

**TWENTY SIXTH ANNUAL REPORT
2007-2008**



VBC FERRO ALLOYS LIMITED

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

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TWENTY SIXTH ANNUAL GENERAL MEETING

Day : Friday
Date : 05.09.2008
Time : 03.00 P.M.
Venue : Surana Udyog Auditorium, FAPCCI, 11-6-841
Red Hills, HYDERABAD - 500 004

REGISTERED OFFICE

6-2-913/914, Third Floor, Progressive Towers, Khairatabad,
HYDERABAD - 500 004. ANDHRA PRADESH, INDIA
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WORKS

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

GIFTS WILL NOT BE DISTRIBUTED AT THE AGM



BOARD OF DIRECTORS

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

AUDIT COMMITTEE

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

INVESTORS' GRIEVANCE & SHARE TRANSFER COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Sri V.V.V.S.N. MURTY	CS & Compliance Officer
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SENIOR MANAGEMENT STAFF

Sri K. KAILASNATHA REDDY	Vice President (Finance)
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AUDITORS :

M/s. BRAHMAYYA & CO.,
Chartered Accountants,
VISAKHAPATNAM.

BANKERS :

BANK OF INDIA
Nampally Station Road,
HYDERABAD.

SHARE TRANSFER AGENTS

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

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



VBC FERRO ALLOYS LIMITED

NOTICE OF 26th ANNUAL GENERAL MEETING

Notice is hereby given that 26th Annual General Meeting of the Members of VBC Ferro Alloys Limited will be held on **Friday, the 05th September, 2008 at 3.00 pm** at Surana Udyog Auditorium of The Federation of Andhra Pradesh Chambers of Commerce & Industry situated at 11-6-841, Red Hills, Hyderabad - 500 004, to consider the following: -

ORDINARY BUSINESS:

1. To receive, consider, approve and adopt Balance Sheet as at 31st March 2008, Profit & Loss Account for the year ended on that date, report of Directors and Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Dr. M.V.V.S. Murthi, who retires by rotation and being eligible offers himself for re-election.
4. To appoint Auditors for the financial year 2008-09 to hold office till the conclusion of next Annual General Meeting and fix their remuneration. M/s. Brahmayya & Co., Chartered Accountants, the retiring auditors, being eligible, offer themselves for re-appointment.

SPECIAL BUSINESS:

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

“RESOLVED THAT pursuant to the provisions of Section 255 and other applicable provisions of the Companies Act 1956, Shri. G. Narayanan who has been appointed on 17th July 2008 as an additional director on the Board in accordance with the provisions of Article 104 of the Articles of Association of the Company and Section 260 of the Companies Act 1956 be and is hereby appointed as Director of the Company and shall be liable to retire by rotation in accordance with the provisions of Sections 255 and 256 of the Companies Act 1956.”

6. **Rights Issue**

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

“RESOLVED that in terms of Section 81 and other applicable provisions, if any, of the Companies Act, 1956 and in accordance with the provisions of the Articles of Association of the company and the listing agreement entered into by the company with the stock exchanges where the shares of the company are listed and subject to the approvals, permissions and sanctions of the concerned authorities as may be necessary, and subject to such conditions and modifications as may be prescribed in granting such approvals, permissions and sanctions and subject to the conditions as may be imposed by the Securities and Exchange Board of India (SEBI), which may be agreed to by the Board of Directors of the company including any committee constituted thereof (hereinafter called the Board), at its sole discretion, the consent of the company be and is hereby accorded to the Board to create, offer and issue to the holders of the equity shares of the company such right shares to the existing shareholders of the company on the record date fixed by the Board and to such other persons as are set out hereunder, such number of equity shares of the company of the face value of Rs.10/- each as may be required, for subscription in cash and at such premium per share as may be determined by the Board prior to the issue and offer thereof and ranking pari passu with the then existing equity shares of the company, save and except that such new equity shares shall only be entitled to pro – rata dividend for the financial year in which they are allotted, proportionate to the capital for the time being and from time to time paid thereon and to the period and periods for which such capital shall have been paid up respectively and on such other terms and conditions as the Board in its absolute discretion may deem fit.

RESOLVED FURTHER that the offer of equity shares on right basis shall be subject to the following terms and conditions and such other terms and conditions as may be necessary or stipulated in the Letter of Offer:

- a. The offer shall be made in the first instance to all existing shareholders of the Company whose names appear in the Register of Members on the record date fixed by the Board for this purpose
- b. The shareholders to whom new equity shares are offered shall be entitled to apply for additional shares provided that a shareholder who has renounced his right in whole or in part shall not be entitled to allotment of additional shares



- c. The offer of rights shall include a right to renounce the shares in favour of any other person(s) provided such renunciation is made before closing of the offer. The shareholders shall be entitled to apply for additional shares in their own names provided that such shareholders have subscribed to their 'Right Entitlement' in full
- d. Renouncee may also apply for additional shares in their own names provided that they have accepted all the shares renounced in their favour. Renouncee will be entitled to be allotted to additional shares only if there is any surplus after allotment to the extent of right entitlement exercised, additional shares applied by the shareholders of the company
- e. The allotment of the new equity shares to Non – Residents/Overseas Corporate Bodies/Foreign Institutional Investors will be subject to the approval of Government of India and/or Reserve Bank of India, if necessary
- f. If any shares offered as "Rights" to the shareholders still remain un – subscribed, the Board shall have full discretion and absolute authority to offer them to whomsoever they may deem fit.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board is hereby authorized to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper and desirable and to settle any question, difficulty or doubts that may arise in regard to the offer, issue, allotment and utilization of the proceeds of the right issue including power to decide, accept, agree to any alteration in the size of the issue, the price of the shares to be issued or such other terms and conditions of the said issue as may be suggested or decided in consultation with the Lead Manager/SEBI or other concerned authorities and applicable guidelines from time to time and further to do all such acts, deeds, matters and things and to effect any modification to the foregoing in the best interest of the company and its shareholders and to execute all such writings and instruments as the Board may in its absolute discretion deem necessary or desirable.

7. Copies of the following resolution are sent to the Members for passing the same through postal ballot in accordance with the provisions of Section 192A of the Companies Act, 1956:

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

"RESOLVED THAT pursuant to the provisions of **Section 372A** and other applicable provisions, if any, of the Companies Act 1956 and subject to the approval of Financial Institutions, if required, the consent of the Company be and is hereby accorded to the Board of Directors to provide Guarantees in connection with the Financial Assistance availed of/ being/proposed to be availed of by the following Companies to the extent noted against each viz:

(Rs. in Crores)

S.L No	Name of the Company	Existing Guarantee Limits	Proposed Guarantee Limits	Total Guarantee Limits
1	Orissa Power Consortium Limited	40.00	40.00	80.00
2	Karthik Rukmini Alloys & Energy Limited	-	100.00	100.00

the value of the guarantees now proposed shall also be in excess of the limit prescribed under Section 372A of the Companies Act, 1956 and/ or as may be prescribed hereafter under the said Section and/ or under any other provisions of the said Act and these limits shall be in addition to the existing Loan/Guarantee/Investment Limits for which members have already approved at the 18th and 25th Annual General Meetings of the Company."

"RESOLVED FURTHER that the Board be and is hereby authorized to do all such acts, deeds and things as are necessary to comply with this resolution."

By Order of the Board
for VBC Ferro Alloys Limited

Sd/-

V.V.V.S.N. MURTY
Company Secretary

Place : Hyderabad
Date : 17-07-2008



NOTES:

1. ANY MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. IN ORDER TO BE EFFECTIVE THE PROXIES SHOULD BE RECEIVED BY THE COMPANY AT ITS REGISTERED OFFICE NOT LESS THAN **48 HOURS** BEFORE THE MEETING.
2. Explanatory Statement in respect of item Nos. 5, 6 and 7 of the Notice is annexed hereto in pursuance of Section 173(2) of the Companies Act, 1956.
3. For the convenience of Members, Attendance Slip is annexed to this Notice. Members / Proxies / Authorised Representatives are requested to fill in and affix their signatures at the space provided therein and submit the same at the venue of the Annual General Meeting.
4. Copies of Annual Report will not be distributed at the venue of General Meeting and therefore, Members are requested to bring their copies of the Annual Report which are mailed by the Company to them at their registered addresses.
5. Pursuant to Section 154 of the Companies Act, 1956 and Clause 41 of the Listing Agreement, Register of Members and Share Transfer Books of the Company will be closed from **FRIDAY the 29th AUGUST, 2008 to FRIDAY the 05th SEPTEMBER, 2008 (Both days inclusive)**, for the purpose of Annual General Meeting and ascertainment of entitlement for payment of dividend.
6. The dividend @ 20% for the year ended March 31, 2008 as recommended by the Board of Directors, if approved at the Annual General Meeting, will be payable to those shareholders whose names appear on the Company's Register of Members:
 - a) as beneficial owners at the end of the business hours on 28th August, 2008 as per the list to be furnished by National Securities Depository Limited(NSDL) and Central Depository Services(India) Limited(CDSL) in respect of shares held on Dematerialised form.
 - b) as shareholders in the register of Members of the Company after giving effect to valid share transfers lodged with the Company, on or before 28th August 2008.
7. Members who wish to seek any further information / clarification at the meeting, on the annual accounts or operations of the Company are requested to send their queries at least one week in advance from the date of the Meeting to the Company Secretary at Registered Office of the Company.
8. Members are requested to quote Folio No. / DP ID and Client ID in all correspondence and intimate any change in their address to the Company's Share Transfer Agents promptly.
9. Members who have multiple folios in identical names or joint holding in the same order are requested to intimate the Company's Registrars and Share Transfer Agents, the Ledger Folios of such holding to enable them consolidate all such shareholdings into a single folio.
10. In accordance with the Special Resolution passed at 21st Annual General Meeting, Company's shares have been delisted from The Hyderabad Stock Exchange Limited and The Madras Stock Exchange. Application made to Calcutta Stock Exchange Association Limited for de-listing of its shares is under process. Annual Listing Fee for the financial year 2008-09 has been paid to Bombay Stock Exchange Limited, Mumbai where the Company's shares are listed.
11. Members are requested to avail the facility of converting their physical shareholdings into electronic mode of holding for their own convenience coupled with increased flexibility in dealing with such shares.
12. The dividend for the following years remaining unclaimed for 7 years from the date of declaration are required to be transferred by the Company to Investor Education and Protection Fund (IEPF) and the various dates for transfer of such amounts are as under:-

Financial Year	Unclaimed Dividend (Rs)	Date of declaration as on 31 st March, 2008	Due for transfer to IEPF
2002-03	2,24,479.00	30-09-2003	31.10.2010
2003-04	2,48,776.00	30-09-2004	31-10-2011
2004-05	4,02,255.00	30-09-2005	31-10-2012
2005-06	10,42,606.00	24-07-2006	24-08-2013
2006-07	4,29,920.00	17.08.2007	17.09.2014



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

Dr. M. V. V. S. MURTHI

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

As on 31st March, 2008, Dr. M V V S Murthi is holding 1,57,769 (3.76%) number of shares of the Company.

