

S E V E N T H



2009 - 2010

A N N U A L

R E P O R T



FACOR STEELS LIMITED

CORPORATE INFORMATION

Board of Directors

Narayandas Saraf

Chairman & Whole-time Director

M.D. Saraf

Vice Chairman & Managing Director

Vinod Saraf

Managing Director

Anurag Saraf

Joint Managing Director

A.S. Kapre

M.B. Thaker

Arye Berest

G.L.N. Sastry

Nominee of Bank of India

P.K. Kukde

Vibhu Bakhru

Amit G. Pandey

Company Secretary

Executives

R.V. Dalvi

Director (Technical)

C.V. Raghavan

Chief Finance Officer

S.C. Parija

Executive Vice-President

Bankers

Bank of India

Central Bank of India

State Bank of India

Syndicate Bank

State Bank of Bikaner & Jaipur

Indian Overseas Bank

Solicitors

Mulla & Mulla and Craige Blunt & Caroe

Auditors

Salve & Co.

Chartered Accountants

Internal Auditor

M. M. Jain

Chartered Accountant

Registrar & Share Transfer Agent

(for Both Physical & Electronic)

Link Intime India Pvt. Ltd.

C-13 Pannalal Silk Mills

Compound, LBS Marg,

Bhandup (W),

MUMBAI – 400 078

Phone No. 022-2596 3838

Fax No. 022-2594 6969

E-mail: mumbai@linkintime.co.in

Contents :

Corporate Information and Index	Auditors' Report to Members'	18
Notice to Members	Balance Sheet.....	21
Directors' Report	Profit & Loss A/c	22
Management Discussions and Analysis.....	Cash Flow Statement.....	23
Corporate Governance Report	Schedules	24
Compliance Certificate.....	Principal Address of the Company	35

NOTICE TO MEMBERS

Notice is hereby given that the SEVENTH ANNUAL GENERAL MEETING of the Members of the Company will be held at the Registered Office of the Company at 46 A & B, MIDC, Industrial Estate, Hingna Road, Nagpur- 440 028 on Monday, the 20th of September, 2010 at 12.30 P.M to transact, with or without modification as may be permissible, the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2010 and Profit & Loss Account for the year ended on that date and the Reports of the Board of Directors and the Auditors thereon.
 2. To appoint a Director in the place of Mr. A. S. Kapre, who retires from Office by rotation and, being eligible, offers himself for re-appointment.
 3. To appoint a Director in the place of Mr. P. K. Kukde, who retires from office by rotation and, being eligible, offers himself for re-appointment.
 4. To appoint a Director in the place of Mr. Vibhu Bakhru, who retires from office by rotation and, being eligible, offers himself for re-appointment.
 5. To consider and, if thought fit, to pass the following resolution which will be proposed as an **Ordinary Resolution**:

“RESOLVED THAT pursuant to the provisions of Section 224 and other applicable provisions, if any, of the Companies Act, 1956, Messrs Salve And Company, Chartered Accountants, the retiring Auditors of the Company, be and they are hereby re-appointed Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration plus service tax as applicable and reimbursement of expenses incurred by them incidental to their functions as the Board of Directors may fix in that behalf in consultation with the said Auditors.”
4. Members holding shares in physical form and desirous of making a nomination in respect of their shareholding in the Company are requested to submit Form No. 2B duly filled in and signed to the above Registrar & Transfer Agents. The Form can be had from the Share Department at the Registered Office of the Company at 46 A&B, MIDC Industrial Estate, Hingna Road, Nagpur – 440 028
 5. Shareholders intending to require information about accounts to be explained at the meeting are requested to furnish the queries to the Company at least 10(ten) days in advance of the Annual General Meeting.
 6. As required by the Listing Agreement with the Stock Exchange, the relevant details in respect of the Directors proposed to be appointed/re-appointed are set out in the Report on Corporate Governance forming part of the Annual Report.
 7. The Company’s securities are admitted in the National Securities Depository Ltd. and Central Depository Services Ltd. and the ISIN No., allotted to the Company by them in respect of Equity Shares is INE 829G01011.
 8. Non-resident Indian Members are requested to inform the Registrar and Transfer Agents of the Company their Depository particulars about:
 - a) The change in their residential status on return to India for permanent settlement.
 - b) The details of the bank account in India with complete name, branch, account type, account no. and address of the bank.
 9. All documents referred-to in the accompanying notice are open for inspection at the Registered Office of the Company on all working days between 11.00 a.m. and 1.00 p.m. up to the date of Annual General Meeting.

