



GMR FERRO ALLOYS AND INDUSTRIES LIMITED

nerves of steel

ANNUAL  
REPORT  
2008-09





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## GENERAL INFORMATION

|   |  |  |
|---|--|--|
| <b>Board of Directors</b>                       | Mr. B.V.N. Rao<br>Mr. N.V. Varadarajulu<br>Mr. N. C. Sarabeswaran<br>Mr. U. Naresh Kumar<br>Mr. Prem Kumar Amar  | Chairman<br>Director<br>Director<br>Executive Director<br>Director |
| <b>Statutory Auditors</b>                       | M/s. S. Venkatadri & Co.<br>Chartered Accountants<br>1408, Babukhan Estate,<br>Basheerbagh,<br>Hyderabad – 500 001<br>Tel: 040-23210182/23237463<br>Fax: 040-23296341                            |  |
| <b>Bankers</b>                                  | Andhra Bank<br>State Bank of Mysore  |  |
| <b>Registered Office &amp; Corporate Office</b> | 6-3-866/1/G2, Greenlands,<br>Begumpet, Hyderabad - 500 016<br>Andhra Pradesh<br>Tel: 040-23410191 to 195<br>Fax: 040-23410262<br>Website: <a href="http://www.gfil.in">www.gfil.in</a>           |  |
| <b>Operating Division</b>                       | Ravivalasa Village,<br>Tekkali Mandal,<br>Srikakulam District - 532 212<br>Andhra Pradesh.<br>Tel: 08945-244701, 244312<br>Fax: 08945-244545   |  |
| <b>Registrar &amp; Share Transfer Agents</b>    | Karvy Computershare Pvt. Ltd.<br>(Unit: GMR Ferro Alloys & Industries Ltd.)<br>Plot # 17-24, Vittal Rao Nagar,<br>Madhapur, Hyderabad – 500 081<br>Tel: 040-23420819 to 824<br>Fax: 040-23420814 |  |

## NOTICE

Notice is hereby given that the 3rd Annual General Meeting of GMR Ferro Alloys & Industries Limited will be held on Tuesday, the 29th September, 2009 at 10.30 a.m. at “K. L. N. Prasad Auditorium”, in the premises of The Federation of Andhra Pradesh Chambers of Commerce and Industry (FAPCCI), Federation House, 11-6-841, Red Hills, P. B. No.14, Hyderabad – 500 004, A.P., to transact the following business:

### Ordinary Business

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2009, the Profit and Loss Account for the year ended as on that date and the reports of the Directors’ and the Auditors’ thereon.
2. To appoint a Director in place of Mr. N. V. Vardarajulu, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint M/s. S. Venkatadri & Co., Chartered Accountants, Hyderabad, as Auditors of the Company for the period commencing from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

### Special Business

4. To consider and if thought fit, to pass, with or without modification(s), the following Resolution as a Special Resolution.  
“RESOLVED THAT pursuant to Sections 198, 269, 309, 310, 311 and other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956, including any statutory modification(s) or re-enactment(s) thereof for the time being in force, consent of the Members of the Company be and is hereby accorded to the terms and conditions of the appointment of Mr. U. Naresh Kumar, Executive Director of the Company for the period from 1st April, 2008 to 31st March, 2011 including remuneration to be paid to him in the event of absence or in inadequacy of profits, as set out in explanatory statement annexed hereto with liberty to the Board of Directors to alter or vary the terms and conditions of the said appointment in such manner as may be agreed to between the Board of Directors and Mr. U. Naresh Kumar .

By order of the Board of Directors

Sd/-

U. Naresh Kumar  
Executive Director

Place: Bangalore

Date : 27th July, 2009

## NOTES:

1. **A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself / herself and such proxy need not be a member. However, the duly filled in and signed proxy form(s) in order to be valid, shall be lodged with the Company at its Registered Office not less than 48 hours before the commencement of the meeting.**
2. Corporate Members are requested to send a duly certified copy of the Board Resolution authorising their representatives to attend and vote at the Annual General Meeting.
3. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special Business is annexed hereto.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from 23rd September, 2009 to 29th September, 2009 both days inclusive.
5. Members holding shares in physical form, may write to the Company's Share Transfer Agents (M/s. Karvy Computershare Private Limited) for any change in their address and bank mandates and Members having shares in electronic form may inform the same to their Depository Participants.
6. Members desiring any information as regards to the Accounts and operations of the Company are requested to send their queries atleast 7 days before the date of the meeting to the Company, so that the desired information may be made available at the Meeting.
7. Detailed information regarding the various Stock Exchanges where the equity shares of the Company are listed, along with their address and the stock code given to the Company by the respective Stock Exchanges are indicated in the Corporate Governance Report, forming part of the Directors' Report.
8. As per the provisions of Section 109A of the Companies Act, 1956, nomination facility is available to the members, in respect of the equity shares held by them. Nomination forms are available and can be obtained from the RTA.
9. The SEBI vide circular No. MRD/DoP/Cir-05/2009 dated 20th May, 2009 has made it mandatory to furnish copy of the PAN card to the Company/RTAs for registration of transfer of shares, for securities market transactions and off-market/private transactions involving transfer of shares in physical form. In this connection, the transferees of the Company's shares are requested to submit a copy of their PAN Card alongwith the Transfer Deed.
10. The profile of Directors seeking reappointment are indicated in the Corporate Governance Report.
11. Copies of all documents referred to in the notice are available for inspection at the Registered Office of the Company between 10.00 AM to 1.00 PM on all working days till the date of the Meeting.

## **Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.**

### **ITEM NO. 4**

Mr. U. Naresh Kumar was appointed as the Executive Director of the Company w.e.f. 28th June, 2007 for a period of 5 years on the terms and conditions and remuneration as approved by the Board of Directors and shareholders at their Meetings held on 28th June, 2007 and 25th September, 2008 respectively. Subsequently, the remuneration of Mr. U. Naresh Kumar was revised w.e.f. 1st July, 2007, 1st April, 2008 and 1st July, 2008 as recommended by the Remuneration Committee and approved by the Board of Directors at their respective meetings held on 29th October, 2007, 14th June, 2008 and 30th July, 2008. The shareholders at their meeting held on 25th September, 2008 had approved the said revision in remuneration which are set out below:

#### **A. Basic Salary :**

- (a) From 1st April, 2008 to 30th June, 2008 : Rs.76,950/- per month.
- (b) From 1st July, 2008 onwards : Rs.97,210/- per month.

#### **B. Allowances and Perquisites:**

##### **Category – A :**

- (i) House Rent Allowance :
  - (a) From 1st April, 2008 to 30th June, 2008: Rs.30,780 /- per month.
  - (b) From 1st July, 2008 onwards : Rs.48,605/- per month.
- (ii) Special Allowance :
  - (a) From 1st April, 2008 to 30th June, 2008: Rs.1,15,102/- per month.
  - (b) From 1st July, 2008 onwards : Rs.1,38,169/- per month.
- (iii) Leave Travel Allowance for self and family once in a year subject to a ceiling of Rs.1,00,000/- per annum.
- (iv) Medical Reimbursement: Medical Expenses incurred on self and family subject to a ceiling of Rs.15,000/- per annum.
- (v) Transport Allowance of Rs. 800/- per month.
- (vi) Children Education Allowance of Rs. 200/- per month (From 1st April, 2008 to 30th June, 2008).

**Category – B :**

- (i) Contribution to Provident Fund, Superannuation Fund or Annuity Fund and Gratuity as per the Company's rules and applicable provisions of the relevant statutes.
- (ii) Encashment of leave as per Company's rules.
- (iii) Mediclaim Insurance and plans as per the rules of the Company.
- (iv) Other perquisites and allowances including Bonus: Bonus of Rs.92,340/- per annum. (From 1st April, 2008 to 30th June, 2008), Ex-Gratia Rs. 1,16,652/- per annum from 1st July, 2008 onwards).

**Category – C :**

- (i) Variable pay of Rs. 6,00,000/- per annum till 30th June, 2008, From 1st July, 2008 onwards as per the variable pay scheme of the Company. (The remuneration Committee and the Board of Directors of the Company at their meeting held on 27th July, 2009, have approved the variable pay of Rs. 6,15,600/- to be paid during the financial year 2009-10.)
- (ii) Reimbursement of telephone at residence for official purpose. Personal long distance calls on telephone shall be billed by the Company.

At present, the Ferro Alloys industry is adversely affected by several factors, such as decline in prices of finished products and high raw material cost which has resulted in the Company incurring a loss of Rs. 314.99 lakhs during the financial year ended 31st March, 2009.

As per sub-clause B of Section II of part II of Schedule XIII of the Companies Act, 1956, for payment of remuneration in excess of Rs. 2 lakhs p.m. and within the ceiling of Rs. 4 lakhs p.m. to a managerial person by companies having no profit or inadequate Profit requires disclosure of certain information and also approval of the shareholders by a Special Resolution for a period not exceeding three years.

Accordingly, the said special resolution for payment of the minimum remuneration to Mr.U. Naresh Kumar, Executive Director is placed before the shareholders for approval. The necessary information as per Schedule XIII is being furnished in the annexure.

Your Directors commend the proposed resolution for the approval of the Members.

None of the Directors except Mr.U. Naresh Kumar is concerned or interested in the resolution.

By order of the Board of Directors

Place: Bangalore

Date : 27th July, 2009

Sd/-  
U. Naresh Kumar  
Executive Director

## ANNEXURE TO THE NOTICE

Statement containing required information as per part II of Section II of Schedule XIII of the Companies Act, 1956 for Item No 4.

### I. General Information:

#### (1) Nature of Industry

Ferro Alloys.

#### (2) Date or expected date of commencement of commercial production.

The Company has a plant at Ravivalasa Village, Tekkali Mandal, Srikakulam District, Andhra Pradesh. It commenced production in the year 1990.

#### (3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus.

Not Applicable

#### (4) Financial performance for the year 2008/2009 based on given indicators

During the year the Company's turnover was at Rs. 10,080.36 lakhs as against Rs. 14,100.47 lakhs of the previous year. The loss before interest and depreciation was Rs. 84.95 lakhs. The decreased prices of the finished goods coupled with high raw material cost adversely impacted the performance of the Company during the year 2008-09.

(Rs. in Lakhs)

| Particulars        | 2008-2009 | 2007-2008 | 2006-2007 |
|--------------------|-----------|-----------|-----------|
| Gross Income       | 10101.64  | 14143.16  | 13613.50  |
| Profit Before Tax  | (472.13)  | 573.33    | 141.69    |
| Profit After Tax   | (314.99)  | 349.89    | 88.51     |
| Net Worth          | 3643.90   | 3958.88   | 3693.58   |
| Dividend per share | Nil       | Nil       | Nil       |

#### (5) Export performance and net foreign exchange collaborations

N.A.

#### (6) Foreign investments or collaborators, if any.

The current foreign holding in the share capital of the Company as on 30th June, 2009 is as under.

| Foreign Holding                | Number of Shares | Percentage holding |
|--------------------------------|------------------|--------------------|
| Foreign Institutional Investor | 600000           | 4.88               |
| Non-Resident Indians           | 54413            | 0.44               |
| Overseas Corporate Bodies      | 152              | Nil                |

### II. Information about the appointee

#### MR.U. NARESH KUMAR :

##### (1) Background details

Mr. Naresh Kumar is a Graduate in Chemical Engineering from one of the most prestigious colleges of India, BITS Pilani and a MBA in Marketing & Finance from Osmania University, Hyderabad.

Mr. Naresh Kumar has an outstanding career spanning over 32 years in diverse industries. He started his career in the year 1976 at BITS, Pilani in Research & Development in Solar Energy field and has presented a paper at International Solar Energy Symposium in 1978. From October 1978 till November 1979, he was the Production Supervisor of Salicylates & Chemicals – a unit manufacturing Para Hydroxy Benzoic Acid, a fine chemical. From November 1979 till October 1982, he was the Plant Manager of CYTOZYME AP Ltd. a joint venture unit of AP Agro Industries and Cytozyme USA. He was responsible for setting-up this Bio-Fertilizer plant at Patancheru, Hyderabad.

Having gained experience in R&D, Production, setting up of Industries, he then ventured into Marketing. Mr. Naresh Kumar joined Thermax Limited in November 1982 as a Senior Sales Engineer & later promoted to Area Manager and was responsible for furthering the Company's business especially Industrial Boilers in the state of Andhra Pradesh. In January 1990 he was elevated to the position of business manager, as in-charge of the business activity for Chesterton. Plc. USA product range to be marketed through dealer network in India for Thermax Limited. In April 1993 he was posted at Jakarta, Indonesia as Country Manager for Thermax Limited. Initially he was responsible for setting-up new operations at Jakarta and later to setup operations in entire South East Asia. During this term he was instrumental in making Thermax "Made in India" products well accepted in most competitive markets of South East Asia and was instrumental in making the operations most important for Thermax exports.

From June 1998 to October 2001, Mr. Naresh Kumar was the Divisional Manager, Profit center head of the “Fan Division” of Thermax. The division was into Design, Manufacturing and Installation of Centrifugal fans for process industries.

From November 2001 till February 2004, Mr. Naresh Kumar was associated with “PAM Pharmaceuticals”, Mumbai (a ACG Group company) as General Manager (Sales & Marketing). He was responsible for Marketing for 4 of their Engineering companies product lines. In March 2004, he joined Doshion Limited, Ahmedabad as CEO for their “Packaged Water Treatment Division”. This Division caters to industrial water treatment & effluent treatment business. Mr. Naresh Kumar joined GMR Ferro Alloys & Industries Ltd. in the year 2007.

