82.04
Finished Goods (At Cost or Net realisable value whichever is lower)	845.36	181.62
Stores and Spare Parts	121.69	135.47
Loose Tools	17.55	18.15
TOTAL	<u>3,706.74</u>	<u>2,752.91</u>

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

	As at 31st March, 2013	As at 31st March, 2012
		(₹ in lacs)
16. TRADE RECEIVABLES		
(Unsecured and Considered Good)		
Over six months	87.55	156.74
Others	3,164.48	2,838.41
TOTAL	3,252.03	2,995.15
17. CASH AND CASH EQUIVALENTS		
Cash in hand	10.16	9.06
With Scheduled Banks:		
In Current Accounts	2,280.61	270.86
In Current Accounts- For Unpaid Dividend	17.92	18.06
	2,298.53	288.92
In Fixed Deposit Accounts:		
With original maturity upto three months	650.00	2,100.00
With original maturity of more than three months but less than twelve months	555.00	4,251.81
	3,503.53	6,640.73
TOTAL	3,513.69	6,649.79
Fixed Deposit Receipts lodged with Banks as security deposit for Letters of Credit/Guarantees ₹ 555.00 lacs (Previous Year ₹ 1.81 lacs)		
18. SHORT-TERM LOANS AND ADVANCES		
(Unsecured and Considered Good)		
Loans and Advances to Related Parties	2,031.18	20.95
Others:		
Balance with Government authorities	28.80	-
Prepaid expenses	17.58	1.84
Others	877.27	1,424.51
TOTAL	2,954.83	1,447.30
19. OTHER CURRENT ASSETS		
Interest accrued on Fixed Deposits	10.15	60.00
Claims Recoverable	25.46	26.89
TOTAL	35.61	86.89
20. REVENUE FROM OPERATIONS	Year Ended	Year Ended
	31st March, 2013	31st March, 2012
Sale of products, less returns	19,903.36	35,091.79
Sale of Services	2,825.81	2,272.58
	22,729.17	37,364.37
Less: Excise Duty	756.23	620.47
	21,972.94	36,743.90
Add: Export Incentives	867.33	1,119.73
TOTAL	22,840.27	37,863.63

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

	(₹ in lacs)	
	Year Ended 31st March, 2013	Year Ended 31st March, 2012
20.1 PARTICULARS OF SALE OF PRODUCTS	<u>Gross Sales</u>	
Ferro Alloys	19,647.82	34,693.99
Off Grade / By-products	255.54	397.80
Services rendered (Conversion Charges)	2,825.81	2,272.58
TOTAL	<u>22,729.17</u>	<u>37,364.37</u>
21. OTHER INCOME		
INTEREST INCOME		
Interest on Deposits	72.49	196.37
Other Interest	64.59	53.59
	<u>137.08</u>	<u>249.96</u>
Miscellaneous receipts	9.91	56.37
Profit /(Loss) on Fixed Assets Sold/Discarded (Net)	(0.65)	(0.93)
TOTAL	<u>146.34</u>	<u>305.40</u>
22. COST OF MATERIALS CONSUMED		
Opening stock of Materials	2,335.63	4,763.62
Add: Purchases	11,234.49	18,386.66
	<u>13,570.12</u>	<u>23,150.28</u>
Less: Closing stock of Materials	2,650.97	2,335.63
Cost of Materials Consumed	<u>10,919.15</u>	<u>20,814.65</u>
23. CHANGES IN INVENTORIES OF FINISHED GOODS AND STOCK-IN PROCESS		
Closing stock:		
Finished Goods	845.36	181.62
Stock-in-Process	71.17	82.04
	<u>916.53</u>	<u>263.66</u>
Opening stock:		
Finished Goods	181.62	350.36
Stock-in-Process	82.04	93.60
	<u>263.66</u>	<u>443.96</u>
Decrease/(Increase) in Inventories	<u>(652.87)</u>	<u>180.30</u>
24. EMPLOYEE BENEFITS EXPENSE		
Salaries, Wages and Bonus	1,627.46	1,487.16
Contribution to Provident and Other Funds	337.68	270.84
Welfare Expenses	279.88	422.05
Directors' Remuneration	73.69	61.58
TOTAL	<u>2,318.71</u>	<u>2,241.63</u>