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday 14th September, 2010 to Monday 20th September, 2010 both days inclusive.
3. Members are requested to notify immediately any change in their address/bank mandate to their respective Depository Participants (DPs) in respect of their electronic share accounts

Registered Office: By ORDER OF THE BOARD

46 A & B, MIDC, Industrial Estate,
Hingna Road,
Nagpur – 440028
Dated: 26th July, 2010

Amit G. Pandey
Company Secretary

DIRECTORS' REPORT TO THE MEMBERS

The Directors submit the **SEVENTH ANNUAL REPORT** on the business and operations of the Company and the Audited Statements of Accounts for the year ended 31st March, 2010.

FINANCIAL RESULTS:

	For the year ended 31.3.2010 (Rs in lacs)	For the year ended 31.3.2009 (Rs in lacs)
Gross Profit / (Loss)	(192.85)	(42.85)
Depreciation / Amortization	397.11	371.08
Adjustments relating to earlier years	(3.22)	6.93
	(586.74)	(420.86)
Provision/(Credit) for MAT/FBT/DEF. TAX/ WT	72.73	106.52
Profit/(Loss) after tax for the year	(659.47)	(527.38)

OVERALL PERFORMANCE:

The global recession which started from October 2008 onwards continued in the first two Quarters of financial year 2009-10. The Domestic demand improved towards the middle of the year with the automobile sector cautiously increasing orders on steel producers, however, not letting the inventories at their end increase like in Pre-Oct 2008 period. At the same time many new steel plants started producing with facilities like Blast Furnaces and Coke Ovens. The companies which did not have their rolling facilities commissioned, did so towards the middle of the year. This resulted in the market being far more competitive than the previous year. Your company therefore could not avail full benefits of the improved automobile market. On the export front, improvement was even slower with USA showing some signs of improvement toward the end of the year and Europe showing none. Exports therefore were below expectations. Raw material prices increased twice in the year, first during the Oct-Dec 2009 period and thereafter towards the end of the financial year. Your company had to face adverse situation on both occasions as the price increases obtained from the automobile sector were not immediate whereas the Raw Material prices had to be conceded as per market forces.

The working capital gap created by losses in the first half coupled with increase in working capital demand due to rising Raw Material prices created further problems in achieving targets, resulting in a net loss of Rs. 659 lacs in a Sales Turnover of Rs 21954.58 lacs during the financial year 2009-10 as compared to a net loss of Rs 527 lacs in a Sales Turnover of Rs. 36510.70 lacs during the 2008-2009.

Your company in order to tide over this situation has decided to give more focus on development and utilization of capacity of forged products. The company's forging plant has started commercial production and approvals from most of its customers were also secured through trials. Your company is hopeful that this will bring stability in the operations of the company and reduce dependency of the company in the automobile sector.

DIVIDEND:

In the absence of profit, your directors are unable to declare any dividend for the year 2009-2010.

PROSPECTS:

In order to face a situation with stiff competition in automobile market and lack of backward integration facilities your company is taking the following steps:

- Your company will enter Forged Product market catering to Engineering, Energy, Nuclear, Railways, Defense, Cement and sugar Industry sectors. Forgings will be supplied to these sectors in as forged; heat treated and proof machined conditions. All efforts are being put to diversify from the common straight shaft market to stepped shafts, eccentric shafts, dies and special shapes. At the same time, stress is being put to be in specialised grades like stainless and tool steels rather than Carbon and low alloy steels. Initial modest level of production of 250 MT/month will be ramped to 1000 MT/month in about 2 years.
- A tie up with equity participation in Wardha Power Company Ltd., a company in the field of captive Power manufacturing will enable your company to procure cheaper electricity under open access policy of Maharashtra Electricity Regulatory Commission from October 2010 onwards. This will reduce energy cost and overall cost of production.
- Product development shall remain a major thrust of your company looking for niche products and import substitutions. Special grade development continues to be a major requirement of most export markets despite recession and the same shall be tapped to improve margins.