**(2) Past remuneration (Rs. in Lakhs per annum)**

| Year      | Salary | Perquisites | Total |
|-----------|--------|-------------|-------|
| 2007-2008 | 21.90  | 7.41        | 29.31 |
| 2006-2007 | 10.46  | -           | 10.46 |

\* Excludes the Company’s contribution to Provident, Superannuation and Gratuity Funds.

**(3) Recognition or awards**

Nil

**(4) Job profile and his suitability**

Mr. U. Naresh Kumar joined GMR Ferro Alloys & Industries Limited in the year 2006. In the very first year he was able to show remarkable increase in bottom-line from Rs. 142 lakhs (in 2006-07) to Rs.573 lakhs (in 2007-08), an increase of over 403%. Mr. Naresh Kumar kicked off several other key initiatives like:

- Marked improvement in operational efficiencies
- Establish “Product Quality” in the most demanding European markets
- Launching of 6 Sigma & Sprint Sigma initiatives across the plant
- Improvement in skill set of people

**(5) Remuneration proposed**

The terms of remuneration proposed are detailed in the Resolution.

**(6) Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person (in case of expatriates the relevant details would be with respect to the country of his origin)**

For the responsibility shouldered by Mr. Naresh Kumar, Executive Director of the Company in navigating the business in these challenging times, the remuneration paid to him is commensurate and compares favourably with the compensations paid to the business heads of like sized and similarly positioned businesses.

**(7) Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any.**

Nil

**III. Other information**

**(1) Reasons of loss or inadequate profits**

During the beginning of the year the prices of the product reached a level of 1.20 USD per Lb and with stratgic sourcing of raw material your Company was able to enjoy healthy margins. However, the economic meltdown in USA and Europe towards the second half of the year severely impacted the demand for ferrochrome. Prices for High carbon Ferro Chrome dropped from \$ 1.20 per Lb to \$0.57-0.65 per Lb levels. During this period despite drop in prices for products there was no commensurate fall in prices of the main raw materials such as Chromite Ore. This resulted in serious erosion of margins.

**(2) Steps taken or proposed to be taken for improvement**

We have scheduled relining of the both the furnaces during the current year to achieve maximum production. On the production front, in order to get better realisation we plan to re-process Off Grade materials, and also explore the possibility of direct sales to end users for getting better realisation.

**(3) Expected increase in productivity and profits in measurable terms**

After completion of relining we expect to get production of 78 MT per day. The increased production will bring down our fixed expenses per ton of production after the relining works are completed. We are planning to keep adequate raw materials stocks for un-interrupted production.

**IV. Disclosures**

The remuneration package of the managerial personnel has been provided in the Notice and also in the Corporate Governance Report.

## DIRECTORS' REPORT

Your Directors are pleased to present their 3rd Annual Report of the Company together with the Audited Accounts for the financial year ended 31st March, 2009.

### FINANCIAL HIGHLIGHTS

(Rs. in Lakhs)

|  | 2008-2009 | 2007-08   |
|--|-----------|-----------|
| Sales Income                               | 10,080.36 | 14,100.47 |
| Total Income                               | 10,101.64 | 14,143.16 |
| Profit before Interest and Depreciation    | (84.95)   | 1,192.02  |
| Interest                                   | 159.96    | 391.76    |
| Depreciation                               | 227.22    | 226.93    |
| Profit before Tax                          | (472.13)  | 573.33    |
| Provision for                              |           |           |
| - Current Tax                              | -         | 240.77    |
| - Deferred Tax                             | (157.57)  | (28.70)   |
| - Fringe Benefit Tax                       | 0.43      | 11.37     |
| Profit after Tax                           | (314.99)  | 349.89    |
| Balance brought forward from previous year | 272.85    | 3.94      |
| Balance available for appropriations       | (42.14)   | 353.83    |
| Preference Dividend                        | -         | 69.22     |
| Income Tax on Preference Dividend          | -         | 11.76     |
| Balance carried forward to Balance Sheet   | (42.14)   | 272.85    |

### DIVIDEND

Your Board of Directors have not recommended any dividend for the financial year ended on March 31, 2009 on account of losses incurred during the year.

### REVIEW OF OPERATIONS AND PERFORMANCE

During the beginning of the year, the prices of the product reached a level of 1.20 USD per Lb and with strategic sourcing of raw material your Company was able to enjoy healthy margins. However, the economic meltdown in USA and Europe towards the second half of the year severely impacted the demand for ferrochrome. Prices for High carbon Ferro Chrome dropped from \$ 1.20 per Lb to \$0.57-0.65 per Lb levels. During this period despite drop in prices for products there was no commensurate fall in prices of the main raw materials such as Chromite Ore. This resulted in serious erosion of margins.

To counter this adverse development and minimize the losses, your Company ventured into manufacturing of Silico Manganese product which offered better economics.

### MANAGEMENT DISCUSSION AND ANALYSIS

#### Industry Structure and Development

The viability and prospects of the Ferro Alloys Industry is directly linked to the performance of the stainless steel Industry. The stainless steel industry which was growing at a rate of over 10% p.a. during the last decade experienced a negative growth during the year primarily owing to economic meltdown in US and Europe. Also during the boom time of the preceding year, most of the European and US stainless steel manufacturers had stocked up ferro chrome thus resulting in lack of demand for the product during the year.

#### Future Outlook

The demand for ferrochrome is expected to be sluggish for most part of the year 2009-10 and with likely correction in the inventory levels towards the end of the year it is reasonable to expect a demand supply driven economics for our products. The selling prices are likely to be subdued. The prices of raw material such as chrome ore have also come down in proportion to the finished cost of ferro chrome giving the industry a chance to stabilise and revive their operations to normalcy.

#### Opportunities and Threats

The corrections in the current inventory levels and the prospects of global demand for stainless steel augurs well for your Company's products. The monopolistic pricing and supply of chrome ore is a threat to this industry. Further the higher power cost also poses a major threat especially during times of low production.

## **EXPORTS AND IMPORTS**

During the year under review, your Company made exports worth Rs.7482.59 lakhs and imports worth Rs. 462.93 lakhs.

## **INTERNAL CONTROL SYSTEMS AND ITS ADEQUACY**

The Company has adequate internal control systems commensurate with the size of its activities. The quarterly internal audit reports are placed before the Audit Committee. The Review of reports of statutory auditors and Management Letters are placed before the Audit Committee as and when the same are issued. A detailed process document is being issued on preparation of interim financial reporting.

## **HUMAN RESOURCE DEVELOPMENT:**

Your Company has given high degree of importance in developing the human capital and its continual improvement. The Management focuses on Safe work practices and procedures at all times more so because 2008-09 was the year for Industrial Safety and Health.

Initiatives such as Suggestion Scheme, Quality Circles etc., have been taken up to involve the employees and take innovative ideas to solve day to day work related problems.

Industrial relations with the Union and the employees were good and harmonious. Your Company has implemented all Employee welfare Schemes as per the Company Policy and wage agreement. As on March 31, 2009, the number of employees on the rolls of the Company stood at 222.

## **CAUTIONARY STATEMENT**

The management discussion and analysis report containing your Company's objectives, projections, estimates and expectation may constitute certain statements, which are forward looking within the meaning of applicable laws and regulations. Actual results may differ materially from those expressed or implied in the statement. Your Company's operation may interalia be affected by the supply and demand situations, input price and the availability, changes in the government regulations, tax laws and other factors. The Company cannot guarantee the accuracy of the assumptions and perceived performance of the Company in future. The investors should bear the above in mind.

## **DIRECTORS**

Mr. N. V. Varadarajulu, Director is liable to retire by rotation at the ensuing Annual General Meeting and, being eligible, offers himself for re-appointment.

## **DIRECTORS RESPONSIBILITY STATEMENT**

Pursuant to Section 217(2AA) of the Companies Act, 1956 and on the basis of explanation given by the Executives of the Company and also subject to the disclosures in the Annual Accounts, your Directors confirm as under:

- i. that in the preparation of the annual accounts, the applicable Accounting Standards have been followed along with proper explanations relating to material departures.
- ii. that the Directors had selected such accounting policies and applied them consistently and made judgements and that estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for that period.
- iii. that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records 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. that the Directors had prepared the annual accounts for the financial year ended 31st March, 2009 on a going concern basis.

## **SOCIAL RESPONSIBILITY**

Your Company actively supports the corporate social responsibility arm of GMR Group, GMR Varalakshmi Foundation, which undertakes initiatives in the field of education; health, hygiene & sanitation; empowerment and community development programmes in the communities surrounding the Company's project site. Your Company continues to make significant contribution to promote sustainable livelihoods of people living in and around its factory zones by providing educational support, technical assistance, financial assistance, organizing medical camps, etc. Your Company also provides hygiene drinking water to nearby village and facilitates medical aid in times of emergency.

## **FIXED DEPOSITS**

During the year under review, your Company neither invited nor accepted any fixed deposits from the public as per the provisions of Section 58A of the Companies Act, 1956. As such, no amount of principal or interest was outstanding as on the date of the Balance Sheet.

## **CLAIM OF KTC, KOREA**

A claim for \$ 383,257.78 has been filed by KTC Korea Co. Ltd. Seoul, Republic of Korea (KTC) before the Korean Commercial Arbitration Board (“KCAB”) regarding the supply of 3300 MT of High Carbon Ferro Chrome (Products) by the Company to KTC under the Agreement dated November 5, 2007, KCAB has sent a notice dated July 15, 2009 for arbitration with a stipulation that the respondent may, within 30 days from the date of receipt of the Notice, file a statement of defence with the Secretariat of KCAB. The said claim of KTC relates to compensation for damages for alleged delay in delivery and variation in the specification of products supplied by the Company.

## **CORPORATE GOVERNANCE**

Report on Corporate Governance and Certificate of Auditors of the Company for the due compliance of code of Corporate Governance pursuant to Clause 49 of the Listing Agreement are attached and form part of this Report.

## **PERSONNEL RELATIONS**

During the year under review, relations between the employees and the management continued to remain cordial. Your Directors hereby place on record their appreciation for the services rendered by the executives, staff and workers of the Company.

## **CONSERVATION OF ENERGY, TECHNICAL ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

The information relating to conservation of energy, technical absorption, foreign exchange earnings and outgo pursuant to 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 is given in the Annexure forming part of this Report.

## **AUDITORS**

The Auditors, M/s. S. Venkatadri & Co., Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. They have confirmed their willingness to act as Auditors of the Company for the financial year 2009-10 and confirmed that their re-appointment, if made, would be within prescribed limits under Section 224 (1B) of the Companies Act, 1956.

## **PARTICULARS OF EMPLOYEES**

The information required under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is given in Annexure forming part of this Report.

## **OPEN OFFER TO ACQUIRE SHARES OF THE COMPANY**

As you are aware, M/s GMR Holdings Pvt. Ltd. and GVL Investments Pvt. Ltd., the promoters of the Company had entered in to a Share Purchase Agreement with Cronimet Mercon invest Limited, Dubai, [“Cronimet” / the “Acquirer”] to sell their entire stake viz. 86,57,855 Shares representing 70.47% of the issued, subscribed and paid-up equity share capital of the Company. A Public Announcement in this regard was published on 29th May 2008 in the newspapers in terms of Regulation 15(1) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (Takeover Regulations). Pursuant to Regulations 10 and 12 of the Takeover Regulations, the Acquirer made an open offer and 586 shares were tendered in the said offer.

## **ACKNOWLEDGEMENTS**

Your Directors acknowledge and express their grateful appreciation for the co-operation and assistance received from Financial Institutions, Banks, Government Authorities, Customers and Suppliers.

Your Directors wish to place on record their appreciation for the total commitment shown by each and every employee of the Company.

Your Directors also thank the shareholders for the confidence reposed by them in the management of the Company and for their continued support and co-operation.