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

	Year Ended 31st March, 2013	Year Ended 31st March, 2012
		(₹ in lacs)
25. FINANCE COSTS		
Interest:		
On Fixed Loan	32.34	413.10
On Others	188.61	383.37
		<u>796.47</u>
Other Borrowing Costs	79.10	23.25
TOTAL	<u>300.05</u>	<u>819.72</u>
26. DEPRECIATION AND AMORTISATION EXPENSE		
Depreciation	358.61	411.80
Less: Considered in Pre-operative Expenditure	0.09	0.29
	<u>358.52</u>	<u>411.51</u>
Amortisation	44.83	-
TOTAL	<u>403.35</u>	<u>411.51</u>
27. OTHER EXPENSES		
Power and Fuel	6,393.94	6,611.92
Mining, Handling and other Production Expenses	583.74	910.45
Freight, Shipment and Sales Expenses	691.78	1,084.08
Stores and Spares	240.70	269.61
Works Expenses	852.19	754.98
Transport Expenses	109.09	183.81
Repairs and Maintenance to Plant and Machinery	327.55	844.95
Repairs and Maintenance to Buildings	162.12	293.51
Insurance	15.00	23.94
Rent (Net)	36.04	7.83
Rates and Taxes	15.76	14.24
Commission and Brokerage on Sales	234.07	1,120.69
Donations	15.21	59.49
Payment to Auditors	14.18	4.63
Directors' Sitting Fees	2.95	2.90
Foreign Exchange Loss	12.94	505.21
Miscellaneous Expenses	126.21	88.94
TOTAL	<u>9,833.47</u>	<u>12,781.18</u>
28. EARNING PER SHARE (BASIC AND DILUTED)		
(i) Net Profit after Tax	(281.10)	575.84
(ii) Weighted average number of equity shares (Nos. in lacs)	1,955.48	1,955.48
(iii) Earning per Share: (₹ per share)	(0.14)	0.29

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

29. STATEMENT PURSUANT TO GENERAL EXEMPTION GRANTED BY THE MINISTRY OF CORPORATE AFFAIRS U/S212(8) OF THE COMPANIES ACT, 1956

(₹ in lacs)

Particulars / Name of the Subsidiary Company	Best Minerals Ltd.	FAL Power Ventures Pvt Ltd.	Facor Electric Ltd.	Facor Minerals Pte. Ltd.	Facor Minerals (Netherlands) B.V.
Financial Year ended on	31.03.2013	31.03.2013	31.03.2013	31.03.2013	31.03.2013
Capital	5.00	1.00	5.00	294.73	12.51
Reserves	(9.55)	-	-	(17.14)	(315.84)
Total Assets	0.32	1202.79	137.69	282.88	6595.13
Total Liabilities	0.32	1202.79	137.69	282.88	6595.13
Details of Investment					
Investment in Government Securities	0.01	-	-	-	-
Turnover	-	-	-	-	-
Profit / (Loss) before Taxation	(0.14)	-	-	(10.34)	(324.83)
Provision for taxation	-	-	-	-	0.19
Profit / (Loss) after Taxation	(0.14)	-	-	(10.34)	(324.64)
Proposed Dividend	-	-	-	-	-
Exchange Rate used	-	-	-	54.28	54.28
Local Currency	INR	INR	INR	US\$	US\$

30. Related Party Disclosure:-

I List of related parties:-

A Enterprise, over which key management personnel and their relatives exercise significant influence, with whom transactions have taken place during the year :

- | | |
|--|---|
| 1 Ferro Alloys Corporation Limited | 2 Facor Steels Limited |
| 3 Rai Bahadur Shreeram and Company Private Limited | 4 Godavaridevi Saraf & Sons |
| 5 Saraf Bandhu Private Limited | 6 GDP Infrastructure Private Limited |
| 7 Shreeram Shipping Services Pvt. Ltd. | 8 Smt. Godavaridevi Saraf Janseva Trust |
| 9 Shri Durgaprasad Saraf Charitable Trust | 10 Shri.R.B.Shreeram Religious & Charitable Trust |
| 11 Vidharbha Iron & Steel Corporation Limited | 12 Facor Power Limited |
| 13 Dillenburg Domestic Realty B.V., Netherland | |

B Key Management Personnel :

- | | |
|-------------------------------------|-----------------------------------|
| i) R.K. Saraf | Chairman & Managing Director |
| ii) M.D.Saraf | Vice Chairman & Managing Director |
| iii) Yogesh Saraf (upto 31-01-2013) | Joint Managing Director |
| iv) Ashim Saraf | Joint Managing Director |
| v) Anurag Saraf (w.e.f. 15-01-2013) | Joint Managing Director |
| vi) C.N.Harman | Director (Technical) |
| vii) Rohit Saraf | Director |
| viii) Arif Emre Basar | Director |
| ix) Yilmaz Celik | Director |
| x) Sukru Muhtaranlar | Director |

C Relative of a Key Management Personnel :

- i) Mrs. Sunanda Devi Saraf

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

II Transactions with Related Parties during the year ended 31-03-2013 in the ordinary course of business.