The above steps will be coupled with cost reduction and product mix optimisation in order to give your company competitiveness within the constraints of working capital and high cost of borrowing. The export market is expected to pick up this year after the exceptionally long recession period and this will enable your company to improve profitability. The forging products will add to the long products to improve export tonnage. Your company expects that the above steps would bring your company back in track and 2010-2011 would be a turnaround year for the company.

FINANCE:

The Company has not accepted any fixed deposit from the public during the year under review. However, continued losses posted by the company for the consecutive second year has considerably affected the fund flow of the company. Various steps are being taken by the Company to effectively manage the finances and it is expected that with the improvement in the production level the finance position of the company will also stabilize.

COST AUDITOR:

The Directors have appointed Mr. Shridhar K. Phatak, a practicing Cost Accountant, as Cost Auditor for the financial year 2010-11 for the Company's Mini Steel Plant at Nagpur for which Central Government's approval has also been obtained.

INDUSTRIAL RELATIONS:

The overall industrial relations in the Company were cordial during the year.

DIRECTORS:

Mr. A. S. Kapre, Mr. P. K. Kukde and Mr. Vibhu Bakhru, Directors of the Company, retire by rotation and, being eligible offer themselves for re-election. The Company has formulated a Code of Conduct for all members of the Board and Senior Management Personnel. All concerned Board members / executives have affirmed compliance with the said Code.

DIRECTORS' RESPONSIBILITY STATEMENT:

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

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed and there are no material departures.
- ii) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) annual accounts have been prepared on a going concern basis.

AUDIT COMMITTEE:

The Audit Committee formed by the Board of Directors of the Company consists of Mr. A.S. Kapre, Mr. M. B. Thaker, who are Non-Executive Independent Directors of the Company, and Mr. Vinod Saraf who is Managing Director. Mr. A.S. Kapre is its Chairman. The committee's role, terms of reference and the authority and powers are in conformity with the requirements of the Companies Act 1956 and the Listing Agreement.

AUDITORS:

You are requested to appoint Auditors for the current year and to fix their remuneration. M/s Salve & Company, Chartered Accountants

hold office upto the conclusion of the ensuing Annual General Meeting. The Company has received the requisite Certificate pursuant to Section 224 (1B) of the Companies Act 1956 regarding their eligibility for reappointment as Auditors of the Company.

AUDITOR'S REPORT:

With reference to the comments made by the Auditor in his Report, the Directors wish to state that the relevant notes forming part of the Company's Accounts are self-explanatory and hence do not require any further explanation from the Board.

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

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

PARTICULARS OF EMPLOYEES:

During the year under review there were no employees receiving remuneration of or in excess of Rs.24,00,000/- per annum or Rs.2,00,000/- per month requiring disclosure as per the provisions of Section 217(2A) read with the Companies (Particulars of Employees) Rules, 1975.

CORPORATE GOVERNANCE:

Pursuant to Clause 49 of the Listing agreement with the Stock Exchange, a Management Discussion and Analysis Report, Corporate Governance Report and Auditor's Certificate regarding compliance of conditions of Corporate Governance are made a part of the Annual Report.

ACKNOWLEDGEMENT AND APPRECIATION:

Your Directors place on record their gratitude for the support and cooperation received from Central and State Governments, Financial Institutions & Banks, Customers, Suppliers and Shareholders for their continued support. The Board also expresses its sincere and special appreciation to the dedicated and committed team of employees and workmen of the company who have wholeheartedly supported the management of the company.