For and on behalf of the Board

Place: Bangalore  
Date: 27th July, 2009

**B.V.N. Rao**  
Chairman

**Information in accordance with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of Directors' Report for the year ended 31st March, 2009**

|   |  |  |                   |
|---|--|--|-------------------|
| <b>A. Conservation of energy :</b>              |  |  |                   |
| (a)   | Energy conservation measures taken;  | - Nil -  |                   |
| (b)   | Additional investments and proposals, if any, being implemented for reduction of consumption of energy;  | - Nil -  |                   |
| (c)   | Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods;                        | - Nil-   |                   |
| (d)   | Total energy consumption and energy consumption per unit of production as per Form A of the Annexure in respect of industries specified in the Schedule thereto. | Form A enclosed  |                   |
| <b>B. Technology absorption :</b>               |  |  |                   |
| (e)   | Efforts made in technology absorption  | The Company has not made any investments in the area of Research and Development, Technology Adoption, Absorption and Innovation                             |                   |
| <b>C. Foreign exchange earnings and outgo :</b> |  |  |                   |
| (f)   | Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services; and export plans;            | The Company will continue to lay more emphasis in increasing the share in export market and produce quality products to cater to the need of export markets. |                   |
| (g)   | Total foreign exchange used and earned.  | <b>2008-2009</b>   | 2007-2008         |
|   | Foreign Exchange earnings  | <b>Rs.7482.59 lakhs</b>  | Rs.10892.08 lakhs |
|   | Foreign Exchange outgo   | <b>Rs.462.93 lakhs</b>   | Rs.469.98 lakhs   |

## ANNEXURE

### FORM A

(See Rule 2)

#### Form for Disclosure of Particulars with respect to Conservation of Energy.

| A. Power and fuel consumption                       | 2009         | 2008         |
|---|--------------|--------------|
| 1. Electricity                                      |              |              |
| (a) Purchased (Units)                               | 6,76,79,600  | 9,79,77,836  |
| Total amount (Rs.)                                  | 16,58,15,020 | 24,98,43,482 |
| Rate per Unit (Rs.)                                 | 2.45         | 2.55         |
| (b) Own Generation                                  |              |              |
| (i) Through Diesel Generator                        |              |              |
| Units   | - Nil -      | - Nil -      |
| Units per ltr. of diesel oil                        | - Nil -      | - Nil -      |
| Cost/Unit   |              |              |
| (ii) Through steam turbine/generator                |              |              |
| Units   |              |              |
| Units per ltr. of fuel oil/gas                      |              |              |
| Cost/units  |              |              |
| 2. Coal (specify quality and where used)            |              |              |
| Quantity (Tonnes)                                   | - Nil -      | - Nil-       |
| Total Cost  |              |              |
| Average rate  |              |              |
| 3. Furnace oil                                      |              |              |
| Quantity (Ltr.)                                     | 1,44,000     | 2,47,768     |
| Total amount (Rs.)                                  | 52,43,133    | 81,26,396    |
| Average rate (Rs.)                                  | 36.41        | 32.80        |
| 4. Others/internal generation (please give details) |              |              |
| Quantity  | - Nil-       | - Nil -      |
| Total cost  |              |              |
| Rate/unit   |              |              |
| <b>B. Consumption per unit of production</b>        |              |              |
| Electricity(Units)                                  | 3,931.16     | 3,507.42     |
| Furnace Oil (Ltr.)                                  | 8.36         | 8.87         |
| Coal (specify quality)                              | - Nil -      | - Nil -      |
| Others (specify)                                    | - Nil -      | - Nil -      |

## ANNEXURE TO THE DIRECTOR'S REPORT

The information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Director's Report for the year ended 31st March, 2009.

|  |  |
|--|--|
| Name of the Employee                               | U. NARESH KUMAR                                |
| Age  | 56 Years                                       |
| Designation and Nature of Employment               | Executive Director                             |
| Remuneration drawn                                 |  |
| - Salary, Allowances & Perquisites                 | Rs. 44.42 lakhs                                |
| Educational Qualifications                         | B.E., MBA.                                     |
| Experience (No. of Years)                          | 31 Years                                       |
| Date of Commencement of Employment                 | 20.09.2006                                     |
| Last Employment                                    | Doshion Limited., Ahmedabad. Designation: CEO. |
| No. of shares held in the Company, if any          | NIL  |
| Employment for the year (part of year / full year) | Full Year                                      |

### Notes:

1. The nature of employment is contractual.
2. Mr. Naresh Kumar by himself or along with his spouse and dependent children do not hold more than 2% shares in the Company.
3. Mr. Naresh Kumar is not a relative of any Director of the Company.

# REPORT ON CORPORATE GOVERNANCE FOR THE YEAR 2008-2009

(As required under Clause 49 of the Listing Agreements entered into with Stock Exchanges)

## Company's Philosophy on Corporate Governance

We at GMR Ferro Alloys & Industries Limited believe that sound corporate governance is critical to enhance and retain investor trust. The Corporate Governance philosophy of the Company is founded upon transparency, integrity, honesty, accountability upholding its values and beliefs that vibrates and resonates with the spirit of the principles of governance. Good corporate governance is an integral part of the management in its pursuit for excellence, growth and value creation. The Company always strive to ensure compliance with regulatory requirements both in letter and spirit besides being responsive to the aspirations of our stakeholders. We recognize that governance is a conscious and continuous process across the Organization, which enables the Company to adopt best practices to retain and enhance the trust of all our stakeholders.

## 1. Board of Directors

### A. Composition of Board

As on March 31, 2009, the Board consists of five Directors including a Non-Executive Chairman, an Executive Director and three Independent Directors. The Board of Directors of the Company has an optimum combination of Non-Executive and Independent Directors which is in conformity with Clause 49 of the Listing Agreement entered into to with the Stock Exchanges.

All important strategic policy matters are deliberated at the Board Meetings where the role of Independent Directors is crucial. The Independent Directors are Professionals with high credentials who actively contribute in the deliberations of the Board.

The name and categories of the Directors on the Board and the number of the Directorship and Committee Chairmanships/ Memberships held by them in the other companies as on March 31, 2009 are given below:

| Name of the Director   | Director Identification Number (DIN) | Category               | No. of Directorships in other public limited companies # |                     | No. of Committee positions in other public limited companies \$ |                         |
|------------------------|--------------------------------------|------------------------|--|---------------------|---|-------------------------|
|                        |                                      |                        | Chairman of the Board                                    | Member of the Board | Chairman of the Committee                                       | Member of the Committee |
| Mr. B. V. N. Rao       | 00051167                             | Non-Executive Chairman | 5  | 8                   | 1   | 3                       |
| Mr. U. Naresh Kumar    | 01843462                             | Executive Director     | –  | 1                   | –   | –                       |
| Mr. N.C. Sarabeswaran  | 00167868                             | NEID                   | –  | 9                   | 5   | 2                       |
| Mr. N. V. Varadarajulu | 00011736                             | NEID                   | –  | 1                   | –   | 1                       |
| Mr. Prem Kumar Amar    | 01991223                             | NEID                   | –  | –                   | –   | –                       |

*There are no inter-se relationships between our Board members. NEID - Non-Executive Independent Director.*

*# Excludes Directorships/Committee Positions in Private Limited Companies which are not subsidiaries of Public Limited Companies, Foreign Companies and Companies under Section 25 of the Companies Act, 1956.*

*\$ Figures include Directorships/Committee Positions in Audit Committee and Shareholders/Investors Grievance Committee only.*

### B. Board Meetings

The Board meets atleast once in a quarter to review the quarterly results and other items on the agenda, which are distributed to the Directors in advance. Five Board Meetings were held in the Financial Year 2008-09 on the following dates viz., 3rd June, 2008; 14th June, 2008; 30th July, 2008; 31st October, 2008; 29th January, 2009 and the maximum gap between the two Board Meetings did not exceed four months.

None of the Non-Executive Directors have any material pecuniary relationship or transaction with the Company.

### C. Directors' Attendance

The attendance of Directors at Board Meetings held during the financial year ended 31st March, 2009 and at the Annual General Meeting held on 25th September, 2008 was as follows:

| Name of the Director   | No. of Board Meetings held during FY 2008-09 |          | Attendance at the previous AGM |
|------------------------|--|----------|--------------------------------|
|                        | Held   | Attended |                                |
| Mr. B. V. N. Rao       | 5  | 5        | Yes                            |
| Mr. N. V. Varadarajulu | 5  | 5        | Yes                            |
| Mr. N. C. Sarabeswaran | 5  | 4        | Yes                            |
| Mr. U. Naresh Kumar    | 5  | 5        | Yes                            |
| Mr. Prem Kumar Amar    | 5  | 4        | Yes                            |
| Dr. V. Raghunathan     | 1  | 1        | No                             |

#### D. Changes in the composition of Directors during the financial year 2008-09

Dr. V. Raghunathan resigned from the Board w.e.f. 04.06.2008.

#### E. Code of Conduct

The Company has adopted the code of conduct for all Board members and Senior Management as required under Clause 49 of the Listing Agreement. The Code is posted on the Company's website: [www.gfil.in](http://www.gfil.in). All the Board members and Senior Management personnel have affirmed compliance with the Code on an annual basis. A declaration to this effect signed by the Executive Director forms part of this Report.

#### F. Profile of Director being re-appointed at the Annual General Meeting to be held on 29th September, 2009.

|  |  |
|--|--|
| Name of the Director   | N. V. Varadarajulu   |
| Date of Birth  | 07-07-1937   |
| Date of Appointment  | 23-03-2006   |
| Qualifications   | B.E. (Mechanical), PG Diploma in Sugar Engineering                           |
| Expertise in specific functional area  | Sugar Technocrat   |
| Chairman/Director of other Companies   | GMR Industries Ltd.  |
| Chairman/Member of the Committees(*) of the Boards of which he is a Director | GMR Industries Ltd. - Member, Audit Committee Member, Remuneration Committee |
| No. of shares held in the Company  | Nil  |

(\*) includes Audit, Remuneration and Shareholders/Investors Grievance Committees only of other Companies.

## 2. Audit Committee

#### A. Composition of the Audit Committee

The Audit Committee of the Board comprises of 3 members viz., Mr. N. C. Sarabeswaran, Mr. B. V. N. Rao and Mr. N. V. Varadarajulu. Mr. N. C. Sarabeswaran is the Chairman of the Committee. He is an Independent Director and Chartered Accountant by profession. The Audit Committee comprises of two Independent Directors and the requirements of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreements have been complied with.

The Executive Director, Statutory Auditors, Internal Auditors and other members of the senior management attended when invited to the meetings.

#### B. Meetings and Attendance during the year

During the financial year ended 31st March, 2009, the Audit Committee met four times on 14th June, 2008; 30th July, 2008; 31st October, 2008; and 29th January, 2009 and the maximum gap between the two Audit Committee Meetings did not exceed four months. The attendance of the members of the Audit Committee was as follows:

| Sl. No. | Name of the Member     | No. of Meetings |          |
|---------|------------------------|-----------------|----------|
|         |                        | Held            | Attended |
| 1.      | Mr. N. C. Sarabeswaran | 4               | 4        |
| 2.      | Mr. B. V. N. Rao       | 4               | 4        |
| 3.      | Mr. N. V. Varadarajulu | 4               | 4        |

Necessary quorum was present at all the meetings.

The Chairman of the Audit Committee attended the Annual General Meeting held on 25th September, 2008.

#### C. Terms of reference of Audit Committee:

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommend to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees and approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Review with the management, the annual financial statements before submission to the board for approval, with particular reference to:

- Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
  - Changes, if any, in accounting policies and practices and reasons for the same.
  - Major accounting entries involving estimates based on the exercise of judgement by management.
  - Significant adjustments made in the financial statements arising out of audit findings.
  - Compliance with listing and other legal requirements relating to financial statements.
  - Disclosure of any related party transactions.
  - Qualifications in the draft audit report.
- d. Review with the management, the quarterly financial statements before submission to the board for approval
  - e. Review with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue and making appropriate recommendations to the Board to take up steps in this matter.
  - f. Review with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
  - g. Review the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
  - h. Discuss with internal auditors any significant findings and follow up there on.
  - i. Review the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
  - j. Discuss with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
  - k. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
  - l. To review the functioning of the Whistle Blower mechanism, in case the same is existing.
  - m. Review the Management discussion and analysis of financial condition and results of operations.
  - n. Statement of significant related party transactions submitted by the management.
  - o. Management letters/letters of internal control weaknesses issued by the statutory auditors.

### **3. Remuneration Committee**

#### **A. Composition of the Remuneration Committee**

The Remuneration Committee comprises of three members viz., Mr. N. C. Sarabeswaran, Mr. B. V. N. Rao and Mr. N. V. Varadrajulu. Mr. N. C. Sarabeswaran, an Independent Director, is the Chairman of the Committee. The Chairman of the Remuneration Committee was present at the Annual General Meeting.

#### **B. Terms of Reference**

The Remuneration Committee, inter alia, shall:

- Determine and recommend to the Board, the remuneration payable including any revision in remuneration payable to Managing Directors/ Executive Directors/ Non-Executive Directors.
- Take into consideration and ensure compliance of provisions under Schedule XIII of the Companies Act, while determining the remuneration.
- To consider such other matters as the Board may advise.

#### **C. Remuneration Committee Meetings**

The Remuneration Committee Meetings would be held whenever matters pertaining to the remuneration payable including any revision in remuneration payable to Managing Directors/ Executive Directors/ Non Executive Directors, are to be considered.

Two meetings of the Remuneration Committee were held during the year 2008-09 on 14th June, 2008 and 30th July, 2008.

#### D. Attendance of Remuneration Committee Members during the financial year 2008-09

| Sl. No. | Name of the Member     | No. of Committee Meetings |          |
|---------|------------------------|---------------------------|----------|
|         |                        | Held                      | Attended |
| 1.      | Mr. N. C. Sarabeswaran | 2                         | 2        |
| 2.      | Mr. B. V. N. Rao       | 2                         | 2        |
| 3.      | Mr. N. V. Varadarajulu | 2                         | 2        |

#### E. Remuneration Policy

##### i) Remuneration to Executive Directors

Remuneration to the Executive Directors comprises of Salary, Allowances & Perquisites and performance incentive. While determining the remuneration, the Committee shall take into account the financial position of the Company, prevailing trend in the industry, qualification, experience and past performance of the person. The performance incentive is determined based on performance parameters as per the Company's Policy and also based on certain pre-agreed performance parameters. The Company does not have any Stock option Scheme.

Details of remuneration paid during the financial year 2008-09 are furnished hereunder:

(Rupees in Lakhs)

| Name of the Director | Salary | Allowances & Perquisites | Incentive | Total* |
|----------------------|--------|--------------------------|-----------|--------|
| Mr. U. Naresh Kumar  | 11.05  | 26.03                    | 6.00      | 43.08  |

\*Contribution to provident fund and other benefits are excluded.

##### Remuneration to Non-Executive Directors

Non-Executive Directors are paid sitting fees at Rs.10,000/- for each Board Meeting and Rs. 5,000/- for each Committee Meeting. The Company also reimburses the out-of-pocket expenses incurred by the Directors for attending the meeting. The details of sitting fees paid to the Non-Executive Directors during the financial year 2008-09 are as under:

| Name of the Director   | Sitting Fees (Rupees Lakhs) |
|------------------------|-----------------------------|
| Mr. N. C. Sarabeswaran | 0.70                        |
| Mr. N. V. Varadarajulu | 1.00                        |
| Mr. Prem Kumar Amar    | 0.40                        |
| <b>Total</b>           | <b>2.10</b>                 |

#### 4. Shareholders/Investors Grievance Committee

##### A. Composition of the Shareholders'/Investors' Grievance Committee

The Shareholders'/Investors' Grievances Committee consisted of Mr. U. Naresh Kumar and Mr. N. V. Varadarajulu. Mr. N. V. Varadarajulu an Independent Director is the Chairman.