(₹ in lacs)

Particulars	With Enterprise where Significant influence exists		With Key Management Personnel & Relatives	
	2012-13	2011-12	2012-13	2011-12
i) Sale of Goods	397.77	963.08	-	-
ii) Purchase of Goods	5,566.79	9,114.10	-	-
iii) Sale of Assets	28.62	-	-	-
iv) Purchase of Assets	87.26	-	-	-
v) Rent paid	44.76	77.94	15.00	18.00
vi) Rent received	1.06	1.20	-	-
vii) Interest paid	8.12	116.73	-	-
viii) Donation paid	13.50	49.50	-	-
ix) Short Term Loans and Advances given	-	-	-	-
x) Clearing & forwarding and other service charges	5.17	11.58	-	-
xi) Directors' remuneration	-	-	79.41	70.85
xii) Share application pending allotment	531.90	(1,750.00)	-	-
xiii) Investments	-	2,000.00	-	-
xiv) Balances outstanding at the year end:				
a) Short Term Loans and Advances given	1,324.85	20.95	-	-
b) Share application pending allotment	531.90	-	-	-
c) Trade Payables	-	800.76	-	-
d) Trade Receivables	1,107.30	240.27	-	-
e) Managerial Remuneration Payables	-	-	3.41	1.46
f) Other Payables	30.32	4.92	0.20	0.20

31. The Previous Year's figures have been regrouped/ reclassified wherever necessary.

32. Pursuant to the general exemption granted by the Department of Corporate Affairs, Government of India, the Parent Company is publishing the standalone and consolidated financial statements of Facor Alloys Limited and its subsidiaries and the requisite financial information of subsidiaries have been furnished by the management as a part of annual report.

As per our report of even date attached,
For SALVE & Co.
Chartered Accountants
(Regn. No. 109003W)

C.A. K.P. SAHASRABUDHE
Partner
Membership No. 7021

New Delhi : 27th May, 2013

S.S. SHARMA
General Manager (Legal) &
Company Secretary

New Delhi : 27th May, 2013

For and on behalf of the Board,

R.K. SARAF
Chairman & Managing Director

M.D. SARAF
Vice Chairman & Managing Director

Our Principal Addresses:

Registered Office and Works

Shreeramnagar:

Shreeramnagar-535 101
Garividi, Dist : Vizianagaram
[Andhra Pradesh]
Phone : 91-8952-282029 & 282038
Gram : FACOR
E-Mail : facoralloys@facorgroup.in
Fax : 91-8952-282188

Corporate & Head Office

Tumsar

Shreeram Bhawan
Tumsar- 441 912
Dist : Bhandara [Maharashtra]
Phone : 232251, 232233 & 233090
Gram : FACOR
E-Mail : facorho@facorgroup.in
Fax : 91-7183-232271

Regional Offices:

Mumbai:

Shop Nos.GS4 and GS5
Shubhada Co-op Housing Society
Limited, Sir Pochkhanwala Road
Worli, Mumbai-400 030
Phone : 24918155, 24918153
Gram : FACORSALES
E-Mail : facormumbai@facorgroup.in
Fax : 91-022-24918157
Shri Arun Mahalpurkar
Dy. General Manager

New Delhi:

Corporate One, Suite 401,
Plot No. 5, Jasola
New Delhi – 110 044.
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Shri Ishwar Das
Manager [Administration]

Kolkata:

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Shri Pratap Lodge
General Manager [East Zone]

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37F, Whites Road, 2 Middle Floor
Chennai – 600 014
Phone : 28411092 – 6
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E-Mail : facorchennai@facorgroup.in
Fax : 91-44-28411097
Shri R.G.Chari
General Manager [South Zone]

Other Offices:

Visakhapatnam:

Mangnese House
Harbour Road
Visakhapatnam – 530 001
Phone : 2569011 / 2569013
2568003
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E-mail : facor@sancharnet.in
facorvzg@satyam.net.in
facoralloys@eth.net
Fax : 91-891-2564077
Shri Naresh Kumar
Dy. General Manager [Finance]

Nagpur:

Shreeram Bhawan
Ramdaspath
Nagpur- 440 010
Phone : 2436920 – 23
Gram : FACOR
Fax : 91-712-2432295
Shri H.S.Shah
Dy. General Manager

Bhubaneswar:

GD-2/10, Chandrasekharpur
Bhubaneswar – 751 023
[Odisha]
Phone : 2302881 / 882
Gram : FACOR
E-Mail : facorbbsr@dataone.in
Fax : 91-674-2302612
Shri M.V.Rao
Resident Manager

DISCHARGING OF CORPORATE SOCIAL RESPONSIBILITIES – SOME SNAP SHOTS



President of Women & Child Welfare Centre Mrs. Promiladevi Saraf explaining about the welfare activities of the Centre to the visiting guest



People are patiently waiting for their turn to consult the eye doctor-A scene of OPD centre of eye hospital



Best eye care services are rendered in the region with personalized attention - doctor examining the eyes of a patient



One of the members of team of Centre helping the visually / hearing impaired child to know how to read



Members of team of Centre providing tips to visually / hearing impaired children for their all round development



Down the memory line- a picture of ex-officers meet held in second week of March, 2013 at Shreeramnagar- Mrs. Promiladevi Saraf and Shri R.K. Saraf, CMD honouring the veteran ex employees of the company



A picture of the ex-officers meet- ex- employees are sharing their work experiences with each other with full attention during their service tenure in the company



Quality of the product is all the time in the minds of the employees- a picture showing an employee keeping tight vigil on the production process



FACOR ALLOYS LIMITED

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