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

Item No.5: Appointment of Shri G. Narayanan

Name of the Director	: G. Narayanan
Date of Birth	: 20.06.1938
Occupation	: Ex-Chairman and Managing Director, Andhra Bank
Expertise in specific functional areas	: Held several senior positions in various public sector banks.
Directorships in other Companies	: NIL
Committee positions held in other Companies	: NIL
Shareholding in the Company	: NIL

Brief Profile:

G. Narayanan (aged 70 years), a Ex-Chairman and Managing Director, Andhra Bank, during the period spanning over 38 years in the Indian Banking Sector, held various sensitive, responsible, challenging and top-level assignments in different public sector Banks. He also served in Shanta Brothers Transmission Lines Engineers Limited as Chief Internal Auditor.

G. Narayanan did his B.Com from Madras University. He is a Fellow Member of the various professional bodies viz., Institute of Chartered Accountants of India, Indian Institute of Bankers, Indian Administrative Management and Indian Council of Arbitrators. He is an Associate Member of Institute of Cost & Management Accountants of India. He did Diploma in Corporate Law. He also completed Management Accountant (MAC-1).

In order to utilize his vast knowledge and experience in Banking and Financial Services, Board of Directors at their Meeting held on 17th July, 2008 appointed him as an Additional Director on the Board in accordance with the provisions of Article 104 of the Articles of Association of the Company and Section 260 of the Companies Act, 1956.

The Company has received a notice from a Member under Section 257(1) of the Companies Act, 1956 proposing the candidature of Shri. G. Narayanan as a Director. Board considers it to be beneficial in the interest of the Company to have the guidance and advice of Shri G. Narayanan and accordingly recommend his appointment as a Director.

None of the Directors of the Company except Shri G. Narayanan are interested in the said resolution.

Item No.6: Rights Issue

As the Members are aware, in consultation with M/s SBI Capital Markets Limited, Manager to the Rights Issue, the Company withdrew Draft Letter of Offer from SEBI for the earlier proposed Rights Issue.

Members are also aware that your Company is proposing to setting up a 65 MW Pit Head Coal Based Power Plant at Jagannathpur Village, Sirpur Kaghaznagar Mandal, Adilabad District of Andhra Pradesh in association with M/s. Karthik Rukmini Alloys & Energy Limited, which has obtained the necessary Long Term Coal Linkage from the Ministry of Coal, Govt. of India. The total Project Cost will be Rs.300 crores. M/s. Karthik Rukmini Alloys & Energy Limited has already approached for financial assistance from M/s. Power Finance Corporation Limited of an amount of Rs.130 crores. The Proposed equity capital of M/s. Karthik Rukmini Alloys & Energy Limited is Rs.90 crores and your Company would like to contribute Rs.40 crores in the equity of the said Project.



VBC FERRO ALLOYS LIMITED

Out of the total Rights Issue, Rs.40 crores will be invested in the above said 65 MW Captive Power Plant. Your Company also proposes to deploy part amount of the issue to increase its production capacity by way of modernization of plant to reduce the cost of production and to strengthen the working capital requirements of the Company.

Besides your Company also proposes to invest part amount of the Rights Issue in the equity share capital of M/s Konaseema Gas Power Limited for expansion of its 445 MW of gas based power plant to 1265 MW plant.

Your Directors are of the opinion that once your Company set up 65 MW Captive Power Plant and modernization of plant and strengthens its working capital requirements, the financial as well as operational performance of the company would improve substantially. To finance these activities, it is proposed to raise equity capital by way of the proposed Right issue.

After successful implementation of the 65 MW Coal Based Captive Power Plant, your Company would be getting power at a very cheaper rate, which will make the operations of the company economically viable and more profitable.

The Board of Directors recommends the proposed resolution for acceptance by the Members

The Directors are interested in the above resolution to the extent of their shareholding in the Company.

Item No.7 - CORPORATE GUARANTEE PROVIDED UNDER SECTION 372A OF THE COMPANIES ACT, 1956:

You Company has invested, as one of the Promoter of OPCL in the Equity Share Capital of M/s Orissa Power Consortium Limited (OPCL), which is setting up a 20MW Hydro Electric Power Project. Your Directors extended an additional Corporate Guarantee of Rs.14.75 Crores (Rupees Fourteen Cores Seventy Five Lakhs Only) on behalf of OPCL in favour of Power Finance Corporation Limited (PFC), Rural Electrification Corporation Limited (REC) and UCO Bank on 17.07.2008 in addition to the guarantee of Rs.36.35 Crores already given, out of the limit of Rs.40.00 Crores, which was approved by the Shareholders earlier. As issuance of additional guarantee exceeds the limits sanctioned by Shareholders earlier, the confirmation of Shareholders at a General Meeting is required. However, your Directors feel that the company may require to provide further guarantees to various financial institutions or banks on behalf of Orissa Power Consortium Limited and as such the approval of the members is being sought for the guarantee already given as per the provisions of subsection (b) of Section 372A and proposed to be given upto an amount of Rs.80.00 Crores (Rupees Eighty Crores Only).

You are aware that M/s. Karthik Rukmini Alloys and Energy Limited (KRAEL) in which your Company intends to hold substantial equity, is setting up a Captive Power Plant of 65 MW at Jagannathpur Village, Sirpur Kagahznagar Mandal, Adilabad District, A.P. The necessary financial assistance from PFC and other financial institutions is being actively pursued. The Company may be required to extend Corporate Guarantees for the loans that may be sanctioned to KRAEL, besides your company may require to give loans and advances. Accordingly your directors considered that it is in the interest of the company to give such loans/advances and/ or provide such guarantees/securities on behalf of KRAEL upto a limit not exceeding Rs.100.00 crores (Rupees Hundred Crores Only)

Since the aggregate value of the proposed guarantees, which are in addition to the existing loan/guarantee/investment limits already approved by the members at the 18th and 25th Annual General Meetings of the Company respectively, will be in excess of the limits specified in Section 372A of the Companies Act, 1956, approval of the Shareholders by way of a Special Resolution, in terms of Section 192A of the Companies Act, 1956 is sought by Postal Ballot.

The Company will obtain approval of the Shareholders by way of Special Resolution in terms of Section 372A of the Companies Act, 1956, read with Section 192A of the Companies Act, 1956

The Board of Directors commends the above special resolution for your approval through postal ballot.

None of the Directors of the Company except Dr. M. V. V. S. Murthi as Director of OPCL and Shri M. S. Lakshman Rao as Director of OPCL and KRAEL are interested in the proposed resolution.

By Order of the Board
for VBC Ferro Alloys Limited

Sd/-
V.V.V.S.N. MURTY
Company Secretary

Place : Hyderabad
Date : 17-07-2008

**DIRECTORS' REPORT**

Dear Members,

Your Directors have pleasure in presenting the 26th Annual Report of VBC Ferro Alloys Limited with the audited Statement of accounts for the year ended 31st March 2008.

FINANCIAL RESULTS :

(Rs. in Lakhs)

PARTICULARS	Current Year 2007-2008	Previous Year 2006-2007
Profit before Interest and Depreciation	664.50	736.92
Interest	(421.43)	(438.54)
Depreciation	(146.69)	(154.66)
Profit before taxation	96.38	143.72
Provision for taxation : Current Tax	(11.00)	(16.50)
Deferred Tax	(32.76)	189.89
Fringe Benefit Tax	(5.00)	(5.75)
For earlier years	256.11	44.13
MAT Credit Entitlement	11.00	16.50
Profit after tax	314.73	371.99
Profit brought forward from previous year	3687.42	3533.58
Profit available for appropriation	4002.15	3905.57
Transfer to General Reserve	414.90	120.00
Proposed Dividend	83.89	83.89
Tax on Proposed Dividend	14.26	14.26
Profit carried over	3489.10	3687.42

DIVIDEND:

Your Directors have recommended a dividend of 20% (Rs 2.00 per share of face value of Rs 10) for the financial year ended on 31st March, 2008.

BUSINESS PERFORMANCE:

During the financial year 2007-2008, your company has produced 7111 MT Ferro Silicon, 3431 MT Silico Manganese against the production of 10,486 MT Ferro Silicon and 9,948 MT Silico Manganese during the previous year. There has been decrease in the net sales of the company of Rs 4,647.91 lacs as against Rs 6,502.23 lacs of the previous year. The decline in turnover is attributed to non-availability of Manganese Ore and stoppages during the change of production from Silico Manganese to Ferro Silicon. However, your company has been able to earn a profit before tax of Rs 96.38 lacs as against the profit before tax of Rs 143.72 lacs during the previous year. The profit after tax is Rs 314.73 lacs as against Rs 371.99 of the previous year.

PROSPECTS:

Iron and Steel Industry in India is on an upswing because of the strong global and domestic demand. India's rapid economic growth and soaring demand by sectors like infrastructure and automobiles at home and abroad has put Indian steel industry on the global map, thus creating higher demand for your Company's products. In view of the market demand, your company is producing Ferro Silicon from both Furnaces for domestic consumption as well as for export which is expected to result in higher realizations. The expected market growth with higher realizations, the prospects of your company during the current year is expected to be optimistic.



VBC FERRO ALLOYS LIMITED

Status of Rights Issue:

In consultation with M/s SBI Capital Markets Limited, Managers appointed to the rights issue, your company withdrew draft letter of offer from SEBI for the proposed rights issue, for the time being.

DIRECTORS

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

Sri G. Narayanan has been appointed as an additional director on 17th July, 2008 and Board recommends for his appointment u/s 255 & 256 of the Companies Act 1956.

CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION:

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

CORPORATE GOVERNANCE

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

FIXED DEPOSITS

The company has not accepted any fixed deposits. **PERSONNEL**

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

INSURANCE

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

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

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

AUDITORS:

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

Your Directors recommend their re-appointment for the financial year 2008-09.

DIRECTORS' RESPONSIBILITY STATEMENT:

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

- (i) in the preparation of annual accounts for the financial year ended 31st March 2008, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- (ii) such accounting policies have been selected and applied and that such judgements and estimates have been made as are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for the period.