On behalf of Board of Directors,

Place : Nagpur

Dated : 26th July, 2010

N.D.SARAF
CHAIRMAN & WHOLETIME DIRECTOR

ANNEXURE 'A' TO THE DIRECTORS' REPORT

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

A CONSERVATION OF ENERGY:

- a) Measures taken
 - i) Duration of Heat Treatment Cycles was brought down in several grades.
 - ii) SCADA Control was installed for Ingot Reheating Furnace and Heat Treatment Furnace.
- b) Additional investment and proposals, if any, being :
implemented for reduction of consumption of energy. Company has entered into an agreement with Wardha Power Company Ltd. to avail cheaper power through Open Access Policy.
- c) Impact of measures at (a) and (b) for reduction of energy :
consumption and consequent impact on the cost of production of goods. It is expected that the above measures will result in reduced energy consumption and reduction in cost of production.
- d) Total energy consumption and energy consumption per unit :
of production in prescribed form 'A'. As per Form A attached

B. TECHNOLOGY ABSORPTION:

Research and development:

- a) Specific areas in which R & D carried out by the Company. : NIL
- b) Benefits derived as a result of above R & D. : NOT APPLICABLE
- c) Future plan of action : NIL
- d) Expenditure on Research & Development. : NIL
- e) Technology absorption, adaptation and innovation :
 - i) Efforts, in brief, made towards Technology absorption, adaptation and innovation. : Forging Technology was developed after buying Oilgear USA design for plant modernisation and synchronisation of equipments.

The following new grades were developed:-

Nitr alloy R 7088, R7103, R7104, Duplex Stainless Steels 1.4462, 1.4362, AISI 304LN, 316LN for Nuclear Application, High Sulphur cold drawing grade 115Mn Pb37.
 - ii) Benefits derived as a result of above efforts. : Product Mix was broadened due to inclusion of above grades.
 - iii) Information regarding technology imported during the last five years : Forging automation technology was obtained from M/s Oilgear USA through Towler Enterprise Solutions Pvt. Ltd., Bangalore

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

- 1) Activities relating to exports initiatives taken to increase exports, development of new exports markets for products and services and export plans. New grades were developed for foreign customers to establish niche export markets. The Directors and Executives do undertake foreign tours to keep abreast of the latest developments in technology and to develop new export market, establish contacts with overseas parties, renew relationship with customers and to study export potential.
- 2) Total Foreign Exchange used and earned (2009-2010) :

		(Rs.in Lacs)
i)	CIF value of imports	1218.25
	Expenditure in Foreign Currency	43.25
ii)	Foreign Exchange earned	2079.51

On behalf of Board of Directors,

Place : Nagpur
Dated : 26th July, 2010

N.D.SARAF
CHAIRMAN & WHOLETIME DIRECTOR

FORM 'A'

FORM OF DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY.

PARTICULARS	STEEL	
	CURRENT YEAR 2009-2010	PREVIOUS YEAR 2008-2009
A. POWER AND FUEL CONSUMPTION:		
1. ELECTRICITY		
a) Purchased		
Units (KWH in lacs)	449.39	447.63
Total Amount (Rs. in Lacs).....	2146.64	1932.57
Average rate per unit (Rs.).....	4.78	4.31
b) Own generation		
i) Through Diesel Generator		
Units (KWH).....	—	—
Units per ltr. of diesel oil	—	—
Cost/unit (Rs.).....	—	—
ii) Through Steam Turbine/Generator		
Units.....	—	—
Units per ltr. of fuel oil/gas.....	—	—
Cost/unit (Rs.).....	—	—
2. Coal (specify quality)	—	—
3. Furnace Oil		
Quantity (K.Liter)	3439.74	2825.94
Total cost (Rs.in Lacs)	871.51	795.61
Average Rate (Rs./K.Liters).....	25336.60	28153.73
4. Others/Internal Generation	—	—
B. CONSUMPTION PER UNIT OF PRODUCTION:		
ELECTRICITY (KWH per tonne).....		
Rolled Products.....	1110.000	1160.000
FURNACE OIL (K.Liter per tonne).....		
Rolled Products.....	0.061	0.066
Coal (Specify quality).....	—	—
Others (Specify).....	—	—

MANAGEMENT DISCUSSIONS AND ANALYSIS

INDUSTRY STRUCTURE, DEVELOPMENT AND OTHER RELATED MATTERS

Post Global Recession period the Indian Special Steel Industry’s performance has improved substantially during the last fiscal 2009-2010 backed up by significant growth and demand from auto and auto component sectors. The strong auto sales have made India the second fastest growing automobile market after china. However, the Special Steel Industry has also witnessed increased volatility in the prices of input raw material such as coking coal, iron ore, High Carbon Ferro Chrome and other Ferro Alloys which has forced the industry to operate at low margins with stiff competition in the market. The volatility in the input prices has also altered the procurement practices of the steel plants as inventory levels of raw material has seen significant decline and more focus and attention is being given to optimization in procurement policies. Sharp fluctuation in raw material prices has forced the industry to enter into short term contracts instead of long-term contracts at fixed prices.