The functions of the committee includes (i) dealing with the investors complaints like delay in transfers of shares, non-receipt of Balance Sheet, non-receipt of declared dividends/share certificates, dematerialization of shares, replacement of lost/ stolen/ mutilated share certificates, etc, (ii) investigate into investors complaints and take necessary steps for redressal thereof (iii) performing all functions relating to the interest of shareholders/investors of the Company as may be required by the provisions of the Companies Act, 1956, Listing Agreements and the guidelines issued by SEBI or any other regulatory authority.

##### B. Meetings of the Shareholders'/Investors' Grievance Committee

During the financial year 2008-09, the Committee met four times viz., 14th June, 2008; 30th July, 2008; 31st October, 2008; and 29th January, 2009.

**C. Attendance of Shareholders'/Investors' Grievance Committee Members were as under:**

| Sl. No. | Name of the Member  | No. of Meetings |          |
|---------|---------------------|-----------------|----------|
|         |                     | Held            | Attended |
| 1.      | Mr. N. Varadarajulu | 4               | 4        |
| 2.      | Mr. U. Naresh Kumar | 4               | 4        |

**D. The details of complaints received during the financial year 2008-09 and status of the same are given below:**

| Sl. No. | Particulars   | No. of complaints |           |          |
|---------|---|-------------------|-----------|----------|
|         |   | Received          | Resolved  | Pending  |
| 1.      | Complaint relating to transfer of shares                                    | 1                 | 1         | –        |
| 2.      | Non receipt of dividend warrants  | 7                 | 7         | –        |
| 3.      | Non-receipt of fresh/new securities after approval of scheme of arrangement | 5                 | 5         | –        |
| 4.      | Non-receipt of securities   | 14                | 14        | –        |
| 5.      | Non-receipt of Annual Report  | 2                 | 2         | –        |
| 6.      | Non-receipt of duplicate/transmission/deletion of Share Certificates        | 3                 | 3         | –        |
| 7.      | Non-receipt of securities after transfer                                    | 8                 | 8         | –        |
|         | <b>Total</b>  | <b>40</b>         | <b>40</b> | <b>–</b> |

**5. General Body Meetings**

**(a) Annual General Meetings**

The venue, date and time of the Annual General Meetings held during the preceding two years and the Special Resolution passed thereat were as under:

| Year    | Date & Time of Meeting             | Venue   | Special resolutions passed |
|---------|------------------------------------|---|----------------------------|
| 2007-08 | 25th September, 2008 at 11.30 a.m. | KLN Prasad Auditorium, P.B.No.14, Federation House, 11-6-841, Redhills, Hyderabad - 500 004 | NIL                        |
| 2006-07 | 25th September, 2007 at 11.30 a.m. | KLN Prasad Auditorium, P.B.No.14, Federation House, 11-6-841, Redhills, Hyderabad - 500 004 | NIL                        |

**(b) Extraordinary General Meetings**

The venue, date and time of the Extraordinary General Meetings held during the preceding two years were as under:

| Year    | Date & Time of Meeting        | Venue                                       |
|---------|-------------------------------|---|
| 2007-08 | –                             | –   |
| 2006-07 | 20th February, 2007 at 9 a.m. | Registered Office of the Company, Hyderabad |

There were no special resolutions passed at the above meeting.

**Postal Ballot**

During Financial Year 2008-09, no resolution was passed by postal ballot.

**6. Disclosures**

**(i) Disclosure on materially significant related party transactions that may have potential conflict with the interests of Company at large:**

There are no transactions which may have potential conflicts with the interests of the Company at large. Transactions with related parties are disclosed in Note No. 14 of Schedule 15 to the accounts.

**(ii) Details of non-compliance by the Company, penalties, strictures 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.**

There has been no instance of non-compliance by the Company on any matter related to capital markets during the last three years, hence no penalties or strictures have been imposed by the stock exchanges or SEBI or any statutory authority.

**(iii) Whistle blower policy and affirmation that no personnel has been denied access to the Audit Committee.**

With a view to maintain high level of legal, ethical and moral standards and to provide a platform for the employees to voice their concern on any malpractices, impropriety, abuse or wrongdoing, the GMR Group has formulated a whistle blower policy which is applicable to the Company. The employees can raise his/her concern to the designated person and necessary action will be taken. This mechanism has been communicated to the employees. During the year under review the Company has not received any complaint or concern.

**(iv) Details of compliance with mandatory requirements and adoption of the non mandatory requirements of this clause.**

The Company has complied with all the mandatory requirements on Corporate Governance as specified in Clause 49 of the Listing Agreement with the Stock Exchanges.

So far the adoption of non-mandatory requirements are concerned, the Company has constituted a Remuneration Committee of the Board of Directors and the whistle blower policy of the Group has been made applicable to the Company.

**(v) Corporate Identity Number (CIN)**

The Corporate Identity Number of the Company allotted by the Ministry of Corporate Affairs, Government of India is: L27101AP2006PLC049591.

**(vi) Compliance certificate of the auditors**

Certificate from the Auditors of the Company M/s. S. Venkatadri & Co., Chartered Accountants confirming compliance with the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is annexed to this Report.

**(vii) Entrepreneur Risk Management**

The Company has risk management systems commensurate with the size of the Company.

**(viii) Secretarial Audit**

A qualified Practicing Company Secretary carried out secretarial audit to reconcile the total admitted capital with National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The secretarial audit report confirms that the total issued/paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL. This audit is carried out every quarter and report thereon is submitted to the Stock Exchanges and placed before the Shareholders/Investors Grievance Committee of the Board of Directors.

**7. Means of Communication**

The Annual Reports, notices and other communications have been sent to each shareholder through post. The quarterly/ annual financial results of the Company as per the statutory requirements under Clause 41 of the Listing Agreement with the Stock Exchanges are generally published in "Business Line" and "Andhra Bhoomi" (a regional daily in Telugu language). The quarterly/annual financial results, shareholding pattern and other updates on the working of the Company have been posted on the Company's website: [www.gfil.in](http://www.gfil.in). Besides the above, the Company also submits, inter-alia, to the Stock Exchanges, the full version of the Annual Report including Balance Sheet, Profit and Loss Account, Directors' Report, Auditors' Report and Cash Flow Statement; quarterly report on corporate governance; quarterly/ half yearly/ yearly unaudited/ audited financial results taken on record by the Board of Directors; quarterly shareholding pattern; quarterly secretarial audit report; disclosure as per SEBI (SAST) Regulations and SEBI (Prohibition of Insider Trading) Regulations; Limited Review Reports of Auditors; details of appointment/ resignation of Directors and Company Secretary and such other reports as may be specified.

**8. General Shareholder information**

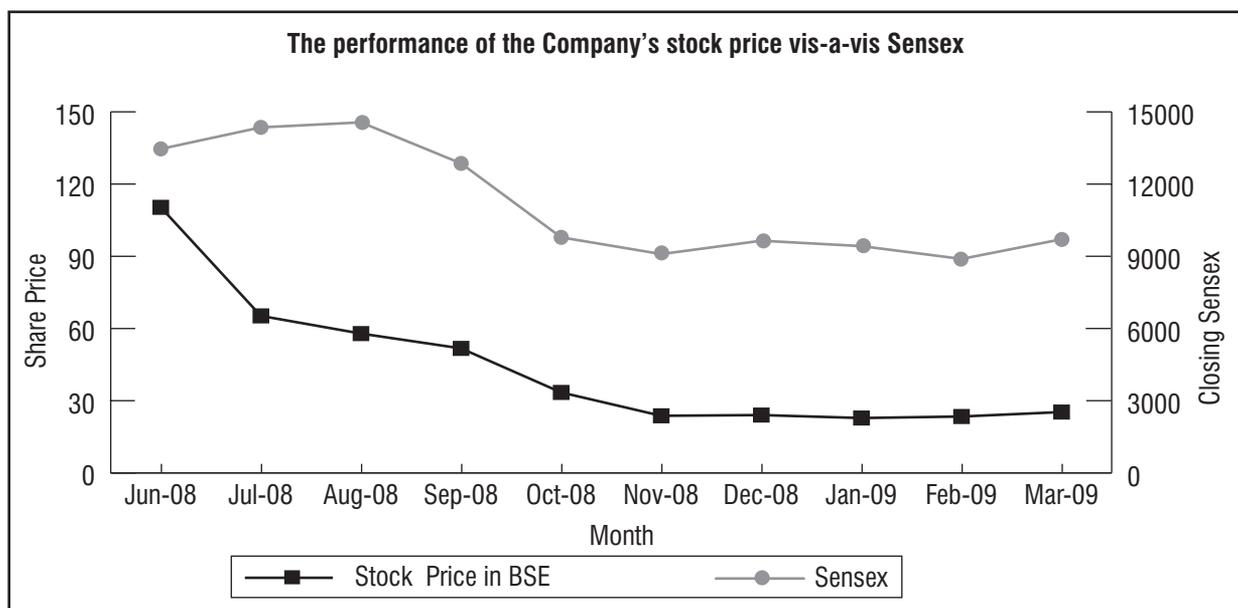
|                               |   |                           |
|-------------------------------|---|---------------------------|
| <b>I. AGM:</b>                | Date:29th September, 2009<br>Time: 10.30 a.m.<br>Venue: K.L.N. Prasad Auditorium, P.B. No. 14, Fedration House, 11-6-841, Redhills, Hyderabad - 500 004 |                           |
| <b>II. Financial Calendar</b> | Financial year: 1st April to 31st March   |                           |
|                               | The financial results are proposed to be declared as per the following tentative schedule:  |                           |
|                               | <b>Particulars</b>  | <b>Tentative schedule</b> |
|                               | Financial reporting for the quarter ending 30th June, 2009  | In July 2009              |
|                               | Financial reporting for the quarter/half year ending 30th September, 2009   | In October, 2009          |

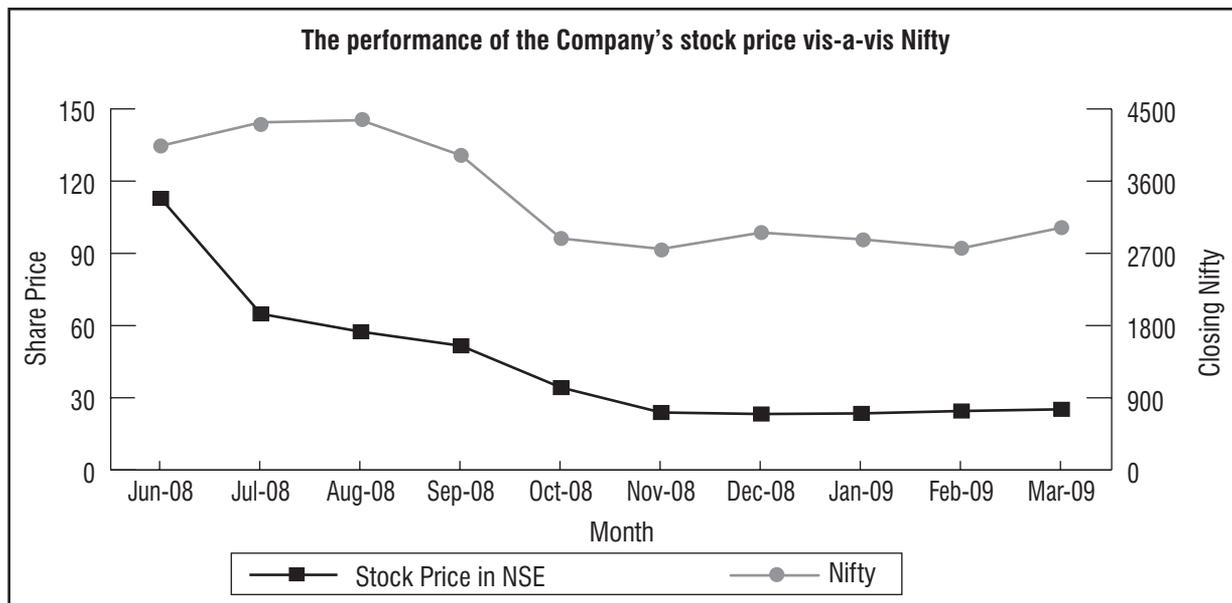
|      |                                   |  |                        |
|------|-----------------------------------|--|------------------------|
|      |                                   | Financial reporting for the quarter/nine months ending 31st December, 2009   | In January 2010        |
|      |                                   | Financial reporting for the quarter/year ending 31st March, 2010.  | In May/June 2010       |
|      |                                   | Annual General Meeting for the year ending 31st March, 2010.   | August/September, 2010 |
| III. | <b>Date of Book Closure</b>       | 23.09.2009 to 29.09. 2009 (both days inclusive)  |                        |
| IV.  | <b>Dividend payment date</b>      | Nil  |                        |
| V.   | <b>Listing on Stock Exchanges</b> | <b>Bombay Stock Exchange Limited</b><br>Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai- 400 001.<br>Tel. Nos.: (022) 22721233/34 Fax: (022) 22723121<br>Stock Code: 532990<br><b>National Stock Exchange of India Limited</b><br>Exchange Plaza, 5th Floor, Plot No. C/1, G. Block<br>Bandra - Kurla Complex, Bandra (E), Mumbai – 400 051<br>Tel Nos. (022) 26598100-8114 Fax: (022) 26598237/38<br>Stock Code: GMRFER<br>The Company has paid listing fees for the financial year to each of the Stock Exchanges. |                        |