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

DECLARATION

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

ACKNOWLEDGEMENTS:

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

for and on behalf of the Board

Place: Hyderabad
Date : 17.07.2008

Dr. M V V S MURTHI
Chairman

ANNEXURES TO DIRECTORS' REPORT

ANNEXURE

FORM - A
(See Rule 2)

Form of Disclosure of Particulars with respect to Conservation of Energy

A. CONSERVATION OF ENERGY :

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

Power and Fuel Consumption

	Current Year 2007-08	Previous Year 2006-07
1. Electricity		
(a) Purchased Units (KWH)	8,24,18,000	13,47,72,200
Total Amount (Rs.in lacs)	2150.90	3211.55
Rate/Unit (in Rs.)	2.61	2.38
(b) Own Generation		
i) Through diesel generator		
Units (KWH)	Nil	Nil
Units per ltrs. of Diesel Oil	Nil	Nil
Cost/Unit (Rs.) (Fuel+Oil)	Nil	Nil
ii) Through steam Turbine/Generation		
Units	Nil	Nil
Units per ltrs. of fuel oil/gas	Nil	Nil
Cost/Unit	Nil	Nil
2. Coal (specify quality & where used)	Nil	Nil
Quantity (tonnes)		
Total Cost		
Average rate		
3. Furnace Oil	Nil	Nil
Quantity (K.ltrs.)		
Total amount		
Average rate		
4. Other internal generation	Nil	Nil
Consumption per unit of Production		
Electricity KWH/MT - Ferro Silicon	8,999	8,948
- Silico Manganese	5,369	4,984
Furnace Oil	Nil	Nil
Coal (specify quality)	Nil	Nil
Others (specify)	Nil	Nil



B. TECHNICAL ABSORPTION

1. RESEARCH AND DEVELOPMENT (R&D)

(a) Specify areas in which R&D is carried out by the Company : Nil Nil

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

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

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

(c) Future plan of action : a) Production of low aluminium grade Ferro Silicon for high grade Steels and low phosphorus silico manganese
b) Improvements in preparation of raw material facilities.

(d) Expenditure on R & D :

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

2. TECHNOLOGY ABSORPTION, ADOPTATION & INNOVATION :

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

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

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

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

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

**(d) Foreign Exchange Earnings & Outgo**

i) Foreign Exchange Earnings at FOB value	5,14,54,694	3,85,37,729
ii) Foreign Exchange outgo		
a) CIF value of imports	:	
Raw Materials, Components and Spares	:	Nil
Capital Goods	:	5,12,820
(b) Others		Nil

For and on behalf of the Board

Place : Hyderabad
Date : 17-07-2008.

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



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1. BACKGROUND

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

2. INDUSTRY STRUCTURE

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

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

3. OPERATIONS, OPPORTUNITIES & THREATS OPERATIONS: This has been dealt with in the Directors' Report.

OPPORTUNITIES: India's natural resources and geographical position have meant it is exceptionally well positioned to benefit from the growing demand for steel making raw materials. However, for the Ferro alloys industry, high energy costs have meant that India hasn't gained the market shares its potential suggests. Now, with electricity reforms in the pipeline, the Indian Ferro alloys industry is preparing for better times ahead.

THREATS: The manufacture of Ferro alloys is highly power – intensive and therefore the cost of power is critical to the competitiveness of the producers. On an average 50% of the total cost per tonne of Ferro alloys is accounted for by power. This is the only major threat that this industry is facing and in order to be competitive on a global scale, it is imperative for an Indian Ferro alloys producer to have access to viable captive power and those units that manage to have captive power plants may show good performance.

4. SEGMENT-WISE PERFORMANCE OR PRODUCT-WISE PERFORMANCE

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

5. OUTLOOK

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

- a) As your company is going to set up a Captive Power Plant of 65 MW through M/s. Karthik Rukmini Alloys & Energy Limited in association with Group companies at Village Jagannathpur, Sirpur Kaghaznagar Mandal, Adilabad District in the State of Andhra Pradesh, this would enable your Company to draw the required power at a comparatively lower price than that of the price now being paid to CPDC of AP Ltd. The power bills of your company are expected to come down and improve the profitability of the company. The financial closure of the project is in advance stage.
- b) As your company had already invested significant funds in 445 MW Natural Gas Based Power Project of M/s. Konaseema Gas Power Limited and 20 MW Dam Based Hydro Electric Power Project of M/s. Orissa Power Consortium Limited. Your company is expected to receive long term returns from these equity investments. M/s. Konaseema Gas Power Limited is planning to increase its capacity to 1265 MW by set up 820 MW as Stage-II. The Financial Closure for Stage II is in advanced stage.
- c) Your Company is planning to increase capacity of the Furnaces by way modernization. Once all these modernization process is completed, the financial as well as operational performance of your company is expected to improve substantially.

6. RISKS & CONCERNS

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

- a) Setting up of captive power plant will depend upon the financial closure of the project.
- b) The commercial operation of Konaseema Gas Power Limited was hitherto delayed because of non availability of sufficient gas from Gas Authority of India Limited, but it is expected to be in commercial operation by March, 2009 with new gas availability from ONGC/RIL in the Krishna Godavari Basin.



- c) The other project, namely, M/s Orissa Power Consortium Limited, where the company has invested is implementing 20 MW Hydro Electric Power Project at Samal Barrage, Angul District in the State of Orissa and it is expected to be commissioned by the end of the current financial year.
- d) Government regulations, like reduction in import duties, anti dumping duty and increase in power tariffs by CPDC of AP Limited, may also affect the profitability of the company.

Apart from the above, the power tariff is also not uniform throughout the country and some State Governments are providing excise duty and sales tax concessions and many other incentives/subsidies resulting in over capacity and distortion in the actual cost of production. Due to these reasons, most efficiently run plants situated in other parts of India are not able to compete in the market and utilize the full capacities. New Ferro alloy units are expected to come on stream in the next few years thereby causing pressure on prices.

7. INTERNAL CONTROL SYSTEMS AND ADEQUACY

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

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

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

8. DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

This has been dealt with in the Directors' Report

9. HUMAN RESOURCE DEVELOPMENT

Human capital is one of the key elements of your Company. The Company has employed 242 employees who are highly motivated and have been contributing towards the growth of the Company. The company's human resource policies are aimed at motivating its employees to deliver high quality performance and reward talent with adequate compensation and accelerated career growth opportunities.

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

10. INDUSTRIAL RELATIONS

This has been dealt with in the Directors' Report

Cautionary Statement:

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

For and on behalf of the Board

Place : Hyderabad
Date : 17-07-2008

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



CORPORATE GOVERNANCE

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

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

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

2. **Board of Directors:**

- Composition and Category of Directors as on 31.03.2008

Category	No. of Directors	%
Executive Directors	1	25.00
Non-Executive Promoter Directors	1	25.00
Independent Non-Executive Directors	2	50.00
Total	4	100

The Attendance record of the Directors at the Board Meetings held during the financial year ended on 31st March, 2008 and the last Annual General Meeting (AGM) and the details of their other Directorships and Committee Chairmanships and Memberships are given below:

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

Excluding Directorships in Private Limited Companies

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



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

Six Board Meetings were held during the financial year 2007-08 on 21st May 2007, 29th June 2007, 31st July 2007, 17th August, 2007, 27th October 2007 and 25th January 2008.

3. **Audit Committee**

- **Brief description of Terms of Reference**

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

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

- **Composition of the Audit Committee as on 31st March, 2008:**

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

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

- **Meetings and Attendance during the year**

Date	M. N. Rao	Dr. M.V.V.S. Murthi	P L Sanjeev Reddy
21.05.2007	YES	YES	YES
29.06.2007	YES	YES	YES
31.07.2007	YES	YES	YES
27.10.2007	YES	YES	YES
25.01.2008	YES	YES	YES



VBC FERRO ALLOYS LIMITED

4. Remuneration Committee

- Brief description of terms of reference
To recommend compensation terms for Executive Directors.
- Composition, name of members, Chairman and Secretary.

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

The Company Secretary of the Company acts as the Secretary of the Remuneration Committee meetings.

There are no meetings held during the financial year under review.

- Remuneration policy

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

5. Remuneration of Directors

Details of remuneration paid to Directors during the financial year 2007-08.

(In Rupees)

Name	Designation	Sitting fee	Salary	Benefits	Total
Dr. M. V. V. S. Murthi	Non-Executive Chairman	1,40,000	Nil	Nil	1,40,000
Shri M. N. Rao	Independent Non-Executive Director	1,50,000	Nil	Nil	1,50,000
Dr. P. L. Sanjeev Reddy	Independent Non-Executive Director	1,10,000	Nil	Nil	1,10,000
Shri M. S. Lakshman Rao	Managing Director	Nil	9,00,000	2,49,720	11,49,720

Benefits include contribution to Provident Fund, Gratuity Fund, payment of Perquisites and Commission. There was no Employee Stock Option Scheme during the financial year ended 31st March, 2008.



6. Investors' Grievance & Share Transfer Committee

The Investors' Grievance & Share Transfer Committee met 4 times during the financial year ended 31st March 2008 on 21st May 2007, 31st July 2007, 27th October 2007 and 25th January 2008.

The Constitution of the Committee as on 31.03.2008 and attendance of each Member is as given below:

Name of the Director	Designation	Category	No. of Meetings Attended
Dr. M. V. V. S. Murthi	Chairman	Non-executive Promoter Director	3
Shri M. N. Rao	Member	Independent non-executive Director	4
Shri M. S. Lakshman Rao	Member	Managing Director	4

The Company Secretary of the Company acts as the Secretary of the Investors' Grievance & Share Transfer Committee.

Name and Designation of Compliance officer:

Mr. V.V.V.S.N. Murty, Company Secretary.

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

Investor grievances received and attended during the year 2007-'08 and pending as on 31.03.2008.

Nature of grievances	Received	Attended	Pending
1. Non-receipt of dividend warrants	9	9	NIL
2. Non-receipt of share certificates after transfer/duplicate	3	3	NIL
3. Non-receipt of Annual Report	21	21	NIL
4. Other Miscellaneous	14	14	NIL

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

7. General Body Meetings

a) Details of the Last 3 AGMs

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

- Date, time and Special Resolutions passed:

	Financial Year	Date	Time	Special Resolutions
23 rd AGM	2004 - 05	30.09.2005	2.30 PM	Nil
24 th AGM	2005-06	24-07-2006	2.00 PM	Three Special Resolutions (i) Preferential Allotment (ii) Rights Issue and (iii) Authorization to invest Securities Under Section 372A.
25 th AGM	2006-07	17-08-2007	3.00 PM	One Special Resolutions Authorization to invest Securities Under Section 372A.

- b) Special Resolutions passed through postal ballot system during the last year and person who conducted the postal ballot exercise.

No special resolution was required to be put through postal ballot system last year.