Captive mines and power plant with modern technology has become a necessity to withstand the increasing competition in special steel industry. Major drivers for demand for the green field capacity are from automobile, infrastructure, Power sector and industrial machinery. Growing markets of automobiles and consumer goods are expected to double during the next five years. With the completion of scheduled Brownfield and Green field expansion plans, India will become the second largest steel producer in the world. Mining licenses, land acquisition, resettling and providing sustainable means for locals are some of the issues faced by those seeking Green field expansions. However, the success of an expanding steel sector after five years down the line depends on our national economic growth of more than 8-9% for the next five years.

FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE:

OPERATIONAL PERFORMANCE:

(Rs. In Lacs)

YEAR	STEEL MELTING SHOP PRODUCTION (GROSS) (M.T)	ROLLING MILL SHOP PRODUCTION (GROSS) (M.T)	TOTAL SALE	
			QUANTITY	Value (Rs in lacs)
2009-2010	38715	56046**	33864	21954.58*
2008-2009	39279	42519**	37545	36510.70*

* includes value of by-product sale

**Includes conversion job work

FINANCIAL PERFORMANCE:

(Rs. in lacs)

	2009-2010	2008-2009
Total Income	23073.54	37154.26
EBIDT	553.43	945.16
interest	746.28	988.01
depreciation	397.11	371.08
adjustments relating to earlier years	(3.22)	6.93
PBT	(586.74)	(420.86)
MAT/FBT/deferred tax	72.73	106.52
PAT	(659.47)	(527.38)
EPS	(0.32)	(0.26)

The reasons for company’s performance has been covered in Director’s Report

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

The Company has an adequate system of internal control implemented by the management towards achieving efficiency in operations, optimum utilization of resources, and effective monitoring thereof and compliance with all applicable resources. Internal Audit of the company is carried out by an independent agency at regular intervals and the suggestions / recommendations made by them to the Management are looked into and adopted as far as practicable. The scope of the Audit activities is broadly guided and approved by the audit committee constituted by the Board of Directors. The company has introduced better system for monitoring the cost and trade position on various levels of processing for better cost/inventory control. Keeping in view the size and nature of its business the company has adequate internal control system.

OPPORTUNITIES, THREATS, RISKS AND CONCERN:

The Indian economy has shown tremendous strength and resilience during the global recession which slowed major economies of the world. The speciality steel industry has seen fairly encouraging results due to double digit growth in automobile and auto component production. With the growth in the economy it is expected that consumption of steel will also increase thereby opening various opportunities for your company. Your company has been trying to tap the potential and growth in the government sector and sees huge opportunity for growth. The open die forging press installed by the company has started commercial production and your company

expects significant contribution from forging operations in the coming future. The Company has recently got registration with RDSO which will allow the company to cater to the requirements of steel in Indian Railways.

Fluctuating raw material prices of shredded scrap, Nickel, Molybdenum, ferro chrome, ferro silicon, Furnace Oil, power etc., has been a major worry for the company. The growing power tariff and slow rate of consumption of speciality steel in developed markets of USA and Europe has been as major concern. Protective measures adopted by countries like USA, China has also affected the business of your company. New system of raw material pricing for bulk raw materials like coal and iron ore etc., on quarterly basis could result in further increase in volatility of finished goods prices and may affect the margins of the company.

MATERIAL DEVELOPMENT IN HUMAN RESOURCES / INDUSTRIAL RELATIONS:

Industrial relations in the company were cordial through out the year 2009-2010. Your company undertook various Human Resources initiatives to keep the employees motivated and continuously kept them informed regarding the situation in the special steel industry. The employees were given continuous training through out the year to enhance their skills and knowledge.