#### VI. Market Price Data: High and Low during each month in the last financial year

|                | Bombay Stock Exchange Ltd.         |           |           | National Stock Exchange of India Ltd. |           |         |
|----------------|------------------------------------|-----------|-----------|---------------------------------------|-----------|---------|
|                | GMR Ferro Alloys & Industries Ltd. |           | Sensex    | GMR Ferro Alloys & Industries Ltd.    |           | NIFTY   |
|                | High (Rs.)                         | Low (Rs.) |           | High (Rs.)                            | Low (Rs.) |         |
| June 2008      | 139.65                             | 81.00     | 13,461.60 | 139.65                                | 86.00     | 4040.55 |
| July 2008      | 99.40                              | 31.05     | 14,355.75 | 99.00                                 | 30.70     | 4332.95 |
| August 2008    | 69.40                              | 46.35     | 14,564.53 | 68.95                                 | 45.90     | 4360.00 |
| September 2008 | 67.30                              | 36.15     | 12,860.43 | 66.65                                 | 36.50     | 3921.20 |
| October 2008   | 45.45                              | 21.25     | 9,788.06  | 46.30                                 | 22.15     | 2885.60 |
| November 2008  | 25.95                              | 21.50     | 9,092.72  | 27.40                                 | 20.30     | 2755.10 |
| December 2008  | 26.90                              | 21.15     | 9,647.31  | 26.00                                 | 20.50     | 2959.15 |
| January 2009   | 26.50                              | 19.10     | 9,424.24  | 28.00                                 | 19.00     | 2874.80 |
| February 2009  | 26.00                              | 20.90     | 8,891.61  | 28.00                                 | 21.00     | 2763.65 |
| March 2009     | 27.85                              | 22.70     | 9,708.50  | 28.35                                 | 22.05     | 3020.95 |

#### VII. Share price performance compared with broad-based indices





### VIII. Registrar & Transfer Agents

Karvy Computershare Pvt. Ltd.  
Unit: GMR Ferro Alloys & Industries Limited  
Plot No. 17 to 24, Vittal Rao Nagar  
Madhapur, Hyderabad – 500 081  
Phone: (040) 23420819 to 24  
Fax: (040) 23420814  
E-mail ID: [einward.ris@karvy.com](mailto:einward.ris@karvy.com)

### IX. Share Transfer System

95.60% of the shares of the Company are in electronic form. Transfer of these shares are done through the depositories with no involvement of the Company. Regarding transfer of shares held in physical form, the transfer documents can be lodged with Karvy Computershare Pvt. Ltd. or at the registered office of the Company. The share transfers received in physical form are processed within a period of 30 days from the date of receipt subject to the documents being valid and complete in all respects. The Board of Directors of the Company has delegated the powers of approving transfers, transmission, issue of duplicate share certificates etc., to the Share Allotment and Transfer Committee. The minutes of the Committee meetings are placed before the Board. The Company obtains half yearly certificate from a Company Secretary in practice on compliance regarding share transfer formalities and submits a copy thereof to the Stock Exchanges in terms of Clause 47(c) of the Listing Agreement.

### X. Distribution of shareholding of equity shares as on 31st March, 2009

| Distribution of Holding | No. of Shareholders | % of Shareholders | Total Shares    | Amount (Rs. in Lakhs) | % Amount      |
|-------------------------|---------------------|-------------------|-----------------|-----------------------|---------------|
| 1 - 5000                | 19971               | 99.83             | 1592133         | 159.21                | 12.96         |
| 5001 - 10000            | 16                  | 0.08              | 108592          | 10.86                 | 0.88          |
| 10001 - 20000           | 6                   | 0.03              | 78736           | 7.87                  | 0.64          |
| 20001 - 30000           | 1                   | 0.00              | 20115           | 2.01                  | 0.16          |
| 30001 - 40000           | 0                   | 0.00              | 0               | 0.00                  | 0.00          |
| 40001 - 50000           | 2                   | 0.01              | 94577           | 9.46                  | 0.77          |
| 50001 - 100000          | 3                   | 0.01              | 260724          | 26.07                 | 2.12          |
| 100001 and above        | 8                   | 0.04              | 10130418        | 1013.04               | 82.47         |
| <b>Total</b>            | <b>20007</b>        | <b>100.00</b>     | <b>12285295</b> | <b>1228.52</b>        | <b>100.00</b> |

**XI. Shareholding Pattern as on 31st March, 2009**

| Sl. No. | Description                    | No. of cases | Total shares    | % Equity      |
|---------|--------------------------------|--------------|-----------------|---------------|
| 1.      | Promoters                      |              |                 |               |
|         | i) Bodies Corporate            | 3            | 8707855         | 70.88         |
|         | ii) Individuals/HUF            | 1            | 608             | 0.00          |
| 2.      | Financial Institutions/Banks   | 3            | 237617          | 1.93          |
| 3.      | Clearing Members               | 19           | 113997          | 0.93          |
| 4.      | Foreign Financial Institutions | 1            | 400000          | 3.26          |
| 5.      | H U F                          | 175          | 62591           | 0.51          |
| 6.      | Bodies Corporate               | 386          | 1115089         | 9.08          |
| 7.      | Mutual Funds                   | 3            | 532             | 0.00          |
| 8.      | Non Resident Indians           | 158          | 55308           | 0.45          |
| 9.      | Overseas Bodies Corporate      | 1            | 152             | 0.00          |
| 10.     | Individual                     | 19256        | 1440344         | 11.72         |
| 11.     | Trents                         | 1            | 151202          | 1.23          |
|         | <b>Total</b>                   | <b>20007</b> | <b>12285295</b> | <b>100.00</b> |

**Distribution and Shareholding Pattern of Preference Shareholders as on March 31, 2009**

GMR Holdings Pvt. Ltd., the Company's holding company holds 7864700 (8%) preference shares of the face value of Rs. 11/- each.

**XII. Dematerialisation of shares and liquidity**

The process of conversion of shares from physical form to electronic form is known as dematerialisation. For dematerialising the shares, the Shareholder has to open a demat account with a Depository Participant (DP). The Shareholder is required to fill in a Demat Request Form and submit the same along with the Share Certificate (s) to the DP. The DP will allocate a demat request number and shall forward the request physically and electronically, through NSDL/CDSL, to the R&T Agent. On receipt of the demat request both physically and electronically and after verification, the Shares are dematerialised and an electronic credit of shares is given in the account of the shareholder.

The Company's shares are compulsorily traded in dematerialised form and are available for trading on both the Depositories in India viz., National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL). The Company's shares are regularly traded on the National Stock Exchange of India Ltd. and the Bombay Stock Exchange Ltd., in electronic form.

**XIII. Mode of Equity Shares held**

The Company has registered itself with NSDL and CDSL and the ISIN pertaining to the equity shares of the Company is: INE592101011. The mode of holding of the Company's equity shares as on 31st March, 2009 is as under:

| Description  | No. of shareholders | No. of Shares   | % Equity      |
|--------------|---------------------|-----------------|---------------|
| PHYSICAL     | 8209                | 539324          | 4.39          |
| NSDL         | 8933                | 11368272        | 92.54         |
| CDSL         | 2865                | 377699          | 3.07          |
| <b>Total</b> | <b>20007</b>        | <b>12285295</b> | <b>100.00</b> |

**XIV. The Company has not issued any GDRs or ADRs or Warrants or Convertible Instruments.****XV. Presentation of Insider Trading**

In accordance with the requirements of SEBI (Prohibition of Insider Trading) Regulations 1992, the Company has instituted a Comprehensive Code of Conduct for prohibition of Insider Trading in the Company's shares.

**XVI. Plant Locations**

Ravivalasa Village, Tekkali Mandal  
Srikakulam District - 532 21  
Andhra Pradesh.

**XVII. Address for correspondence**

Registrar & Share Transfer Agents:  
Karvy Computershare Pvt. Ltd.  
(Unit: GMR Ferro Alloys & Industries Limited)  
Plot Nos. 17 to 24, Vittal Rao Nagar, Madhapur  
HYDERABAD – 500 081  
Phone: (040) 23420815 to 824  
Fax: (040) 23420814  
E-mail: [svraju@karvy.com](mailto:svraju@karvy.com)

## **DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT BY THE CEO UNDER CLAUSE 49 (I)(D)(II) OF THE LISTING AGREEMENT TO THE MEMBERS OF GMR FERRO ALLOYS & INDUSTRIES LIMITED.**

I, U.Naresh Kumar, Executive Director of GMR Ferro Alloys & Industries Limited, to the best of my knowledge and belief, declare that all the members of the Board and Senior Management personnel have affirmed compliance to the Code of Conduct of the Company in respect of the Financial Year ended March 31, 2009.

Sd/-

**U.Naresh Kumar**  
Executive Director

Place: Bangalore

Date: May 26, 2009.

## **AUDITOR'S CERTIFICATE REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE**

### **To the Members of GMR Ferro Alloys & Industries Limited**

We have examined the compliance of conditions of Corporate Governance by **GMR Ferro Alloys & Industries Limited**, for the year ended 31st March, 2009, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

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 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 explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

**For S. Venkatadri & Co.**  
Chartered Accountants

**K. Srinivasa Rao**  
Partner  
Membership No. 201470

Place: Bangalore

Date: May 26, 2009

## AUDITORS' REPORT TO THE MEMBERS OF GMR FERRO ALLOYS & INDUSTRIES LTD.

1. We have audited the attached Balance Sheet of GMR Ferro Alloys & Industries Ltd. as at 31st March, 2009, the Profit and Loss Account and also 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 conducted our audit in accordance with auditing standards generally accepted in India. Those 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 (Auditor's Report) Order, 2003, Issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose 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 in paragraph 3 above, we report that:
  - i) 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;
  - ii) In our opinion, proper books of account, as required by law, have been kept by the Company so far as appears from our examination of those books;
  - iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - v) On the basis of written representations received from the Directors, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31st March, 2009 from being appointed as director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
  - vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - a) In the case of the Balance Sheet, of the State of affairs of the Company as at 31st March, 2009;
    - b) In the case of the Profit and Loss Account, of the Loss for the Year ended on that date; and
    - c) In the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

**For S. Venkatadri & Co.**  
Chartered Accountants

Place: Bangalore  
Date : May 26, 2009

**K. Srinivasa Rao**  
Partner  
Membership No. 201470

## **ANNEXURE TO THE AUDITOR'S REPORT**

**(Referred to in Paragraph 3 of our report of even date)**

- (i) a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b) As explained to us, the fixed assets have been physically verified by the management during the year in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- c) During the year, the Company has not disposed off any substantial part of its fixed assets, affecting the going concern status of the Company.
- (ii) a) The inventory has been physically verified during the year by the management at reasonable intervals. In our opinion, the frequency of verification is reasonable and adequate.
- b) The procedure of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) a) The Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Therefore, the provisions of Clause 4 (iii) (b), (c) and (d) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- b) The Company has not taken any loan, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Therefore, the provisions of Clause 4 (iii) (f), (g) and (h) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory, fixed assets and for sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- (v) a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act that need to be entered into the register maintained under Section 301 have been so entered.
- b) In our opinion and according to the information and explanations given to us, there are no transactions made in pursuance of contracts or arrangements with the parties entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs hence the reporting requirement under this clause does not apply.
- (vi) The Company has not accepted any deposits from the public governed by Sections 58 A and 58 AA of the Companies Act, 1956 for the year under reference. As per the information and explanations given to us, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) The Central Government has not prescribed maintenance of cost records u/s 209 (1) (d) of the Companies Act, 1956 for this Company.
- (ix) a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing undisputed statutory dues including income tax, provident fund, sales tax, wealth tax, customs duty, excise duty, cess, service tax and other material statutory dues as applicable, with the appropriate authorities.

Investor education and protection fund and Employees State Insurance Scheme are not applicable to the Company for the current year.