- c) Whether any special resolution proposed to be conducted through postal ballot

No special resolution is proposed to be conducted through postal ballot system during the current financial year 2007-08.

8. Management Discussion & Analysis Report

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

9. Disclosures

- There are no transactions, which may have potential conflict with the interests of the Company. Schedule 18 of the Annual Accounts contains the details of related party transactions as required by the Accounting Standard 18 (AS-18) on 'Related Party Disclosures' issued by the Institute of Chartered Accountants of India.
- There is no non-compliance by the company and no penalties, strictures have been imposed on the company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.
- The Company has complied with all the mandatory requirements of Clause 49 and is in the process of implementation of Non-mandatory requirements.

10. Means of Communication

- The quarterly results are generally published in Financial Express and Andhra Prabha Newspapers.
- Management Discussion and Analysis forms part of the Annual Report.



11. CODE OF CONDUCT

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

12. GENERAL SHAREHOLDER INFORMATION

i) Date, Time and Venue of the 26th Annual General Meeting

The 5th day of September 2008, at 3.00 PM at Surana Udyog Auditorium of the Federation of Andhra Pradesh Chambers of Commerce and Industry (FAPCCI), Hyderabad.

ii) Financial Calendar (tentative and subject to change)

Financial Reporting for the quarter ended 30 th September 2008	29 th October 2008
Financial Reporting for the quarter ended 31 st December 2008	28 th January 2009
Financial Reporting for the quarter ended 31 st March 2009	25 th April 2009
Financial Reporting for the quarter ended 30 th June 2009	29 th July 2009

iii) Dates of Book Closure

29th August, 2008 to 5th September 2008(Both days inclusive)

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

v) Listing on Stock Exchanges

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

Listing Fees

The Company has paid annual listing fee for the year 2008-09 to the Bombay Stock Exchange Limited, where the securities are listed.

vi) Stock Code

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



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

Month	High (Rs.)	Low (Rs.)	Close (Rs.)	No. of Shares
Apr 2007	86.00	64.00	70.55	57585
May 2007	83.00	69.10	73.60	64017
Jun 2007	88.00	66.25	78.15	110162
Jul 2007	159.45	75.00	127.00	1253347
Aug 2007	138.20	101.00	115.55	287347
Sep 2007	214.40	113.80	205.85	1442156
Oct 2007	482.65	209.00	440.50	2752671
Nov 2007	462.50	325.00	336.60	553491
Dec 2007	427.20	341.00	402.30	352849
Jan 2008	455.30	217.25	226.75	532427
Feb 2008	272.40	201.15	207.30	200921
Mar 2008	206.95	121.00	159.35	333826

viii) Registrar and Share Transfer Agents

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

b. Share Transfer System

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

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

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

There are no pending share transfer requests as on 31st March, 2008.

c. (a) Distribution of Shareholding as on 31st March 2008

Category		No. of shareholders	%	Shares held	%
From	To				
Upto	500	9,762	94.09	9,16,823	21.85
501	1000	333	3.20	2,63,049	6.27
1001	2000	122	1.17	1,79,147	4.27
2001	3000	51	0.49	1,34,380	3.20
3001	4000	12	0.11	43,896	1.04
4001	5000	24	0.23	1,14,288	2.72
5001	10000	28	0.26	2,16,217	5.15
10001	And above	43	0.41	23,26,550	55.46
Total		10,375	100.00	41,94,350	100.00

(b) Distribution of Shareholding according to categories of shareholders as on 31st March 2008.

Categories	No. of Shares	% to Total
Promoters, Directors / Relatives and associated Persons	14,15,959	33.76
Financial Institutions & Banks	1,900	0.05
Foreign Institutional Investors	-	-
Non-resident Indians	1,16,104	2.77
Private Corporate Bodies	5,48,465	13.08
Indian Public	21,11,922	50.34
TOTAL	41,94,350	100.00

xi) Dematerialisation of Shares and Liquidity

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

As at 31st March 2008, 81.56% of the Equity Share Capital, representing **34,21,062** shares were held in depository mode.

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



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

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

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

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

xv) Investor Relations

All the queries received from shareholders during the financial year 2007-08 have been responded to. The Company generally replies to the queries within a week of their receipt. The Company has designated e-mail investor@vbcindia.com for investor services.

xvi) Nomination Facility

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

12. Compliance:

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

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

CEO/CFO CERTIFICATION IS PROVIDED IN THE ANNUAL REPORT

For and on behalf of the Board

Place : Hyderabad
Date : 17-07-2008.

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



DECLARATION

All the Board members and the Senior Management personnel have affirmed their compliance of the 'Code of Conduct for the Members of the Board and Senior Management' for the period from 1st April, 2007 to the 31st March, 2008 in terms of the clause 49(1)(D)(ii) of the Listing Agreement with the Stock Exchange.

Place : Hyderabad
Date : 17.07.2008

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

To

The Board of Directors
VBC FERRO ALLOYS LIMITED
6-2-913/914, 3rd Floor, Progressive Towers,
Khairtabad, Hyderabad-500 004.

ANNUAL CERTIFICATION

We undersigned, M.S. Lakshman Rao, Managing Director & Chief Executive Officer and K. Kailasnatha Reddy, Vice President (Finance), responsible for the finance function certify that : ,

- a) We have reviewed the financial statements and cash flow statement for the year ended 31st March, 2008 and to the best of my knowledge and belief:
 - i) These Statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) To the best of our knowledge and belief, no transactions entered into by the Company during the year ended 31st March, 2008 are fraudulent, illegal or violative of the Company's code of conduct;
- c) We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operations of such internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.
- d) We further certify that:
 - a. there have been no significant changes in internal control system during the year.
 - b. there have been no significant changes in accounting policies during the year.
 - c. we are not aware of any instance during the year of significant fraud with involvement therein of the management or any employee having a significant role in the Company's internal control system over financial reporting.

Sd/-
M.S. Lakshman Rao
Managing Director &
Chief Executive Officer

Sd/-
K. Kailasnatha Reddy
Vice President (Finance),

Place : Hyderabad
Date : 17.07.2008



AUDITORS' CERTIFICATE

To

**The Members of
V B C Ferro Alloys Limited,**
6-2-913/914, 3rd Floor,
Progressive Towers, Khairatabad,
Hyderabad- 500 004

We have examined the compliance of conditions of corporate governance by VBC Ferro Alloys Limited, Hyderabad for the year ended 31st March, 2008, as stipulated in Clause 49 of the Listing Agreement of the Company with stock exchanges.

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

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

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

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

For BRAHMAYYA & Co.,
Chartered Accountants

Sd/-

(C.V. RAMANA RAO)
PARTNER
Membership No.018545

Camp : Hyderabad
Date : 17-07-2008



AUDITORS' REPORT

To
The Members of
VBC Ferro Alloys Limited,
Hyderabad

1. We have audited the attached Balance Sheet of VBC Ferro Alloys Limited, Hyderabad as at 31st March, 2008, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956 of India (the 'Act') and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we set out in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) In our opinion, the company has kept proper books of account, as required by law so far, as appears from our examination of such books.
 - c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
 - d) In our opinion the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in Sub Section (3c) of Section 211 of the Companies Act, 1956.
 - e) In our opinion and to the best of our information and according to the explanations given to us and *subject to note No 2(h) of Notes on Accounts (Schedule 18 II) regarding non-provision towards demands of CPDC of AP Ltd for supply of power, surcharge and interest of earlier years and load factor shortfall not accepted by the company amounting to Rs 32.85 crores*, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India :

VBC FERRO ALLOYS LIMITED



- i) In the case of the Balance Sheet, of the state of affairs of the company as at 31st March 2008.
 - ii) In the case of the Profit and Loss account, of the Profit for the year ended on that date.
 - iii) In case of the cash flow statement, of the cash flows for the year the ended on that date.
- f) On the basis of written representations received from the Directors as on March, 31, 2008 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

For BRAHMAYYA & CO.,
Chartered Accountants

Camp : Hyderabad
Date : 17-07-2008

(C.V.RAMANA RAO)
PARTNER
Membership No. 018545



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

- 1.1 The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets except in the case of few assets in respect of which particulars required to be updated, the value in respect of which is not material.
- 1.2 The fixed assets have been physically verified by the management during the year in accordance with a phased programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. According to the information furnished to us, no material discrepancies have been noticed on such verification.
- 1.3 None of the Fixed Assets have been disposed off by the company during the year.
- 2.1 Physical verification of inventory has been conducted during the year by the management at reasonable intervals.
- 2.2 The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- 2.3 On the basis of our examination of the records of inventory, we are of the opinion that the company is maintaining proper records of inventory. The discrepancies noticed on such verification between the physical stocks and the book records were not material.
- 3.1 The Company has not granted any loans either secured or unsecured to companies, firms or other parties which are covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly sub-clauses(b),(c) and (d) of clause (iii) of paragraph 4 of the order are not applicable.
- 3.2 The Company has not taken any new loans during the year. However it has taken a loan in an earlier year from one party of Rs.500 Lakhs.
- 3.3 In our opinion and according to the information and explanations given to us, the rate interest and other terms and conditions in respect of the above loan are not prima facie prejudicial to the interest of the Company.
- 3.4 The Company is not regular in payment of interest on the above loan and the over due interest there on at the of the year amounts to Rs.119.59 Lakhs. No part of the principal falls due for repayment during the year.
- 4.1 In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the company and the nature of its business with regard to purchase of inventory, fixed assets and sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control systems.
- 5.1 According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- 5.2 In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.



VBC FERRO ALLOYS LIMITED

- 6.1 The company has not accepted deposits from public. Accordingly the Clause (vi) of paragraph 4 of the Order is not applicable to the company.
- 7.1 In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- 8.1 According to the information and explanations given to us, maintenance of cost records is not required under section 209(1) (d) of the Companies Act, 1956 in respect of the business activities carried out by the company.
- 9.1 According to the records of the company, the company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, Investor education and protection fund, employees state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.
- 9.2 According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, service tax, customs duty, excise duty and cess and other material statutory dues applicable to it were in arrears as at 31st March 2008 for a period of more than six months from the date they became payable.
- 9.3 As at 31st March 2008, there have been no disputed dues, which have not been deposited with the respective authorities in respect of Sales Tax, income-tax, Wealth-tax, Service tax, Excise Duty and Cess, except the following:

Name of the Statute	Nature of the Dues	(*)Amount (Rs. in lakhs)	Period of which the amount relates	Forum where dispute is pending
AP General Sales Tax Act	Non submission of 'G' forms	7.07	1991-92, 1996-97, 2001-02, 2003-04	Dy. Commissioner (Appeals)
AP General Sales Tax Act	Sales Tax	2.61	1991-92	AP High Court
Central Sales Tax Act	Non submission of 'C' and 'F' forms	37.81	1996-97, 2001-02, 2002-03, 2003-04	Dy. Commissioner (Appeals)
Income Tax Act	Income Tax	922.78	Assessment Year 2005-06	Commissioner of Appeals(Hyd-)

(*) Net of pre deposits made

- 10.1 The company has no accumulated losses and has not incurred any cash loss during the financial year covered by our audit and the immediately preceding financial year.
- 11.1 The company has neither taken any term loans from a financial institution or a bank nor issued any debentures. Accordingly clause (xi) of paragraph 4 of the order is not applicable.
- 12.1 The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly clause (xii) of paragraph 4 of the order is not applicable.