CAUTIONARY STATEMENT:

Statements in the Management Discussion and Analysis describing the Company's projections and estimates are forward looking statements and progressive within the meaning of applicable securities laws and regulations. Actual results may differ materially from those expressed or implied, depending upon economic conditions, Government policies and other incidental factors.

CORPORATE GOVERNANCE REPORT

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

Your company's Board of Directors and Employees stand committed to the core principles of transparency, integrity and honesty, by adhering to the Corporate Governance values and Corporate Governance code of Business practices.

Your Company is in compliance with the requirements of the guidelines on Corporate Governance stipulated under clause 49 of the Listing Agreement with the Stock Exchange.

2. BOARD OF DIRECTORS:

The composition of the Board of Directors of your company complies with the norms as set out by the Listing Agreement and has been strictly adhered to at all times. As on 31st March, 2010, the Company had an optimum ratio of independent and non-independent members as required by the listing agreement.

The composition of the Directors as on 31st March 2010 is as follows:-

Name and Particulars	Category	No of Board Meetings attended	Whether last AGM Attended	No. of Outside Directorship held in Public Companies	Outside Committee Position Held	
					Member	Chairman
Mr. N. D. Saraf, Chairman & Whole Time Director	Executive*	5	Yes	2	...	...
Mr. M. D. Saraf, Vice Chairman & Managing Director	Executive*	6	Yes	3	...	...
Mr. Vinod Saraf, Managing Director	Executive*	5	Yes	2	...	...
Mr. Anurag Saraf Joint Managing Director	Executive*	6	Yes	2	...	...
Mr. A.S. Kapre	Non-Executive Independent	6	Yes	2	1	3
Mr. M.B. Thaker	Non-Executive Independent	6	Yes	1	3	...
Mr. Arye Berest	Non-Executive Non-Independent	1	Yes	2	...	...
Mr. Ashim Saraf @ Alternate Director to Mr. Arye Berest	Non-Executive*	2	No	2	...	...
Mr. P. K. Kukde	Non-Executive Independent	2	No	2	...	...
Mr. G. L. N. Sastry @@	Non-Executive Independent	Nil	N A	Nil	...	...
Mr. Vibhu Bakhru	Non-Executive Independent	1	Yes	2	...	...

@ Ceased to be director w. e. f. 20.04.2010. ,

@@ Appointed as Nominee Director Bank of India w.e.f. 12.03.2010

* Represent Promoters.

None of the Directors on the Board is a member of more than 10 Committees or a Chairman of more than 5 Committees across all Companies in which he is a Director. The necessary declarations regarding Committee position held have been made by the Directors.

Board Meetings and Procedures:

The Board of directors forms the apex decision making body for overall control and governance of the company. The appointment of the Board members is in accordance with the provisions of the Companies Act, 1956 and the Listing Agreement.

The Board has, for the purpose of better governance and discharge of its duties and in compliance with statutory requirement, constituted various Committees, namely the Audit Committee, the Remuneration Committee and the Shareholders' / Investors' Grievance Committee.

Conduct of Board Meetings:

The Board generally meets once in each quarter. Additional Board Meetings are convened as and when necessitated by giving appropriate notice. During 2009-2010 the Board met 6 times on 27th April' 2009, 27th July' 2009, 15th September 2009, 7th October' 2009, 27th October' 2009, and 27th January'2010 to deliberate on various matters.

Code of Conduct:

The Company has framed a Code of Conduct in compliance with the SEBI (Prohibition of Insider Trading) Regulations, 2003. All intimation/communication as required by the Code are received within the time prescribed.

All the Board members and senior management have affirmed compliance to the Code.

3. AUDIT COMMITTEE:**i) Brief description of terms of reference:**

The Committee's terms of reference, authority and powers are in conformity with the requirements of the provisions of Clause 49 of the Listing Agreement with the Stock Exchange read with Section 292A of the Companies Act, 1956.

ii) Composition, name of the members and Chairperson:

The Audit Committee is composed of three members' viz. Mr. A. S. Kapre, Mr. M. B. Thaker who are Non-Executive Independent Directors of the Company and Mr. Vinod Saraf, who is Managing Director of the Company. Mr. A. S. Kapre is the Chairman of the Committee.