- b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees state insurance, investor education and protection fund, income tax, wealth tax, sales tax, service tax, customs duty, excise duty and cess were in arrears, as at 31.03.2009 for a period of more than six months from the date they became payable.
- c) According to the information and explanations given to us, the disputed statutory dues aggregating to Rs. 9.76 lakhs, that have not been deposited on account of matters pending before appropriate authorities are as under:

| <b>Nature of the Dues</b> | <b>Forum where Dispute is pending</b> | <b>Amount<br/>(Rs. in lakhs)</b> |
|---------------------------|---------------------------------------|----------------------------------|
| Sales Tax                 | S.T.A.T.<br>High Court                | 3.51<br>6.25                     |
| <b>Total</b>              |                                       | <b>9.76</b>                      |

- (x) The Company has no accumulated losses and has not incurred any cash losses in the immediately preceding financial year but has incurred cash losses during the financial year covered by our audit.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.
- (xii) In our opinion and according to the information and explanations given to us, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of Clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of Clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xv) The Company has not given guarantees for loans taken by others from banks or financial institutions.
- (xvi) During the year, the Company has not raised any term loans.
- (xvii) 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.
- (xviii) According to the information and explanations 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 during the year.
- (xix) According to the information and explanations given to us, during the period covered by our audit report, the Company has not issued any debentures.
- (xx) The Company has not raised any money by way of public issue during the year.
- (xxi) In our opinion and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

**For S. Venkatadri & Co.**  
Chartered Accountants

Place: Banagalore  
Date : May 26, 2009

**K. Srinivasa Rao**  
Partner  
Membership No. 201470

## BALANCE SHEET AS AT MARCH 31, 2009

Rs. In lakhs

|   | Schedule | 2009            | 2008            |
|---|----------|-----------------|-----------------|
| <b>I. Sources of Funds:</b>                     |          |                 |                 |
| <b>1. Shareholders' Funds</b>                   |          |                 |                 |
| a) Share Capital                                | 1        | 2,093.65        | 2,093.65        |
| b) Reserves and Surplus                         | 2        | 1,550.25        | 1,865.23        |
|   |          | <b>3,643.90</b> | 3,958.88        |
| <b>2. Loan Funds</b>                            |          |                 |                 |
| Secured Loans                                   | 3        | 1,324.34        | 2,267.55        |
|   |          | <b>1,324.34</b> | 2,267.55        |
| <b>3. Deferred Tax Liability</b>                |          |                 |                 |
|   |          | <b>371.90</b>   | 529.47          |
| <b>Total</b>                                    |          | <b>5,340.14</b> | <b>6,755.90</b> |
| <b>II. Application of Funds:</b>                |          |                 |                 |
| <b>1. Fixed Assets</b>                          | 4        |                 |                 |
| a) Gross Block                                  |          | 4,721.79        | 4,722.59        |
| b) Less: Depreciation                           |          | 2,447.26        | 2,223.21        |
| c) Net Block                                    |          | 2,274.53        | 2,499.38        |
| d) Capital Work-in-Progress                     |          | —               | —               |
|   |          | <b>2,274.53</b> | 2,499.38        |
| <b>2. Investments</b>                           | 5        | <b>1.25</b>     | 0.75            |
| <b>3. Current Assets, Loans and Advances</b>    |          |                 |                 |
| a) Inventories                                  | 6        | 2,924.60        | 3,189.42        |
| b) Sundry Debtors                               | 7        | 448.88          | 1,466.88        |
| c) Cash and Bank Balances                       | 8        | 55.85           | 27.07           |
| d) Loans and Advances                           | 9        | 819.09          | 1,244.13        |
|   |          | <b>4,248.42</b> | 5,927.50        |
| <b>Less: Current Liabilities and Provisions</b> | 10       |                 |                 |
| a) Current Liabilities                          |          | 1,183.63        | 1,338.63        |
| b) Provisions                                   |          | 0.43            | 333.10          |
|   |          | <b>1,184.06</b> | 1,671.73        |
| <b>Net Current Assets</b>                       |          | <b>3,064.36</b> | 4,255.77        |
| <b>Total</b>                                    |          | <b>5,340.14</b> | <b>6,755.90</b> |
| <b>Notes to the Accounts</b>                    | 15       |                 |                 |

The Schedules referred to above form an integral part of the Balance Sheet.

As per our report attached

For and on behalf of the Board

**For S. Venkatadri & Co.**  
Chartered Accountants

**N. V. Vardarajulu**  
Director

**U. Naresh Kumar**  
Executive Director

**K. Srinivasa Rao**  
Partner  
Membership No. 201470

Place: Bangalore  
Date : May 26, 2009

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2009

(Rs. in Lakhs)

|  | Schedule | 2009             | 2008             |
|--|----------|------------------|------------------|
| <b>I. Income</b>   |          |                  |                  |
| Sales (Gross)  |          | 10,312.99        | 14,415.50        |
| Less: Duties & Taxes   |          | 232.63           | 315.03           |
| Sales (Net)  |          | 10,080.36        | 14,100.47        |
| Other Income   | 11       | 21.28            | 42.69            |
| <b>Total</b>   |          | <b>10,101.64</b> | <b>14,143.16</b> |
| <b>II. Expenditure</b>                                       |          |                  |                  |
| Materials and Other Consumption                              | 12       | 6,922.67         | 8,670.32         |
| Manufacturing, Selling and Administrative Expenses           | 13       | 3,263.92         | 4,280.82         |
| Interest and Finance Charges                                 | 14       | 159.96           | 391.76           |
| Depreciation   | 4        | 227.22           | 226.93           |
| Amortisation of Miscellaneous Expenditure                    |          | -                | -                |
| <b>Total</b>   |          | <b>10,573.77</b> | <b>13,569.83</b> |
| <b>III. Profit Before Prior Period Expenses and Taxation</b> |          | <b>(472.13)</b>  | <b>573.33</b>    |
| <b>IV. Profit Before Taxation</b>                            |          | <b>(472.13)</b>  | <b>573.33</b>    |
| Provision for Taxation - Current                             |          | -                | 240.77           |
| - Deferred   |          | (157.57)         | (28.70)          |
| - FBT  |          | 0.43             | 11.37            |
|  |          | <b>(157.14)</b>  | <b>223.44</b>    |
| <b>V. Profit After Taxation</b>                              |          | <b>(314.99)</b>  | <b>349.89</b>    |
| Balance brought forward                                      |          | 272.85           | 3.94             |
| <b>VI. Available for Appropriation</b>                       |          | <b>(42.14)</b>   | <b>353.83</b>    |
| Preference Dividend  |          | -                | 69.22            |
| Income Tax on Preference Dividend                            |          | -                | 11.76            |
| <b>VII. Available surplus carried to Balance Sheet</b>       |          | <b>(42.14)</b>   | <b>272.85</b>    |
| <b>Notes to the Accounts</b>                                 | 15       |                  |                  |

The Schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached

For and on behalf of the Board

**For S. Venkatadri & Co.**  
Chartered Accountants

**N. V. Vardarajulu**  
Director

**U. Naresh Kumar**  
Executive Director

**K. Srinivasa Rao**  
Partner  
Membership No. 201470

Place: Bangalore  
Date : May 26, 2009

# SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2009

(Rs. in Lakhs)

|  | 2009            | 2008     |
|--|-----------------|----------|
| <b>SCHEDULE 1</b>  |                 |          |
| <b>SHARE CAPITAL</b>   |                 |          |
| <b>Authorised</b>  |                 |          |
| 1,32,00,000 Ordinary Equity Shares of Rs. 10/- each.   | <b>1,320.00</b> | 1,320.00 |
| 80,00,000 Redeemable Preference Shares of Rs. 11/- each.   | <b>880.00</b>   | 880.00   |
| <b>Total</b>   | <b>2,200.00</b> | 2,200.00 |
| <b>Issued, Subscribed and Paid-up</b>  |                 |          |
| 1,22,85,295 Ordinary Equity Shares of Rs. 10/- each fully paid<br>[82,50,526 shares (as at March 31, 2008: 82,50,526) of Rs. 10/- each<br>are held by the Holding Company GMR Holdings Pvt. Ltd.)] | <b>1,228.53</b> | 1,228.53 |
| <b>Preference Shares</b>   |                 |          |
| 78,64,700 (8%) Preference Shares of Rs.11/- each   | <b>865.12</b>   | 865.12   |
| <b>Total</b>   | <b>2,093.65</b> | 2,093.65 |
| <b>SCHEDULE 2</b>  |                 |          |
| <b>RESERVES AND SURPLUS</b>  |                 |          |
| Capital Reserve  | <b>1,592.39</b> | 1,592.39 |
| <b>Profit and Loss Account</b>   |                 |          |
| Balance at the beginning of the year   | <b>272.85</b>   | 7.54     |
| Surplus as per profit and loss Account   | <b>(314.99)</b> | 268.91   |
| Less: Adjusted on account of transitional provisions of AS 15 "Employee Benefits"  | <b>-</b>        | 3.60     |
|  | <b>(42.14)</b>  | 272.85   |
| <b>Total</b>   | <b>1,550.25</b> | 1,865.23 |
| <b>SCHEDULE 3</b>  |                 |          |
| <b>CASH CREDITS AND DEMAND LOANS FROM BANKS</b>  |                 |          |
| Rupee Loans  | <b>1,324.34</b> | 2,217.47 |
| Foreign Currency Loans   | <b>-</b>        | 49.60    |
|  | <b>1,324.34</b> | 2,267.07 |
| Vehicle Loans  | <b>-</b>        | 0.48     |
| <b>Total</b>   | <b>1,324.34</b> | 2,267.55 |

## SCHEDULE 4 FIXED ASSETS

| Sr. No.      | Description            | GROSS BLOCK    |                           |                           |                      | DEPRECIATION  |              |                        |                 | NET BLOCK       |                |
|--------------|------------------------|----------------|---------------------------|---------------------------|----------------------|---------------|--------------|------------------------|-----------------|-----------------|----------------|
|              |                        | As at 01.04.08 | Additions during the Year | Deletions during the Year | Total As at 31.03.09 | Upto 31.03.08 | For the Year | Deletions for the Year | Upto 31.03.09   | As at 31.03.09  | As at 31.03.08 |
| 1.           | Land                   | 47.42          | -                         | -                         | <b>47.42</b>         | -             | -            | -                      | -               | <b>47.42</b>    | 47.42          |
| 2.           | Buildings              | 1,003.74       | -                         | -                         | <b>1,003.74</b>      | 362.90        | 32.74        | -                      | <b>395.64</b>   | <b>608.10</b>   | 640.84         |
| 3.           | Plant and Machinery    | 3,513.35       | -                         | -                         | <b>3,513.35</b>      | 1,761.40      | 182.65       | -                      | <b>1,944.05</b> | <b>1,569.30</b> | 1,751.95       |
| 4.           | Furniture and Fixtures | 111.99         | 2.45                      | -                         | <b>114.44</b>        | 70.43         | 8.19         | -                      | <b>78.62</b>    | <b>35.82</b>    | 41.57          |
| 5.           | Vehicles               | 46.09          | 2.34                      | 5.59                      | <b>42.84</b>         | 28.48         | 3.65         | 3.18                   | <b>28.95</b>    | <b>13.88</b>    | 17.61          |
| <b>Total</b> |                        | 4,722.59       | 4.79                      | 5.59                      | <b>4,721.79</b>      | 2,223.21      | 227.22       | 3.18                   | <b>2,447.26</b> | <b>2,274.53</b> | 2,499.38       |

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2009

(Rs. in Lakhs)

|   | 2009            | 2008            |
|---|-----------------|-----------------|
| <b>SCHEDULE 5</b>                                     |                 |                 |
| <b>INVESTMENTS</b>                                    |                 |                 |
| Government Securities - National Savings Certificates | 1.25            | 0.75            |
| <b>Total</b>  | <b>1.25</b>     | <b>0.75</b>     |
| <b>SCHEDULE 6</b>                                     |                 |                 |
| <b>INVENTORIES</b>                                    |                 |                 |
| (As Valued and certified by the Management)           |                 |                 |
| Raw Materials   | 1,305.32        | 2,047.94        |
| Work-in-Progress                                      | 24.00           | 38.32           |
| Finished Goods  | 1,484.52        | 1,067.06        |
| Stores and Spares                                     | 110.76          | 36.10           |
| <b>Total</b>  | <b>2,924.60</b> | <b>3,189.42</b> |
| <b>SCHEDULE 7</b>                                     |                 |                 |
| <b>SUNDRY DEBTORS</b>                                 |                 |                 |
| Unsecured and considered good                         |                 |                 |
| Debts outstanding for a period exceeding six months   | 14.64           | —               |
| Other Debts   | 434.24          | 1,466.88        |
| <b>Total</b>  | <b>448.88</b>   | <b>1,466.88</b> |
| <b>SCHEDULE 8</b>                                     |                 |                 |
| <b>CASH AND CHEQUES ON HAND</b>                       | 6.84            | 15.26           |
| <b>BALANCE WITH SCHEDULED BANKS</b>                   |                 |                 |
| in Current Accounts                                   | 9.49            | 5.18            |
| in Fixed Deposit Accounts                             | 39.52           | 6.63            |
| <b>Total</b>  | <b>49.01</b>    | <b>11.81</b>    |
| <b>Total</b>  | <b>55.85</b>    | <b>27.07</b>    |

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2009

(Rs. in Lakhs)

|   | 2009            | 2008            |
|---|-----------------|-----------------|
| <b>SCHEDULE 9</b>   |                 |                 |
| <b>LOANS AND ADVANCES</b>   |                 |                 |
| (Unsecured and considered good)                                     |                 |                 |
| Advances recoverable in cash or in kind or for value to be received | 127.57          | 369.33          |
| Income Tax Recoverable  | 130.89          | 222.30          |
| Deposits with Government Authorities                                | 464.75          | 465.45          |
| Deposits with Others  | –               | –               |
| Balances with Excise and Customs Authorities                        | 95.88           | 187.05          |
| <b>Total</b>  | <b>819.09</b>   | <b>1,244.13</b> |
| <b>SCHEDULE 10</b>  |                 |                 |
| <b>CURRENT LIABILITIES</b>  |                 |                 |
| Sundry Creditors  |                 |                 |
| Dues to Small Scale Industrial Undertakings                         | –               | –               |
| Dues to other than Small Scale Industrial Undertakings              | 232.15          | 214.61          |
| Advances from Customers   | 66.92           | 32.58           |
| Other Liabilities   | 884.56          | 1,091.44        |
|   | <b>1,183.63</b> | <b>1,338.63</b> |
| <b>PROVISIONS</b>   |                 |                 |
| Taxation  | 0.43            | 252.13          |
| Dividend and tax thereon  | –               | 80.97           |
|   | <b>0.43</b>     | <b>333.10</b>   |
| <b>Total</b>  | <b>1,184.06</b> | <b>1,671.73</b> |

## SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2009

(Rs. in Lakhs)

|   | 2009            | 2008            |
|---|-----------------|-----------------|
| <b>SCHEDULE 11</b>  |                 |                 |
| <b>OTHER INCOME</b>                                       |                 |                 |
| Scrap Sales and Miscellaneous Receipts                    | 21.28           | 42.69           |
| <b>Total</b>  | <b>21.28</b>    | <b>42.69</b>    |
| <b>SCHEDULE 12</b>  |                 |                 |
| <b>MATERIALS CONSUMPTION</b>                              |                 |                 |
| Raw Materials Consumed                                    |                 |                 |
| Opening Stock   | 2,047.94        | 3,930.92        |
| Add: Purchase   | 6,583.19        | 7,462.79        |
|   | <b>8,631.13</b> | 11,393.71       |
| Less: Closing Stock                                       | 1,305.32        | 2,047.94        |
|   | <b>7,325.81</b> | 9,345.77        |
| (Increase) / Decrease in Finished Goods                   |                 |                 |
| Opening Stock   | 1,067.06        | 385.27          |
| Less: Closing Stock                                       | 1,484.52        | 1,067.06        |
|   | <b>(417.46)</b> | (681.79)        |
| (Increase) / Decrease in Work-in-Progress                 |                 |                 |
| Opening Stock   | 38.32           | 44.66           |
| Less: Closing Stock                                       | 24.00           | 38.32           |
|   | <b>14.32</b>    | 6.34            |
| <b>Total</b>  | <b>6,922.67</b> | <b>8,670.32</b> |
| <b>SCHEDULE 13</b>  |                 |                 |
| <b>MANUFACTURING, SELLING AND ADMINISTRATIVE EXPENSES</b> |                 |                 |
| Material Handling Expenses                                | 22.37           | 16.07           |
| Distribution Expenses                                     | 168.66          | 936.72          |
| Power and Fuel  | 2,216.58        | 2,089.90        |
| Stores and Spares   | 235.75          | 278.42          |
| Repairs and Maintenance:                                  |                 |                 |
| Plant and Machinery                                       | 63.79           | 64.92           |
| Buildings   | 2.46            | 1.79            |
| Others  | 2.47            | 3.04            |
| Salaries, Wages and Bonus                                 | 381.58          | 353.25          |
| Contribution to Provident and Other Funds                 | 41.57           | 27.43           |
| Staff Welfare Expenses                                    | 22.51           | 20.73           |
| Travelling and Conveyance                                 | 18.42           | 201.87          |
| Communication Expenses                                    | 6.46            | 6.91            |
| Other Administrative Expenses                             | 38.15           | 32.88           |
| Consultancy and Other Professional Charges                | 13.80           | 190.41          |
| Printing and Stationary                                   | 1.70            | 2.26            |
| License and Fee   | 7.30            | 12.49           |
| Insurance   | 14.63           | 16.64           |
| Donations   | 0.76            | 21.59           |
| Loss on Sales of Assets                                   | 1.46            | -               |
| Auditor's Remuneration:                                   |                 |                 |
| Statutory Audit   | 3.30            | 3.30            |
| Tax Audit   | 0.20            | 0.20            |
| <b>Total</b>  | <b>3,263.92</b> | <b>4,280.82</b> |
| <b>SCHEDULE 14</b>  |                 |                 |
| <b>INTEREST AND FINANCE CHARGES</b>                       |                 |                 |
| Interest on Working Capital                               | 137.95          | 308.95          |
| Interest - Others   | 2.18            | 63.86           |
| Bank / Other Finance Charges                              | 19.83           | 18.95           |
| <b>Total</b>  | <b>159.96</b>   | <b>391.76</b>   |

## SCHEDULE - 15

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

#### 1. Basis of Financial Statements:

- a) The Financial Statements are prepared under the historical cost convention in accordance with the Generally Accepted Accounting Principles in India and the Provisions of Companies Act, 1956.
- b) The Company follows Mercantile System of Accounting and recognises significant items of income and expenditure on accrual basis.

#### 2. Fixed Assets, Depreciation and Capital Work-in-Progress:

- a) Fixed Assets are stated at cost net of CENVAT wherever applicable less accumulated depreciation. All costs directly attributable to bring the assets to their working conditions for the intended use are capitalised.
- b) Depreciation on the Fixed Assets of the Company is provided on straight line method at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956.

#### 3. Investments:

Investments are stated at cost.

#### 4. Inventories:

Inventories are valued as follows:

- a) Raw-materials: At cost on FIFO basis and stores on weighted average basis.
- b) Finished goods and Work-in-process: Work- in-Process is valued at Cost of Production and Finished Goods at lower of cost of production or realisable value. The cost of production includes value of material, stores, direct and indirect expenses.

#### 5. Foreign Exchange Transactions:

- a) Transactions denominated in foreign currencies are recorded at the exchange rate prevailing on the date of transaction.
- b) Monetary items denominated in Foreign Currency not covered by Forward Contracts and remaining unsettled at the end of the year are translated at year end rates.
- c) Monetary items denominated in Foreign Currency covered by Forward Cover are recorded at the Forward Cover contract rate.

#### 6. Employee Benefits

##### a. Defined Contribution Plans

Contributions paid/payable to defined contribution plan comprises of provident fund and is charged on accrual basis to the Profit and Loss Account each year.

##### b. Defined Benefit Plan

Gratuity for employees is covered under a scheme of Life Insurance Corporation of India and contributions in respect of such scheme are recognised in the Profit and Loss Account. The liability as at the Balance Sheet date is provided for based on the actuarial valuation in accordance with the requirements of revised Accounting Standard (revised 2005) on " Employees Benefits" notified under Section 211 (3C) of the Act ('revised AS 15') as at the end of the year.

##### c. Other Long term employee benefits

Other Long term employee benefits comprise of leave encashment which is provided for based on the actuarial valuation carried out in accordance with revised AS15 at the end of the year.

#### 7. Contingent Liabilities: Mentioned separately by way of notes to accounts.

#### 8. Sales:

Sales includes Excise Duty and Sales Tax.

#### 9. Provision for Current and Deferred Tax

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

#### 10. Earnings Per Share

The earnings considered in ascertaining the Company's Earning Per Share (EPS) comprise of the net profit after tax less dividend (including dividend distribution tax) on preference shares. The number of shares used for computing the basic EPS is the weighted average number of shares outstanding during the year.

**SCHEDULE -15 (CONTD.)**

**11. Additional information pursuant to the provisions of paragraph 3, 4 C and 4 D of Part II of Schedule VI to the Act.**

**Capacities and production**

|   | 2009      |              | 2008      |              |
|---|-----------|--------------|-----------|--------------|
|   | Qty       | Rs. in lakhs | Qty       | Rs. in lakhs |
| <b>1. Licenced and Installed Capacity :</b>     |           |              |           |              |
| <b>Licenced Capacity</b>                        |           |              |           |              |
| Bulk Ferro Alloys (MT Per Year)                 | 25,000    |              | 25,000    |              |
| <b>2. Production :</b>                          |           |              |           |              |
| i) High Carbon Ferro Chrome (MT)                | 14,310.47 |              | 27,934.43 |              |
| ii) Silico Manganese (MT)                       | 2,905.71  |              | –         |              |
| <b>Merchandise Purchases</b>                    |           |              |           |              |
| Pig iron (MT)                                   | –         | –            | 1,826.60  | 302.08       |
| <b>Total</b>                                    |           | –            |           | 302.08       |
| <b>3. Sales :</b>                               |           |              |           |              |
| <b>a) Manufacturing Sales:</b>                  |           |              |           |              |
| i) High Carbon Ferro Chrome (MT)                | 13,874.93 | 9,703.92     | 26,499.57 | 13,829.86    |
| ii) Silico Manganese (MT)                       | 1,680.50  | 568.87       | –         | –            |
| iii) DEPB benefit/SIL                           |           | 40.20        |           | 282.41       |
| iv) Others                                      |           | –            |           | –            |
| <b>Total (A)</b>                                |           | 10,312.99    |           | 14,112.27    |
| <b>b) Merchandise Sales :</b>                   |           |              |           |              |
| Pig iron (MT)                                   |           | –            | 1,826.60  | 303.23       |
| <b>Total (B)</b>                                |           | –            |           | 303.23       |
| <b>Total (A + B)</b>                            |           | 10,312.99    |           | 14,415.50    |
| <b>4. Opening and Closing Stocks</b>            |           |              |           |              |
| <b>a) Opening Stocks</b>                        |           |              |           |              |
| i) High Carbon Ferro Chrome (MT)                | 2,903.46  | 1,067.06     | 1,468.60  | 385.27       |
| ii) Silico Manganese (MT)                       | –         | –            | –         | –            |
| iii) Work-in-Process - Ferro Chrome (MT)        | 150.00    | 38.32        | 150.00    | 44.66        |
|   |           | 1,105.38     |           | 429.93       |
| <b>b) Closing Stocks</b>                        |           |              |           |              |
| i) High Carbon Ferro Chrome (MT)                | 3,338.99  | 1,116.96     | 2,903.46  | 1,067.06     |
| ii) Silico Manganese (MT)                       | 1,225.21  | 367.55       | –         | –            |
| iii) Work-in-Process - Ferro Chrome (MT)        | 80.00     | 24.00        | 135.00    | 38.32        |
|   |           | 1,508.51     |           | 1,105.38     |
| <b>5. Value of Materials Consumed</b>           |           |              |           |              |
| <b>Raw Material consumption</b>                 |           |              |           |              |
| <b>a) Manufacturing</b>                         |           |              |           |              |
| i) Chrome Ore Fines & Lumps (MT)                | 44854.15  | 5,996.61     | 69,124.27 | 6,525.20     |
| ii) Coke & Coal (MT)                            | 10768.67  | 1,011.57     | 19,903.37 | 2,181.62     |
| iii) Others (in different units of measurement) |           | 317.63       |           | 336.89       |
| <b>Total (A)</b>                                |           |              |           |              |
| <b>b) Merchandise Consumption</b>               |           | 7,325.81     |           | 9,043.71     |
| Pig Iron (MT)                                   | –         | –            | 1,826.60  | 302.08       |
| <b>Total (B)</b>                                |           | –            |           | 302.08       |
| <b>Total (A + B)</b>                            |           | 7,325.81     |           | 9,345.79     |

**SCHEDULE -15 (CONTD.)**

|   | 2009          |                 | 2008          |                 |
|---|---------------|-----------------|---------------|-----------------|
|   | Percentage    | Rs. in Lakhs    | Percentage    | Rs. in Lakhs    |
| <b>6. Percentage of Raw Material Consumed</b>                                     |               |                 |               |                 |
| i) Indigenous   | 100.00        | 7,325.81        | 95.73         | 8,946.76        |
| ii) Imported  | –             | –               | 4.27          | 399.01          |
|   | <b>100.00</b> | <b>7,325.81</b> | <b>100.00</b> | <b>9,345.77</b> |
| <b>7. Stores and Spares Consumed</b>  |               |                 |               |                 |
| Indigenous  | 100.00        | 235.75          | 100.00        | 278.42          |
| <b>8. Auditors' Remuneration</b>  |               |                 |               |                 |
| i) Statutory Audit  |               | 3.30            |               | 3.30            |
| ii) Tax Audit   |               | 0.20            |               | 0.20            |
|   |               | <b>3.50</b>     |               | <b>3.50</b>     |
| <b>9. Managerial Remuneration to Executive Director</b>                           |               |                 |               |                 |
| i) Salary   |               | 43.09           |               | 29.22           |
| ii) Contribution to Provident Fund  |               | 1.33            |               | 0.99            |
|   |               | <b>44.42</b>    |               | <b>30.21</b>    |
| <b>10. Foreign exchange Earnings / Out Go</b>                                     |               |                 |               |                 |
| <b>a) FOB Value of Exports</b>  |               |                 |               |                 |
| Metallurgical Division  |               | 7,482.59        |               | 10,588.85       |
| Merchandise Division  |               | –               |               | 303.23          |
| <b>b) CIF Value of Imports (material) :</b>                                       |               | <b>462.93</b>   |               | <b>469.21</b>   |
| <b>c) Expenditure in Foreign Currency on account of:</b>                          |               |                 |               |                 |
| <b>Foreign Travel (Directors)</b>   |               | –               |               | 0.77            |
| <b>11. Contingent Liabilities not provided for an account of:</b>                 |               |                 |               |                 |
| a) Bank Guarantees  |               | 49.18           |               | 45.52           |
| b) Claims made by Govt. Departments against the Company not acknowledged as debts |               | –               |               | 30.82           |

12. Interest Payment was shown after set off of interest received.

**13. Loans**
**Working Capital loans**

From Andhra Bank and State Bank of Mysore are secured by way of hypothecation of finished goods, raw materials, stores and spares, stock in process, receivables and secured by second charge on fixed assets.

**14. Related Party Disclosure**

|  | Name of the Person  | Nature of Transaction   | Amt. Rs. in Lakhs |
|--|---------------------|-------------------------|-------------------|
| a) Key Management Personal                               | U. Naresh Kumar     | Managerial Remuneration | 44.42             |
| b) Relatives of Individuals having significant influence | Nil                 |                         |                   |
|  | B. Ramadevi         | Rent                    | 0.18              |
|  | G. Varalakshmi      | Rent                    | 0.58              |
| c) Fellow Subsidiary:                                    | GMR Industries Ltd. | –                       | –                 |

15. Total Assets of the Company as on 31.03.2009 amounting to Rs. 4721.79 lakhs are situated within india only.

**16. Segment Report**

The Company operates in only one segment of manufacturing / trading of metal alloys.