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

For BRAHMAYYA & CO.,
Chartered Accountants

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

Camp : Hyderabad
Date : 17-07-2008



VBC FERRO ALLOYS LIMITED

BALANCE SHEET AS AT 31st MARCH, 2008

	Schedule Ref.	As at 31.03.2008 Rupees	As at 31.03.2007 Rupees
I. SOURCES OF FUNDS			
1) Shareholders' funds :			
a) Share Capital	1	4,19,49,875	4,19,49,875
b) Reserves & Surplus	2	136,47,92,553	134,46,24,063
		<u>140,67,42,428</u>	<u>138,65,73,938</u>
2) Loan Funds :			
a) Secured Loans	3	9,28,26,372	9,19,19,328
b) Unsecured Loans	4	17,53,52,860	16,27,47,392
		<u>26,81,79,232</u>	<u>25,46,66,720</u>
TOTAL		<u>167,49,21,660</u>	<u>164,12,40,658</u>
II. APPLICATION OF FUNDS			
1) Fixed Assets			
a) Gross Block	5	75,88,90,392	75,47,44,277
b) Less : Depreciation		57,49,38,601	56,02,69,403
c) Net Block		18,39,51,791	19,44,74,874
d) Capital work-in-progress		87,53,236	75,00,000
		<u>19,27,05,027</u>	<u>20,19,74,874</u>
2) Investments	6	144,39,43,564	143,39,23,564
3) Deferred Tax Asset		1,50,37,850	1,83,13,780
4) Current Assets, Loans & Advances :			
a) Inventories	7	25,38,45,445	20,67,51,478
b) Sundry Debtors	8	7,20,16,669	4,95,69,683
c) Cash & Bank Balances	9	1,81,41,123	1,90,49,177
d) Other Current Assets	10	26,74,156	24,43,950
e) Loans & Advances	11	17,26,55,326	14,32,65,890
		<u>51,93,32,719</u>	<u>42,10,80,178</u>
Less : Current Liabilities & Provisions :	12		
a) Liabilities	A	47,17,22,302	42,01,35,577
b) Provisions	B	2,43,75,197	1,39,16,161
		<u>49,60,97,499</u>	<u>43,40,51,738</u>
Net Current Assets		<u>2,32,35,220</u>	<u>(1,29,71,560)</u>
TOTAL		<u>167,49,21,660</u>	<u>164,12,40,658</u>
Significant Accounting policies and Notes on accounts	18		

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

For and on behalf of the Board

Sd/-
M.S. LAKSHMAN RAO
Managing Director

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

Camp : Hyderabad
Date : 17-07-2008

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

Sd/-
V.V.V.S.N. MURTY
Company Secretary



PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2008

	Schedule Ref.	Current Year 31.03.2008 Rupees	Previous Year 31.03.2007 Rupees
I. INCOME :			
Sales		52,82,12,916	73,98,86,035
Less : Excise duty & VAT collected		6,34,21,882	8,96,63,372
Accretion to/(Decretion in) stocks	13	2,20,90,520	2,70,63,235
Other Income	14	1,71,90,428	4,87,82,700
TOTAL		50,40,71,982	72,60,68,598
II. EXPENDITURE :			
Raw Materials Consumed	15	14,18,81,111	22,00,01,103
Power and fuel		21,50,90,469	32,11,54,880
Staff Cost	16	3,73,69,158	3,62,90,775
Other Expenses	17	4,32,81,531	7,49,29,397
Interest & Finance Charges to Banks and others		4,21,42,594	4,38,54,338
Depreciation		1,46,69,198	1,54,65,550
TOTAL		49,44,34,061	71,16,96,043
III. PROFIT BEFORE TAX		96,37,921	1,43,72,555
Provision for Taxation : Current Tax		(11,00,000)	(16,50,000)
Deferred Tax		(32,75,930)	1,89,88,575
Fringe Benefit Tax		(5,00,000)	(5,75,000)
MAT credit entitlement		11,00,000	16,50,000
Income Tax Refund received		2,56,10,600	44,12,571
IV. PROFIT AFTER TAX		3,14,72,591	3,71,98,701
Profit brought forward from previous year		36,87,42,048	35,33,57,707
PROFIT AVAILABLE FOR APPROPRIATION		40,02,14,639	39,05,56,408
V. APPROPRIATIONS :			
Transfer to General Reserve		4,14,89,741	1,20,00,000
Proposed Dividend		83,88,700	83,88,700
Tax on Proposed Dividend		14,25,660	14,25,660
Surplus carried over to Balance Sheet		34,89,10,538	36,87,42,048
		40,02,14,639	39,05,56,408
VI. Earnings per Share-(basic and diluted) Rs.		7.50	8.87
Significant Accounting policies and Notes on accounts	18		

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

For and on behalf of the Board

Sd/-
M.S. LAKSHMAN RAO
Managing Director

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

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

Sd/-
V.V.V.S.N. MURTY
Company Secretary

Camp : Hyderabad
Date : 17-07-2008



VBC FERRO ALLOYS LIMITED

SCHEDULES TO BALANCE SHEET AS AT 31st MARCH, 2008

Particulars	As at 31.03.2008 Rupees	As at 31.03.2007 Rupees
1. SHARE CAPITAL		
Authorised :		
2,00,00,000 Equity Shares of Rs.10/- each	20,00,00,000	20,00,00,000
TOTAL	20,00,00,000	20,00,00,000
Issued :		
41,96,450 Equity Shares of Rs.10/- each	4,19,64,500	4,19,64,500
Subscribed & Paid up :		
41,94,350 Equity Shares of Rs.10/- each fully paid up	4,19,43,500	4,19,43,500
Amount paid on 2100 forfeited shares	6,375	6,375
TOTAL	4,19,49,875	4,19,49,875

2. RESERVES AND SURPLUS

Particulars	As at 31.03.2007 Rupees	Additions Rupees	Deductions Rupees	As at 31.03.2008 Rupees
a) Capital Reserve				
i) State Govt. Subsidy	15,00,000	--	--	15,00,000
ii) Share Premium	6,11,79,000	--	--	6,11,79,000
b) General Reserve	86,00,00,000	4,14,89,741	*14,89,741	90,00,00,000
c) Asset Revaluation Reserve	5,32,03,015	--	--	5,32,03,015
d) Surplus in Profit & Loss Account	36,87,42,048	--	--	34,89,10,538
TOTAL	134,46,24,063			136,47,92,553

* Adjustments towards liability in respect of leave encashment upto 01.04.2007.



Particulars	As at 31.03.2008 Rupees	As at 31.03.2007 Rupees
3. SECURED LOANS :		
1) Cash credit from a bank on hypothication of Stock of Finished goods, Raw Materials, stores and spares and book debts and a first charge on all the fixed assets of the Company and guaranteed by Managing Director and a shareholder of the Company, in their personal capacity.	8,88,33,280	9,18,43,966
2) Due to others on hypothication of vehicles	39,93,092	75,362
TOTAL	9,28,26,372	9,19,19,328
4. UNSECURED LOANS :		
Short Term Loans and Advances :		
Demand loan from scheduled Bank	-	2,22,44,620
Loan from Directors	7,09,13,650	5,31,55,069
Inter Corporate Deposits	10,33,11,792	8,73,47,703
Loan from LIC of India	11,27,418	-
TOTAL	17,53,52,860	16,27,47,392

SCHEDULE - 5 FIXED ASSETS

(in Rupees)

Sl. No.	Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		As at 31.03.2007	Additions	Tran / Adj	Upto 31.03.2008	Upto 31.03.2007	For the Year	Tran / Adj	Upto 31.03.2008	As at 31.03.2008	As at 31.03.2007
1	LAND	5,57,05,206	-	-	5,57,05,206	-	-	-	-	5,57,05,206	5,57,05,206
2	BUILDINGS	8,29,65,601	-	-	8,29,65,601	4,93,61,457	17,05,350	-	5,10,66,807	3,18,98,794	3,36,04,144
3	PLANT & MACHINERY	59,06,49,340	13,77,967	-	59,20,27,307	49,19,65,112	1,07,42,648	-	50,27,07,760	8,93,19,547	9,86,84,228
4	FURNITURE	33,36,870	-	-	33,36,870	27,64,309	1,95,701	-	29,60,010	3,76,860	5,72,561
5	OFFICE EQUIPMENT	84,69,496	83,150	-	85,52,646	76,08,956	8,46,817	-	84,55,773	96,873	8,60,540
6	VEHICLES	1,36,17,764	26,84,998	-	1,63,02,762	85,69,569	11,78,682	-	97,48,251	65,54,511	50,48,195
	TOTAL	75,47,44,277	41,46,115	-	75,88,90,392	56,02,69,403	1,46,69,198	-	57,49,38,601	18,39,51,791	19,44,74,874
	ADD: CAPITAL WORK-IN-PROGRESS									87,53,236	75,00,000
	TOTAL	75,47,44,277	41,46,115	-	75,88,90,392	56,02,69,403	1,46,69,198	-	57,49,38,601	19,27,05,027	20,19,74,874
	PREVIOUS YEAR	75,91,58,128	18,99,029	63,12,879	75,47,44,277	58,12,65,774	1,54,65,550	3,64,61,921	56,02,69,403	20,19,74,874	18,53,92,354