The Committee acts as a vital link between the Management, Statutory and Internal Auditors and the Board of Directors. The financial results of the Company are scrutinized by the Committee before being recommended to the Board for its adoption. Similarly, other matters required to be placed in conformity the provisions of the Listing Agreement are placed at regular intervals to ensure that the highest level of transparency in the conduct of business is maintained.

iii) Meetings and Attendance during the year:

There were four (4) meetings held of Audit Committee during the financial year 2009-2010 on 27th April 2009, 27th July 2009, 27th October 2009 and 27th January 2010 and the attendance of members was as under:

Name of the Director	Category	No. of meetings held during the tenure		Whether attended last AGM
		Held	Attended	
Mr. A.S. Kapre, Chairman	Independent	4	4	Yes
Mr. M.B. Thaker, Member	Independent	4	4	Yes
Mr. Vinod Saraf, Member	Executive	4	3	Yes

4. REMUNERATION COMMITTEE:**i) Brief description of terms of reference:**

Remuneration Committee of the Board decides on issues and matters concerning the remuneration package being paid to the Executive Directors. To ensure transparency and avoid conflict of interest the Committee comprises of all the Non-Executive Directors with the Chairman being an Independent Director.

ii) Composition, name of the members and Chairperson:

The Remuneration Committee is composed of Mr. A. S. Kapre, Mr. M. B. Thaker and Mr. P.K. Kukde. All the members of Remuneration Committee are Independent Directors and Mr. A. S. Kapre is its Chairman.

iii) Attendance during the year:

There was only one (1) meeting held of Remuneration Committee during the financial year 2009-2010 on 27th July 2009 and the attendance of members was as under:

Name of the Director	Category	No. of meetings held during the tenure		Whether attended last AGM
		Held	Attended	
Mr. A.S. Kapre, Chairman	Independent	1	1	Yes
Mr. M.B. Thaker, Member	Independent	1	1	Yes
Mr. P. K. Kukde, Member	Independent	1	1	No

iv) Remuneration Policy:

The Executive Directors are paid remuneration in accordance with the provisions of Schedule XIII to the Companies Act, 1956 and the Non-Executive Directors are paid sitting fee fixed by the Board for attending meetings of the Board and Committees thereof.

v) Details of Remuneration to all the Directors:

Details of remuneration paid to Executive Directors for the year 2009-10 are as under:-

Name of Director	Total Remuneration including perquisites and allowances	Period of Agreement
Mr. N. D. Saraf, C & WTD	19,30,152.80	5 years w.e.f 1 st May, 2006
Mr. M. D. Saraf, VC & MD	12,07,256.20	5 years w.e.f 11 th August, 2007
Mr. Vinod Saraf, MD	18,28,527.80	5 years w.e.f 1 st August, 2009
Mr. Anurag Saraf, JMD	13,93,841.80	5 years w.e.f 28 th July, 2006
Total:	63,59,778.60	

The Non-Executive Directors are paid remuneration by way of sitting fee only for each meeting attended by them. Further, no significant material transactions have been made to the Non-Executive Directors vis-à-vis your Company.

During the year 2009-2010, they were paid sitting fee/remuneration as under:

Name of Director	Sitting Fee Paid	No. of Equity Shares of Re. 1/- each held
Mr. A.S. Kapre	Rs. 60,000/- *	--
Mr. M.B. Thaker	Rs. 60,000/- *	2647
Mr. Ashim Saraf (Alternate Director to Mr. Arye Berest)	Rs. 10,000/-	8504
Mr. Arye Berest	Rs. 5,000/-	--
Mr. P. K. Kukde	Rs. 15,000/-	--
Mr. Vibhu Bakhru	Rs. 5,000/-	--
Total:	Rs. 1,55,000/-	

* Includes sitting fee paid for attending Committee Meetings.

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

(ii) No Notice Period is specified for Director's Resignation / Termination.

5. Share Holders / Investor's Grievance Committee:

The Shareholders' Grievance Committee accounts for the redressal of investors' grievances and complaints concerning transfer/ transmission of shares, non receipt of dividend/ Annual Report, duplicate share certificates and various other complaints. The Committee consists of three members all of whom are independent directors.

i) Name of non-executive director heading the Committee:

The Shareholders' Grievance Committee is headed by Mr. A. S. Kapre, an Independent Director. The Committee endeavors and ensures that the complaints received are settled within a reasonable time period to the satisfaction of the aggrieved investor/ shareholder.