## SCHEDULE -15 (CONTD.)

### 17. Employees Benefits

The Following table sets forth the status of gratuity plan of the Company and the amount recognized in the balance sheet and profit and loss account

|   | (Rs. in Lakhs) |
|---|----------------|
| <b>Change in Projected benefit obligation</b> | <b>2008-09</b> |
| Obligations at period beginning (01-04-2008)  | 71.81          |
| Service Cost                                  | 9.21           |
| Interest cost                                 | 4.77           |
| Benefits settled                              | (7.25)         |
| Actuarial (gain)/loss                         | (3.21)         |
| Obligations at period end                     | 75.33          |
| <b>Change in plan assets</b>                  |                |
| Plan assets as on 01-04-2008, at fair value   | 51.36          |
| Expected return on plan assets (estimated)    | 4.08           |
| Actuarial gain/(loss)                         | 0.75           |
| Contributions (less risk prem. etc.)          | 6.56           |
| Benefits settled                              | (7.25)         |
| Plans assets as on 31-03-2009, at fair value  | 55.50          |
| <b>Funded status of the plan</b>              | <b>(19.84)</b> |
| <b>Gratuity cost</b>                          |                |
| Service cost                                  | 9.21           |
| Interest cost                                 | 4.77           |
| Expected return on plan assets                | (4.08)         |
| Actuarial (gain)/loss                         | (3.96)         |
| Net gratuity cost                             | 5.95           |
| <b>Assumptions</b>                            |                |
| Discount rate                                 | 7.00%          |
| Expected return on assets                     | 8.00%          |
| Rate of compensation increase                 | 6.00%          |
| Attrition Rate                                | 5.00%          |
| Retirement expectancy                         | 58             |

(Rs. in Lakhs)

### 18. Earnings Per Equity Share

|  | 2009              | 2008       |
|--|-------------------|------------|
| a) Net Profit after Tax  | <b>(314.99)</b>   | 349.89     |
| b) Preference Dividend Accrued for the year  | -                 | 80.97      |
| c) Net Profit After Tax available for Equity Shareholders (a - b)  | <b>(314.99)</b>   | 268.92     |
| d) Weighted average No. of Equity Shares of Rs. 10 each outstanding during the year (No. of Equity shares) | <b>12,285,295</b> | 12,285,295 |
| e) Basic/Diluted Earnings per Equity Share (Rs.)   | <b>(2.56)</b>     | 2.19       |

19. As on 31.03.2009, the timing difference has resulted in deferred tax liability/assets amounting to Rs. 371.89 Lakhs.

The break up of deferred tax assets/liabilities is as follows:

|  |                    |
|--|--------------------|
| Deferred Tax Liability on account of timing difference in Depreciation | : Rs. 49,804,121   |
| Deferred Tax Asset on account of Section 43B of IT Act                 | : Rs. (1,256,566)  |
| Deferred Tax Asset on account of Unabsorbed Losses                     | : Rs. (11,357,589) |

20. Balance with Central Excise Department includes unavailed Modvat credit of Rs. 90.10 Lakhs of which there is no dispute by the Central Excise Department.

## **SCHEDULE -15 (CONTD.)**

- 21.** Disclosure of Sundry Creditors under Current Liabilities is based on the information available with the Company regarding the status of the suppliers as defined under the "Micro, Small and Medium Enterprises Development Act, 2006". Amount overdue on account of principal amount together with interest as on 31st March, 2009 to Micro, Small and Medium Enterprises is Rs. Nil (previous year Rs.Nil).
- 22.** Excise duty estimated at Rs.152.91 lakhs on Finished goods lying in the Factory Premises. However the Company has not provided Excise Duty as a Liability and the Excise duty is not considered in valuation of closing stock. Because of this there is no impact on the Profit for the year.
- 23.** Additional information pursuant to the provisions of Part IV of Schedule VI of the Companies Act, 1956 is furnished in the Annexure.

As per our report attached

For and on behalf of the Board

**For S. Venkatadri & Co.**

Chartered Accountants

**K. Srinivasa Rao**

Partner

Membership No. 201470

Place: Bangalore

Date : May 26, 2009

**N. V. Vardarajulu**

Director

**U. Naresh Kumar**

Executive Director

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2009

(Rs. in Lakhs)

|   | 2009              | 2008       |
|---|-------------------|------------|
| <b>A. Net profit before tax and extraordinary items</b>       | <b>(472.13)</b>   | 573.33     |
| <b>Adjustments for:</b>                                       |                   |            |
| Depreciation  | 227.22            | 226.93     |
| Interest and Financial charges                                | 159.96            | 391.75     |
| <b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>        | <b>(84.95)</b>    | 1,192.01   |
| <b>Adjustments for :</b>                                      |                   |            |
| Trade & Other receivables                                     | 1,445.04          | 161.31     |
| Inventories   | 264.82            | 1,222.34   |
| Trade Payables  | (487.67)          | (1,690.10) |
| <b>Cash generated from operations</b>                         | <b>1,137.24</b>   | 885.56     |
| Direct Taxes paid   | –                 | (284.91)   |
| <b>Net Cash from Operation Activities</b>                     | <b>1,137.24</b>   | 600.65     |
| <b>B. Cash flow from investing activities</b>                 |                   |            |
| Purchase of fixed assets                                      | (4.79)            | (15.14)    |
| (Purchase)/Sale of Investments                                | (0.50)            | (0.55)     |
|   | <b>(5.29)</b>     | (15.69)    |
| <b>C. Cash flow from financing activities</b>                 |                   |            |
| Proceeds from secured borrowings (Net)                        | (943.21)          | (220.34)   |
| Interest Paid   | (159.96)          | (391.76)   |
| Preference Dividend and Tax thereon                           | –                 | (80.97)    |
|   | <b>(1,103.17)</b> | (693.07)   |
| <b>D. Net increase in cash &amp; cash equivalents (A+B+C)</b> | <b>28.78</b>      | (108.11)   |
| Cash & Cash equivalents (Opening Balance)                     | 27.07             | 135.18     |
| Cash & Cash equivalents (Closing Balance)                     | <b>55.85</b>      | 27.07      |

As per our report attached

For and on behalf of the Board

**for S. Venkatadri & Co.**  
Chartered Accountants

**K. Srinivasa Rao**  
Partner  
Membership No. 201470

**N. V. Vardarajulu**  
Director

**U. Naresh Kumar**  
Executive Director

Place: Bangalore  
Date : May 26, 2009

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**  
**(Pursuant to the provisions of Part IV of Schedule VI of the Companies Act, 1956)**

**I. Registration Details**

Registration No. 

|  |  |  |   |   |   |   |   |
|--|--|--|---|---|---|---|---|
|  |  |  | 4 | 9 | 5 | 9 | 1 |
|--|--|--|---|---|---|---|---|

State Code 

|   |   |
|---|---|
| 0 | 1 |
|---|---|

Balance Sheet Date 

|   |   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|---|
| 3 | 1 | 0 | 3 | 2 | 0 | 0 | 9 |
|---|---|---|---|---|---|---|---|

Date      Month      Year

**II. Capital raised during the year (Rs. in '000)**

Public Issue 

|  |  |  |  |  |   |   |   |
|--|--|--|--|--|---|---|---|
|  |  |  |  |  | N | I | L |
|--|--|--|--|--|---|---|---|

Rights Issue 

|  |  |  |  |  |   |   |   |
|--|--|--|--|--|---|---|---|
|  |  |  |  |  | N | I | L |
|--|--|--|--|--|---|---|---|

Bonus Issue 

|  |  |  |  |  |   |   |   |
|--|--|--|--|--|---|---|---|
|  |  |  |  |  | N | I | L |
|--|--|--|--|--|---|---|---|

Private Placement 

|  |  |  |  |  |   |   |   |
|--|--|--|--|--|---|---|---|
|  |  |  |  |  | N | I | L |
|--|--|--|--|--|---|---|---|

**III. Position of mobilisation and deployment of funds (Rs. in '000)**

Total Liabilities 

|  |  |   |   |   |   |   |   |
|--|--|---|---|---|---|---|---|
|  |  | 5 | 3 | 4 | 0 | 1 | 4 |
|--|--|---|---|---|---|---|---|

Total Assets 

|  |  |   |   |   |   |   |   |
|--|--|---|---|---|---|---|---|
|  |  | 5 | 3 | 4 | 0 | 1 | 4 |
|--|--|---|---|---|---|---|---|

**SOURCES OF FUNDS**

Paid up Share Capital

Equity Share Capital 

|  |  |   |   |   |   |   |   |
|--|--|---|---|---|---|---|---|
|  |  | 1 | 2 | 2 | 8 | 5 | 3 |
|--|--|---|---|---|---|---|---|

Net Fixed Assets 

|  |  |   |   |   |   |   |   |
|--|--|---|---|---|---|---|---|
|  |  | 2 | 2 | 7 | 4 | 5 | 3 |
|--|--|---|---|---|---|---|---|

Preference Share Capital 

|  |  |  |   |   |   |   |   |
|--|--|--|---|---|---|---|---|
|  |  |  | 8 | 6 | 5 | 1 | 2 |
|--|--|--|---|---|---|---|---|

Investments 

|  |  |  |  |  |   |   |   |
|--|--|--|--|--|---|---|---|
|  |  |  |  |  | 1 | 2 | 5 |
|--|--|--|--|--|---|---|---|

Reserves & Surplus 

|  |  |   |   |   |   |   |   |
|--|--|---|---|---|---|---|---|
|  |  | 1 | 5 | 5 | 0 | 2 | 5 |
|--|--|---|---|---|---|---|---|

Net Current Assets 

|  |  |   |   |   |   |   |   |
|--|--|---|---|---|---|---|---|
|  |  | 3 | 0 | 6 | 4 | 3 | 6 |
|--|--|---|---|---|---|---|---|

Secured Loans 

|  |  |   |   |   |   |   |   |
|--|--|---|---|---|---|---|---|
|  |  | 1 | 3 | 2 | 4 | 3 | 4 |
|--|--|---|---|---|---|---|---|

Miscellaneous Expenditure 

|  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|
|  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|

Deferred Tax Liability 

|  |  |  |   |   |   |   |   |
|--|--|--|---|---|---|---|---|
|  |  |  | 3 | 7 | 1 | 9 | 0 |
|--|--|--|---|---|---|---|---|

**IV. Performance of the Company (Rs. in '000)**

Turnover 

|  |   |   |   |   |   |   |   |
|--|---|---|---|---|---|---|---|
|  | 1 | 0 | 1 | 0 | 1 | 6 | 4 |
|--|---|---|---|---|---|---|---|

Profit before Tax 

|  |  |   |   |   |   |   |   |
|--|--|---|---|---|---|---|---|
|  |  | - | 4 | 7 | 2 | 1 | 3 |
|--|--|---|---|---|---|---|---|

(including other income)

Total Expenditure 

|  |   |   |   |   |   |   |   |
|--|---|---|---|---|---|---|---|
|  | 1 | 0 | 5 | 7 | 3 | 7 | 7 |
|--|---|---|---|---|---|---|---|

Profit after Tax 

|  |  |   |   |   |   |   |   |
|--|--|---|---|---|---|---|---|
|  |  | - | 3 | 1 | 4 | 9 | 9 |
|--|--|---|---|---|---|---|---|

**V. Generic Name of Principal Product/Service of Company**

Item Code 

|  |   |   |   |   |   |   |   |
|--|---|---|---|---|---|---|---|
|  | 7 | 2 | 0 | 2 | . | 4 | 1 |
|--|---|---|---|---|---|---|---|

Product Description 

|   |   |   |   |   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|---|---|---|---|
| F | E | R | R | O | C | H | R | O | M | E |
|---|---|---|---|---|---|---|---|---|---|---|

For and on behalf of the Board

**N. V. Vardarajulu**  
Director

**U. Naresh Kumar**  
Executive Director

Place: Bangalore  
Date : May 26, 2009



**GMR Ferro Alloys & Industries Limited**

Registered Office: 6-3-866/1/G2, Greenlands, Begumpet, Hyderabad 500 016. A.P.

**ATTENDANCE SLIP**

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

| Name & Address of the Member | Registered Folio No. | Client ID & DP ID No. | No. of Shares Held |
|------------------------------|----------------------|-----------------------|--------------------|
|                              |                      |                       |                    |

I hereby record my presence at 3rd Annual General Meeting of the Company held on Tuesday, the 29th September, 2009 at 10.30 a.m. at "K. L. N. Prasad Auditorium", in the premises of The Federation of Andhra Pradesh Chambers of Commerce and Industry, Federation House, 11-6-841, Red Hills, P.B. No. 14, Hyderabad 500 004.

**SIGNATURE OF THE MEMBER OF THE PROXY ATTENDING THE MEETING**

| If Member, please sign here | If Proxy, please sign here |
|-----------------------------|----------------------------|
|                             |                            |

**Note:** Members are requested to bring their copies of the AGM Notice at the Meeting as the same will not be circulated at the Meeting.



**GMR Ferro Alloys & Industries Limited**

Registered Office: 6-3-866/1/G2, Greenlands, Begumpet, Hyderabad 500 016. A.P.

**PROXY FORM**

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

I/We ..... of ..... being a Member/  
Members of GMR Ferro Alloys & Industries Limited, hereby appoint .....  
of ..... or failing him/her ..... of .....  
...or failing him/her ..... of ..... as my/our Proxy to attend and vote for  
me/us on my/our behalf at the 3rd Annual General Meeting of the Company held on Tuesday, the 29th September, 2009 at 10.30 a.m.  
at "K. L. N. Prasad Auditorium", in the premises of The Federation of Andhra Pradesh Chambers of Commerce and Industry, Federation  
House, 11-6-841, Red Hills, P.B. No. 14, Hyderabad 500 004 and at any adjournment thereof.

Signed .....

Date .....

Affix  
Revenue  
stamp

**Note:** The Proxy form duly completed must be deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the meeting. The Proxy need not be a Member of the Company.





# GMR FERRO ALLOYS AND INDUSTRIES LIMITED