Sch. No.	Particulars	As at 31.03.2008 Rupees	As at 31.03.2007 Rupees
6.	INVESTMENTS - (AT COST) NON-TRADE, LONG-TERM		
a)	Government Securities :		
	6 years National Savings Certificates	15,000	15,000
	2000 Units of Rs.10/- each in Unit Trust of India Unit Growth Scheme 2000	21,500	21,500
	TOTAL (a)	36,500	36,500
b)	Other Investments :		
	I. QUOTED		
1,35,000	Equity Shares of Rs.10/- each fully paidup in VBC Finance and Leasing Ltd.,	13,50,000	13,50,000
3,000	Equity Shares of Rs.10/- each fully paidup in Bank of India	1,35,000	1,35,000
380	Equity Shares of Rs.10/- each fully paidup in State Bank of Travancore	2,28,000	2,28,000
	TOTAL (b) (I)	17,13,000	17,13,000
	II. UNQUOTED		
#13,43,05,000	Equity Shares of Rs.10/- each fully paidup in Konaseema Gas Power Ltd.,	134,31,00,000	134,31,00,000
1,00,000	Equity Shares of Rs.10/- each fully paidup in Konaseema Power Corporation Ltd.,	10,00,000	10,00,000
*61,72,670	Equity Shares of Rs.10/- each fully paidup in Orissa Power Consortium Ltd., (Previous year 61,62,670 Equity Shares)	6,17,26,700	6,16,26,700
	Share Application Money with :		
i)	Indo-Us Coal Washeries Ltd.	1,08,57,364	1,08,57,364
ii)	Orissa Hydel Power Balimela Ltd.	1,40,90,000	1,40,90,000
iii)	Karthik Rukmini Alloys & Energy Ltd.	1,24,20,000	25,00,000
	TOTAL (b) (II)	144,31,94,064	143,31,74,064
	TOTAL (b)	144,49,07,064	143,48,87,064
	TOTAL (a+b)	144,49,43,564	143,49,23,564
	Less : Diminution in the value of Investments	10,00,000	10,00,000
	TOTAL	144,39,43,564	143,39,23,564
		Book Value	Market Value
	Aggregate value of :		
	Quoted Investments (net of diminution in value)	3,63,000	25,73,561
	Unquoted Investments (net of diminution in value)	144,35,80,564	-
	TOTAL	144,39,43,564	25,73,561
		Book Value	Market Value
		3,63,000	16,46,573
		143,35,60,564	-
	TOTAL	143,39,23,564	16,46,573

includes 184.589 lacs(P.Y.184.589 lacs) shares acquired, the title in respect of which is in the process of transfer. 10 crore equity shares of Konaseema Gas Power Ltd have been pledged with various financial institutions as a collateral security against the term loans sanctioned to the said company.

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



Sch. No.	Particulars	As at 31.03.2008 Rupees	As at 31.03.2007 Rupees
7.	INVENTORIES (As valued and certified by the Managing Director)		
	Raw materials	15,55,99,414	13,23,83,902
	Stores & Spares	1,18,49,551	93,35,592
	Finished Goods	8,63,96,480	6,50,31,984
	TOTAL	25,38,45,445	20,67,51,478
8.	SUNDRY DEBTORS (Unsecured)		
	Debts outstanding over Six months		
	- Considered good	1,47,25,265	14,13,728
	- Considered doubtful	79,49,228	79,49,228
		2,26,74,493	93,62,956
	Others debts considered good	5,72,91,404	4,81,55,955
		7,99,65,897	5,75,18,911
	Less : Provision for doubtful debts	79,49,228	79,49,228
	TOTAL	7,20,16,669	4,95,69,683
9.	CASH & BANK BALANCES		
	Cash and Cheques on hand	51,254	3,34,102
	Balances with Scheduled Banks :		
	- in Current Accounts	30,35,603	26,43,539
	(includes Rs.23,48,036 on amount of unpaid dividends - previous year is Rs.19,26,146)		
	- in Margin Money Deposit Accounts	1,50,44,266	1,60,61,536
	(Against Bank guarantees and Letters of Credit obtained from a Banker)		
	Balance with Post Office in Savings Bank Account	10,000	10,000
	TOTAL	1,81,41,123	1,90,49,177
10.	OTHER CURRENT ASSETS :		
	Interest reeivable	26,74,156	24,43,950
11.	LOANS AND ADVANCES (Unsecured, Considered good recoverable in cash or kind or for value to be received)		
	Advances Recoverable	1,30,47,739	1,29,82,993
	Deposits Recoverable	7,58,19,007	8,90,41,022
	Balances with Central Excise Authorities	45,01,964	43,50,209
	Claims Receivable	3,38,68,540	3,14,39,384
	Prepaid Expenses	33,49,501	11,17,450
	Income Tax paid under protest	3,38,47,582	-
	Advance Income Tax	54,70,993	26,84,832
	MAT credit entitlement	27,50,000	16,50,000
	TOTAL	17,26,55,326	14,32,65,890



Sch. No.	Particulars	As at 31.03.2008 Rupees	As at 31.03.2007 Rupees
12.	CURRENT LIABILITIES AND PROVISIONS		
	A. CURRENT LIABILITIES		
	Sundry Creditors	39,57,96,873	37,73,95,332
	Advances received against Sales	1,52,24,128	3,95,14,099
	Trade deposits refundable	12,00,000	13,00,000
	Un-paid Dividends	23,48,036	19,26,146
	Creditors for other finances	5,71,53,265	-
	TOTAL	47,17,22,302	42,01,35,577
	B. PROVISIONS		
	Provision for Gratuity	94,13,920	35,26,801
	Provision for compensated leaves	19,40,317	-
	Provision for Income Tax	19,65,798	-
	Provision for Fringe Benefit Tax	12,40,802	5,75,000
	Proposed Dividend	83,88,700	83,88,700
	Tax on Proposed Dividend	14,25,660	14,25,660
	TOTAL	2,43,75,197	1,39,16,161
	TOTAL (A+B)	49,60,97,499	43,40,51,738
	SCHEDULES TO PROFIT & LOSS ACCOUNT :		
13.	ACCRETION TO/(DECRETION IN) STOCKS :		
	Closing Stock :	8,63,96,480	6,50,31,984
	Less: Opening Stock	6,50,31,984	3,35,25,517
		2,13,64,496	3,15,06,467
	Adjustment for Excise Duty on stocks	7,26,024	(44,43,232)
		2,20,90,520	2,70,63,235
14.	OTHER INCOME :		
	Rent received	24,00,000	24,00,000
	Interest received from Banks & others	72,32,967	65,85,149
	Dividends Received	42,500	53,000
	Profit on Sale of Investments	-	62,50,000
	Profit on Sale of Assets	-	2,25,961
	Miscellaneous receipts	43,84,635	13,70,389
	Provisions no longer required	1,41,569	11,50,000
	Excess Depreciation provided in earlier years written back	-	3,01,49,042
	Sundry Credit Balances written back	29,88,757	5,99,159
	TOTAL	1,71,90,428	4,87,82,700



Sch. No.	Particulars	As at 31.03.2008 Rupees	As at 31.03.2007 Rupees
15.	RAW MATERIALS CONSUMED :		
	Opening stock	13,23,83,902	9,60,47,122
	Add: Purchases (Net)	16,50,96,623	25,63,37,883
		<u>29,74,80,525</u>	<u>35,23,85,005</u>
	Less : Closing Stock	15,55,99,414	13,23,83,902
	TOTAL	14,18,81,111	22,00,01,103
16.	STAFF COST :		
	Salaries, Allowances and Bonus	2,82,83,296	2,95,93,347
	Contribution to Provident and other Funds	37,90,781	35,43,063
	Welfare expenses	21,23,142	20,54,047
	Gratuity	31,71,939	11,00,318
	TOTAL	3,73,69,158	3,62,90,775
17.	OTHER EXPENSES :		
	Job Work Expenses	-	79,14,644
	Other Manufacturing Expenses	66,31,348	1,60,83,435
	Stores consumed	25,42,881	41,59,864
	Repairs & Maintenance:		
	Plant & Machinery	47,67,502	40,13,354
	Buildings	5,78,535	-
	Vehicles	11,83,223	14,92,922
	Others	6,23,222	15,95,408
	Insurance	25,64,750	30,42,500
	Rent and Maintenance of hired buildings	61,48,970	56,17,271
	Rates, Taxes & Duties	12,17,556	7,81,780
	Directors' Sitting Fees	4,00,000	4,70,000
	Auditors' Remuneration :		
	As Auditors	1,35,000	1,00,000
	for Tax Audit	25,000	20,000
	for Certification charges	67,000	98,300
		<u>2,27,000</u>	<u>2,18,300</u>
	Transport, Selling and Other Distribution expenses	73,69,232	1,65,80,392
	Sales Commission	52,83,252	36,46,540
	Miscellaneous Expenses	37,44,060	93,12,987
	TOTAL	4,32,81,531	7,49,29,397



SCHEDULE-18: ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

Annexure to and forming part of Balance Sheet as at and Profit & Loss Account for the year ended 31st March, 2008:

I ACCOUNTING POLICIES

(1) GENERAL:

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

(2) FIXED ASSETS:

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

(3) INVESTMENTS:

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

(4) INVENTORIES:

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

(5) REVENUE RECOGNITION:

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

(6) EMPLOYEE BENEFITS:

- (i) Defined Contribution Plans

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



(ii) Defined Benefit Plans

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

(iii) Other Long Term Benefits

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

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

(7) DEPRECIATION:

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

(8) FOREIGN CURRENCY TRANSACTIONS:

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

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

II. NOTES ON ACCOUNTS:

	Unit	Current Year	Previous Year
1. Estimated amount of contracts remaining to be executed on Capital Account and not provided for - Letters of Credit opened	Rs.	Nil	Nil
2. Contingent liabilities			
a) Unexpired Bank Guarantees and letters of Credit outstanding.	Rs.	5,54,38,964	6,62,46,870
b) The company together with two other promoter companies has furnished an undertaking on behalf of Konaseema Gas Power Limited jointly promoted by them to the financial institutions to finance the cost over-run, if any, in respect of the power project being executed by the said company.			
c) The company together with another promoter company has furnished an undertaking on behalf of Orissa Power Consortium Limited jointly promoted by them to the financial institutions to finance the cost over-run, if any, in respect of the power project being executed by the said company.			
d) Unexpired Guarantees given to Financial Institutions and strategic Investors on behalf of Orissa Power Consortium Limited	Rs.	36,35,00,000	36,35,00,000
e) Disputed Sales Tax Demands for non-submission of "C" & "F" Forms	Rs.	47,89,521	50,46,484



