



# BRAHMAYYA & CO.

Chartered Accountants

at VIJAYAWADA, HYDERABAD, VISAKHAPATNAM, GUNTUR, KAKINADA, TANUKU

## REPORT ON THE LIMITED REVIEW CARRIED OUT ON THE UNAUDITED FINANCIAL RESULTS OF VBC FERRO ALLOYS LIMITED, HYDERABAD FOR THE QUARTER ENDED 31<sup>st</sup> DECEMBER, 2014 IN TERMS OF CLAUSE 41 OF THE LISTING AGREEMENT.

- 1) We have reviewed the accompanying statement of unaudited financial results of "VBC Ferro Alloys Limited, Hyderabad" for the quarter ended 31<sup>st</sup> December, 2014. This statement is the responsibility of the Company's Management and has been approved by the Board of Directors of the Company at their meeting held on 14<sup>th</sup> February, 2015. Our responsibility is to issue a report on these financial statements based on our review.
- 2) We conducted our review in accordance with the standard on "Review Engagement (SRE) 2400, engagements to Review Financial Statements" issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free from material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.
- 3) a) The company has received demands for fuel surcharge adjustment (FSA) from Central Power Distribution Company of AP Ltd (CPDCL) pursuant to clause 45B of the Andhra Pradesh Electricity Regulatory Commission (Conduct of Business Amendment) Regulations 2003 (FSA Regulations) The levy has been a subject matter of challenge ever since the DISCOMS made their claim in the year 2010 in respect of the period 2008.09 onwards. The challenge with respect to 2008.09 and 2009.10 were initially accepted by a single judge of the Andhra Pradesh High Court and the appeals filed by the DISCOMS with respect to 2008.09 and 2009.10 are currently pending before the Supreme Court and a full bench of the Andhra Pradesh High Court respectively. With respect to the levy for the years 2010.11 to 2012.13, totaling to Rs. 1906.54 Lakhs, no stay has been granted against the levy and collection of FSA charges. Pending the resolution of the legal course being pursued by the company of the dispute, no provision has been made for the said demand in the books of account.  
b) Pending disposal of its objections filed before the various administrative authorities of CPDCL as per the directions given by "Forum for Redressal of Consumer Grievances of CPDCL" towards load shortfall charges for earlier years, totaling to Rs. 867 Lakhs, no provision has been made by the company for the said demand in the books of accounts.  
The statutory auditors have qualified the above matters in their report for the year ended 31<sup>st</sup> March, 2014.
4. Due to the steep increase in power tariff, by CPDCL, the cost of production of Ferro Silicon has far exceeded the market prices, resulting in non recovery of even variable cost of production. Accordingly the company has closed down its production unit at Rudraram Village, Medak District since 19.06.2013. Further the company is negotiating with the workers union for their retrenchment. However, the books of accounts are maintained under "Going Concern" concept, as the company has initiated effective steps



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to meet its power requirements by setting-up a 120 MW captive thermal power plant at sirpur Kagaznager Mandal, Adilabad District through VBC Power Ltd, by transferring its Power unit by way of demerger.

The statutory Auditors have mentioned this matter under "emphasis of matters" in their report for the year ended 31<sup>st</sup> march, 2014.

5. Based on our review conducted as above, subject to paragraphs 3 and 4 above, nothing has come to our attention that causes us to believe that the accompanying statement of unaudited financial results prepared in accordance with applicable accounting standards and other recognized accounting practices and policies has not disclosed the information required to be disclosed in terms of Clause 41 of the Listing Agreement including the manner in which it is to be disclosed, or that it contains any material misstatement.

Camp: Chennai  
Date: 14<sup>th</sup> February, 2015

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

*CV Ramana Rao*

(C V RAMANA RAO)  
Partner  
Membership No.018545