	Unit	Current Year	Previous Year
f) Disputed Income Tax demands for the Assessment year 2005-06Rs.		12,61,25,560	5,22,21,303
g) Claims against company not acknowledged as debts. An amount of Rs.338.89 lacs(Previous year Rs.10.95 lacs) paid under protest against items (e) and (f) is shown under the head "Loans and Advances".	Rs.	79,90,546	79,90,546
h) The Company made representations to CPDC of A.P Ltd., seeking reduction in the surcharge and penal interest charged on delayed payment of certain power bills and deletion of certain wrong bills made to the company in earlier years and load factor short fall. There is a difference of Rs 32.85 crores between the amount demanded by CPDC of A.P Ltd and the liability provided by the company in the accounts, of which Rs 19.65 crores is on account of excess interest and surcharge demanded @ 25% as against 9% to be charged in accordance with the decision of BIFR Committee. As the settlement is in final stage and as the management is confident of a favourable decision, no provision is made in the accounts for the above amount which is not accepted by the Company.			
i) No provision has been made in the books of account towards lease rent payable under a lease agreement of which notice of termination was issued by the company to the lessor and not accepted by the said lessor amounting to Rs. 340.20 Lakhs			
3. Advances recoverable includes the following amounts due from companies, firms or other parties, which are under the same management or in which some of the Directors are interested as Directors or in any other capacity: (with maximum balances due at any time during the year given in brackets)			
a) Technopack Pvt. Ltd.	Rs.	1,31,56,618	1,67,93,618
	Rs.	(1,68,14,806)	(2,03,76,976)
4. There are no dues to small-scale industrial undertakings. (a) Names of SSI units, where payments are outstanding for more than 30 days, could not be given in the absence of separate registration for the said SSI units with the company. (b) In the absence of registration by Micro and Small scale industries the information pertaining to these suppliers/service providers could not be furnished.			
5. (I) Managing Director's remuneration: Minimum remuneration paid in lieu of inadequacy of profits of the year			
Salary	Rs.	9,00,000	9,00,000
Contribution to Provident and other funds	Rs.	2,43,000	2,43,000
Other Perquisites:	Rs.	6,720	6,720
Total (I)	Rs.	11,49,720	11,49,720



	Unit	Current Year	Previous Year
(II) Executive Director's remuneration:			
Salary	Rs.	-	3,41,419
Contribution to Provident and other funds	Rs.	-	31,355
Other Perquisites:	Rs.	-	41,925
Total (II)	Rs.	-	4,14,699
Total(I+ II)	Rs.	11,49,720	15,64,419
6. Adjustment in respect of Income and Expenditure not relating to the year grouped under the respective heads of account amounts to a net debit of:	Rs.	Nil	25,000
7. In the opinion of Board of Directors of the company, the Current Assets and Loans and Advances have been stated at the values at which they are realisable in the ordinary course of the business and adequate provisions towards all known liabilities as on date have been made in the books of account.			
8. As per Accounting Standard 15 - "Employee Benefits" issued by the Institute of Chartered Accountants of India the disclosure of employee benefits as defined in the Accounting Standard are given hereunder :			
<u>Defined Contribution Plans</u>			
Contribution to Defined Contribution plans, recognized as expense for the year, are as under:			
Employer's Contribution to Provident and Pension Funds	Rs.	24,14,105	23,08,550
<u>Defined Benefit Plans</u>			
The present value in respect of obligation towards Gratuity liability is determined based on actuarial valuation using the Projected Unit Credit Method which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation for compensated leaves is recognized in the same manner as gratuity.			
Reconciliation of opening and closing balances of Defined Benefit obligation			
a. Gratuity (Funded) :			
Defined Benefit obligation at beginning of the year (As at 1-4-2007)	Rs.	96,00,493	-
Interest Cost	Rs.	7,68,039	-
Current Service Cost	Rs.	11,99,522	-
Benefits paid	Rs.	-	-
Actuarial loss/(gain) on obligation	Rs.	(7,68,039)	-
Defined Benefit obligation at year end (As at 31-3-2008)	Rs.	1,08,00,015	-



	Unit	Current Year	Previous Year
b. <u>Compensated Leaves (Non-funded) :</u>			
Defined Benefit obligation at beginning of the year (As at 1-4-2007)	Rs.	14,89,741	-
Interest Cost	Rs.	1,19,179	-
Current Service Cost	Rs.	4,50,576	-
Benefits paid	Rs.	NIL	-
Actuarial loss/(gain) on obligation	Rs.	(1,19,179)	-
Defined Benefit obligation at year end (As at 31-3-2008)	Rs.	19,40,317	-
Reconciliation of fair value of assets and obligations			
a) Gratuity			
Fair value of plan assets	Rs.	13,86,095	-
Present value of obligation	Rs.	1,08,00,015	-
Amount recognized in Balance Sheet	Rs.	1,08,00,015*	-
* includes Rs.1386095 fair value of assets held by the Gratuity Trust in Group Gratuity Policy with LIC.			
b) Compensated Leaves			
Fair value of plan assets	Rs.	-	-
Present value of obligation	Rs.	19,40,317	-
Amount recognized in Balance Sheet	Rs.	19,40,317	-
Expenses recognized during the year (in the statement of Profit & Loss Account)			
a) Gratuity			
Current Service Cost (Includes Rs.1972417 for the period upto 01.04.2007)	Rs.	31,71,939	-
Interest Cost	Rs.	7,68,039	-
Expected return on plan assets	Rs.	-	-
Actuarial (gain)/loss	Rs.	(7,68,039)	-
Expenses recognized in the statement of P&L a/c	Rs.	31,71,939	-
b) Compensated Leaves			
Current Service Cost (Includes Rs.1972417 for the period upto 01.04.2007)	Rs.	4,50,576	-
Interest Cost	Rs.	1,19,179	-
Expected return on plan assets	Rs.	-	-
Actuarial (gain)/loss	Rs.	(1,19,179)	-
Expenses recognized in the statement of P&L a/c	Rs.	4,50,576	-
Principal Actuarial Assumptions :			
a. <u>Gratuity (Funded) :</u>			
Discount Rate		8%	
Salary Escalation Rate		5%	



VBC FERRO ALLOYS LIMITED

Unit	Current Year	Previous Year
Attrition Rate	2.5%	
Expected Rate of return on Plan assets	0%	
b. <u>Compensated Leaves (Non-funded) :</u>		
Discount Rate	8%	
Salary Escalation Rate	5%	
Attrition Rate	2.5%	
Expected Rate of return on Plan assets	0%	
The above information is certified by an Actuary.		
9. The company operates in only one business segment of manufacture of Ferro Alloys and there is no geographical segments to be reported.		
10. Related Party Transactions: Related parties in terms of AS 18 issued by the Institute of Chartered Accountants of India.		
a) Associates: Konaseema Gas Power Ltd. Konaseema Power Corporation Ltd. Orissa power Consortium Limited. Gandhi Institute of Technology & Management Orissa Hydel Power Balimela Ltd Indo-Us Coal Washeries Ltd		
b) Key Managerial Personnel: Sri. M S Lakshman Rao, Managing Director		
c) Relatives of key Managerial Personnel: Dr. M V V S Murthi, Sri M S Rama Rao		
d) Others: Enterprises in which Key Managerial Personnel or their relatives have substantial interest: VBC Industries Ltd. VBC Exports Ltd. Technopack Pvt. Ltd. VBC Finance & Leasing Ltd		



Transactions carried out with Related Parties during 2007-08

S. No.	Nature of Transactions					Amount Rs.
		Referred in (a) Above	Referred in (b) Above	Referred in (c) Above	Referred in (d) Above	TOTAL
1	Remuneration	0 (0)	11,49,720 (15,64,419)	0 (0)	0 (0)	11,49,720 (15,64,419)
2	Interest Received	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)
3	Interest Paid	22,63,380 (20,90,000)	0 (0)	84,62,367 (79,01,347)	12,000 (0)	1,07,37,747 (99,91,347)
4	Rent Paid	0 (0)	0 (0)	0 (0)	0 (33,00,000)	0 (33,00,000)
5	Rent Received	2,40,000 (2,40,000)	0 (0)	0 (0)	0 (0)	2,40,000 (24,00,000)
6	Job Work Expenses paid	0 (0)	0 (0)	0 (0)	0 (79,14,644)	0 (79,14,644)
7	Amounts Receivable as at the end of the year	0 (10,04,966)	0 (0)	0 (0)	0 (3,24,28,291)	0 (3,34,33,257)
8	Amounts Payable as at the end of the year	4,07,73,730 (2,66,91,802)	89,55,000 (1,07,400)	6,59,67,950 (5,31,55,069)	92,19,951 (4,39,142)	12,49,16,631 (8,03,93,413)
9	Amount received on sale of investments during the year	0 (0)	0 (0)	0 (0)	0 (1,87,50,000)	0 (1,87,50,000)
10	Balance of deposits receivable at the end of the year	0 (2,00,000)	0 (0)	0 (0)	1,39,06,619 (7,50,000)	1,39,06,619 (9,50,000)
11	Balance of deposits payable at the end of the year	4,00,000 (4,00,000)	0 (0)	0 (0)	0 (0)	4,00,000 (4,00,000)

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



VBC FERRO ALLOYS LIMITED

	Unit	Current Year	Previous Year
11. Earning per Share (EPS):			
a) Net Profit/(Loss) available for Equity Share Holders	Rs.	3,14,72,591	3,71,98,701
b) Weighted Average Number of Equity Shares used as denominator for calculating EPS	Nos.	41,94,350	41,19,350
c) Basic and Diluted Earnings per Share of Rs.10 each	Rs.	7.50	9.03
12. Major Components of Deferred Tax Liability / (Asset)			
a) Deferred Tax Liability :			
Timing Difference between book and tax Depreciation	Rs	2,05,85,331	2,46,88,937
b) Deferred Tax Asset:			
i. Sums Covered under section 40a(ia) & 43B of the Income Tax Act 1961	Rs	3,29,21,238	3,23,10,513
ii. Provision for Doubtful Debts	Rs	27,01,943	27,01,943
iii. Un-absorbed depreciation available under the Income Tax Act, 1961	Rs	-	79,90,261
	Rs	3,56,23,181	43,0,02,717
c) Net Deferred Tax Liability/(Asset)	Rs	(1,50,37,850)	(1,83,13,780)
13. According to an independent expert technical assessment, there is no impairment in the carrying cost of cash generating units of the Company in terms of Accounting Standard 28 (AS 28) issued by the Institute of Chartered Accountants of India.			
14. Additional information as required under part-II of Schedule VI to the Companies Act, 1956			
i) Licensed Capacity:			
a) Ferro Silicon	MT	15,000	15,000
b) Pig Iron /Silico Manganese/Ferro Manganese	MT	45,500	45,500
c) Ferro Chrome/Charge Chrome	MT	20,400	20,400
ii) Installed Capacity:			
Ferro Silicon	MT	10,000	10,000
Ferro Chrome	MT	31,500	31,500
Silico Manganese / Ferro Manganese (As certified by the Managing Director)	MT	27,000	27,000
iii) Production:			
Ferro Silicon @	MT	7,111	10,486
Silico Manganese	MT	3,431	9,948
@ includes production on job work basis	MT	-	274

**iv) Opening Stock:**

Quantity:

Ferro Silicon	MT	891	378
Silico Manganese	MT	551	470
Ferro Manganese	MT	1	1
Ferro Chrome	MT	126	126

Value:

Ferro Silicon	Rs	3,65,19,858	1,51,03,221
Silico Manganese	Rs	1,80,76,643	1,39,95,622
Ferro Manganese	Rs	33,337	29,778
Ferro Chrome	Rs	43,96,896	43,96,896
Others	Rs	60,05,250	-
		<u>6,50,31,984</u>	<u>3,35,25,517</u>

V. Closing Stocks:

Quantity:

Ferri Silicon	MT	598	891
Silico Manganese	MT	553	551
Ferro Manganese	MT	1	1
Ferro Chrome	MT	126	126

Value:

Ferro Silicon	Rs	3,01,25,632	3,65,19,858
Silico Manganese	Rs	2,80,14,822	1,80,76,643
Ferro Manganese	Rs	32,747	33,337
Ferro Chrome	Rs	43,96,896	43,96,896
Others	Rs	2,38,26,383	60,05,250
		<u>8,63,96,480</u>	<u>6,50,31,984</u>

vi) Turnover

a) Quantity

Ferro Silicon #	MT	7,404	9,973
Silico Manganese	MT	3,429	9,867

includes 813 Mts of Slag sold during the year (Previous year nil)

b) Value:

Ferro Silicon	Rs	35,51,35,915	43,94,56,044
Silico Manganese	Rs	15,15,45,056	28,96,55,701
Others	Rs	2,15,31,945	1,07,74,290
Total	Rs	<u>52,82,12,916</u>	<u>73,98,86,035</u>



vii) Consumption of Raw Materials

a) Quantity			
Quartz	MT	7,514	16,113
Charcoal	MT	9,897	10,427
Carbon Paste	MT	483	703
b) Value			
Quartz	Rs	31,73,110	9,336,111
Charcoal	Rs	6,53,38,035	57,564,160
Carbon Paste	Rs	1,15,48,723	16,272,443
Others	Rs	6,18,21,243	13,68,28,389
Total	Rs	14,18,81,111	22,00,01,103

viii) Analysis of materials & stores consumed

Indigenous:			
Percentage	%	100	99.77
Value	Rs	14,44,23,992	22,36,48,147
Imported:			
Percentage	%	-	0.23
Value	Rs	-	5,12,820
Total	Rs	14,44,23,992	22,41,60,967

ix) Expenditure in foreign currency during the financial Year on account of travelling	Rs.	-	-
x) Earnings in foreign exchange on account of Exports of goods calculated on FOB basis.	Rs.	5,14,54,694	3,85,37,729

15. Previous Year's figures have been regrouped and rearranged wherever necessary

16. Paise have been rounded off to the nearest rupee.

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

For and on behalf of the Board

Sd/-
M.S. LAKSHMAN RAO
Managing Director

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

Camp : Hyderabad
Date : 17-07-2008

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

Sd/-
V.V.V.S.N. MURTY
Company Secretary

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2008**

	Year Ended 31.03.2008 Rs.	Year Ended 31.03.2007 Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit/(Loss) before Tax and after extraordinary items	96,37,921	1,43,72,555
Adjustments for :		
Depreciation	1,46,69,198	1,54,65,550
Interest Paid	4,21,42,594	4,38,54,338
Interest Received	(72,32,967)	(65,85,149)
Excess Depreciation written back	-	(3,01,49,042)
Provision no longer required	(31,30,326)	(11,50,000)
Profit on sale of investments	-	(62,50,000)
Dividend received	(42,500)	(53,000)
Profit/(Loss) on sale of assets	-	(2,25,961)
Provision for gratuity	31,71,939	-
Operating Profit before working capital changes	5,92,15,859	2,92,79,291
Adjustments for :		
Trade and other receivables	(5,20,66,627)	2,82,51,767
Inventories	(4,70,93,967)	(6,72,20,860)
Trade payables	5,78,82,807	4,90,38,152
Cash generated from operations	1,79,38,072	3,93,48,350
Interest Paid	(4,21,42,594)	(4,38,54,338)
Direct taxes paid	2,77,42,200	(32,19,302)
NET CASH FLOW/(USED) FROM OPERATING ACTIVITIES (A)	35,37,678	(77,25,290)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Increase in Loans/advances to Bodies Corporate	-	-
Purchase of Fixed Assets	(41,46,115)	(18,99,029)
(Increase)/Decrease in Capital work-in-progress	(12,53,236)	-
Purchase of Investments	(1,00,20,000)	(9,76,95,000)
Sale of Investments	-	1,87,50,000
Interest received	72,32,967	65,85,149
Sale of Fixed Assets	-	2,25,961
Dividend received	42,500	53,000
NET CASH FLOW / (USED) IN INVESTING ACTIVITIES (B)	(81,43,884)	(7,39,79,919)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Increase / (Decrease) in Borrowings	1,35,12,512	6,39,38,545
Dividend Paid	(98,14,360)	(46,88,752)
Preferential issue of Share Capital	-	15,00,000
Premium on issue of Share Capital	-	1,72,50,000
NET CASH GENERATED/(USED) IN FINANCING ACTIVITIES (C)	36,98,152	7,79,99,793
Net Increase/(decrease) in cash and cash equivalents (A+B+C)	(9,08,054)	(37,05,416)
Cash and Cash equivalents at the beginning of the year	1,90,49,177	2,27,54,593
Cash and Cash equivalents as at the close of the year	1,81,41,123	1,90,49,177

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

Chartered Accountants

Sd/-

C.V. RAMANA RAO

Partner

Membership No.018545

Camp : Hyderabad

Date : 17-07-2008

For and on behalf of the Board

Sd/-

M.S. LAKSHMAN RAO

Managing Director

Sd/-

K. KAILASNATHA REDDY

Vice President (Finance)

Sd/-

Dr. M.V.V.S. MURTHI

Chairman

Sd/-

V.V.V.S.N. MURTY

Company Secretary



Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Company Identification No. (CIN)
 Registration No. State Code
 Balance Sheet Date

II. Capital Raised During the Year (Amount in Rs. Thousands)

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

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

Total Liabilities	Total Assets
<input type="text" value="16,74,922"/>	<input type="text" value="16,74,922"/>

Sources of Funds (Amount in Rs. Thousands)

Paid up Capital	Reserves & Surplus	Secured Loans	Unsecured Loans
<input type="text" value="41,950"/>	<input type="text" value="13,64,792"/>	<input type="text" value="92,826"/>	<input type="text" value="1,75,353"/>

Application of Funds (Amount in Rs. Thousands)

Net Fixed Assets	Investments	Net Current Assets	Misc. Expenditure
<input type="text" value="1,92,705"/>	<input type="text" value="14,43,944"/>	<input type="text" value="23,235"/>	<input type="text" value="NIL"/>
Accumulated Losses			
<input type="text" value="NIL"/>			

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

Turnover	Total Expenditure	Profit/Loss before Tax	Profit/Loss after Tax
<input type="text" value="5,04,072"/>	<input type="text" value="4,94,434"/>	<input type="text" value="9,638"/>	<input type="text" value="31,473"/>
Earnings Per Share in Rs.		Dividend %	
<input type="text" value="7.50"/>		<input type="text" value="20"/>	

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

Item Code No.

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



FORM 2B

Account No. :
No. of Shares :

NOMINATION FORM

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

I/We _____

and _____

and _____

the Members of VBC Ferro Alloys Limited holding shares bearing Distinctive Numbers _____

wish to make a nomination and do hereby nominate the following person in whom all rights of transfer and/or amount payable in respect of shares shall vest in the event of my or our death.

Name and Address of Nominee

Name : _____

Address : _____

Date of Birth : _____

(if nominee is a minor)

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

Name : _____

Address : _____

1 Signature : _____

Name : _____

Address : _____

Date : _____

2 Signature : _____

Name : _____

Address : _____

Date : _____

3 Signature : _____

Name : _____

Address : _____

Date : _____

SHAREHOLDERS' INFORMATION

Name, Address and Signature of two Witnesses

	Name and Address	Signature with Date
1.		
2.		



Instructions :

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

FOR OFFICE USE ONLY

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

**VBC FERRO ALLOYS LIMITED**Regd. Office: 3rd Floor, Progressive Towers, Khairatabad, Hyderabad - 4**ELECTRONIC CLEARING SERVICE (CREDIT CLEARING)
ECS Mandate for payment of dividend on Equity Shares**

1. First Shareholder's Name
(IN BLOCK LETTERS) :

2. Shareholders Folio No. :

3. Particulars of Bank Account
 - A Bank Name :

 - B Branch Name, Address &
Phone Number :

 - C Account No.
(as appearing on the cheque book) :

 - D Account Type
(SB Account / Credit A/c or
Cash Credit). : S.B A/c Current A/c Cash Credit A/c.
Please tick the correct box

 - E Ledger Folio No. of the
Bank A/c.
(as if appearing on the Cheque Book):

 - F 9 Digit Code No. of the Bank &
Branch appearing on the MICR
Cheque issued by the bank. :

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

Date :

Signature of the First Shareholder

Notes:

1. Please attach photocopy of a cheque or a blank cancelled cheque issued by your Bank relating to your above account for verifying the accuracy of the code number.
2. You are advised to submit the ECS Bank details in the format prescribed latest by 05.09.2008 to enable us to include the same for the payment of the current years dividend.



VBC FERRO ALLOYS LIMITED

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

PROXY FORM

I/We of

being a member(s) of the above named Company, hereby appoint the following as my/our Proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 26th Annual General Meeting of the Company to be held on Friday the 5th September 2008 at 3.00 p.m. at Surana Udyog Auditorium of The Federation of Andhra Pradesh, Chambers of Commerce & Industry situated at 11-6-841, Red Hills, Hyderabad-500 004 and at any adjournment thereof.

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

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

Table with 3 columns: RESOLUTIONS, FOR, AGAINST. Rows: Item No.1, Item No.2, Item No.3, Item No.4

Table with 3 columns: RESOLUTIONS, FOR, AGAINST. Rows: Item No.5, Item No.6, Item No.7

Number of Shares held

Signed this day of, 2008

Folio No./DP ID & Client ID No.

Signature(s) of Members



- 1. 2. 3.

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

VBC FERRO ALLOYS LIMITED

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

ATTENDANCE SLIP

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

NAME & ADDRESS OF THE SHARE HOLDER

Folio No. / DP ID & Client ID No.

.....

I hereby record my presence at the 26th ANNUAL GENERAL MEETING of the Company held on Friday, the 5th September, 2008 at 3.00 p.m. at Surana Udyog Auditorium of The Federation of Andhra Pradesh, Chambers of Commerce & Industry situated at 11-6-841, Red Hills, Hyderabad-500 004.

SIGNATURE OF THE SHAREHOLDER OR PROXY

BOOK - POST