The composition of the Committee is as under:-

Name of Director	Position	No. of Meetings held	No. of meetings attended
Mr. A.S. Kapre,	Chairman	1	1
Mr. Vinod Saraf	Member		1
Mr. M.B. Thaker	Member		1

ii) Name and Designation of Compliance Officer:

Mr. Amit G. Pandey, Company Secretary acts as the Secretary to the Remuneration Committee and is also designated as the Compliance Officer of the Company.

iii) Details of Shareholder's/ Investor's Complaint received and redressed:

Status of Investors' complaints received and resolved during the year 2009-10 is as under:-

Investors complaints received	Resolved	Not solved to the satisfaction of Shareholders	No. of pending complaints
16	16	Nil	Nil

6. GENERAL BODY MEETINGS**i) Annual General Meeting:**

The Annual General Meeting of the Company in the last three years has been held as under:-

AGM Held	Venue	Day, date & time	Whether Resolution passed in the last AGM	
			Special Resolution	Through Postal Ballot
4 th AGM	46 A&B, MIDC Industrial Estate, Hingna Road, Nagpur-440 028	Wednesday, 26 th September, 2007 at 11.45 a.m.	Yes	Yes@
5 th AGM	46 A&B, MIDC Industrial Estate, Hingna Road, Nagpur-440 028	Wednesday, 17 th September, 2008 at 12.15 p.m.	Yes	Yes@
6 th AGM	46 A&B, MIDC Industrial Estate, Hingna Road, Nagpur-440 028	Tuesday, 15 th September, 2009 at 12.15 p.m.	No	No

@ Mr. K.P. Sahasrabudhe, Practicing Chartered Accountant, conducted the entire postal ballot exercise.

ii) Whether any Special Resolution passed in the last AGM :

The Company has not passed any special resolution in the last Annual General Meeting

iii) Whether any special resolution passed last year through postal ballot:

The Company has not passed any special resolution through postal ballot last year.

iv) Person who conducted the postal ballot exercise:

Not Applicable

v) Whether any special resolution is proposed to be conducted through postal ballot this year:

The company does not propose to conduct any special resolution through postal ballot this year.

vi) Procedure for Postal Ballot:

No postal ballot was conducted during the year, hence not applicable.

7. DISCLOSURES**i) Related Party Transaction:**

The Company has not entered into any transaction of material nature, with its Promoters, Directors or the Management, their Shareholders or Relatives etc., that may have potential conflict with the interest of the Company at large. All related party transactions, if any, are negotiated on arms length basis and are intended to further the interest of the Company.

ii) Compliance by the Company:

The Company has complied with the requirement of the Stock Exchange, SEBI and other statutory authorities on all matters in the last three years. There were no instances of non-compliance and no penalties or strictures have been imposed on the Company by the Stock Exchange or SEBI or by any statutory authorities on any matter related to capital markets or related thereto during the last three years.

Pursuant to the requirement of SEBI [Prohibition of Insider Trading] Regulations, 1992 as amended, the Company has adopted a code of conduct for prevention of Insider Trading [The Code]. The Amended Code was adopted by the Board at its Meeting held on 30th January, 2009.

The code is applicable to all Directors and such designated employees who are expected to have access to unpublished price sensitive information relating to the Company as defined in the Code. Compliance required under the Code in respect to various intimations and disclosures to be made both, internally and with stipulated authorities are strictly adhered to at all times. Mr. Amit G. Pandey, Company Secretary, has been appointed as the Compliance Officer for monitoring adherence to the Regulations.

iii) Whistle Blower Policy:

The Company has not adopted the Whistle Blower Policy. However, no instances of fraud or other irregularities have been observed which need to be reported to the Board/Audit Committee.

iv) Details of adoption of mandatory requirements and non-mandatory requirement of Clause 49 of the Listing Agreement:

The Company has complied with all the mandatory recommendation under Clause 49 of the Listing Agreement. The Company has not adopted the non-mandatory provisions of the said clause except formation of Remuneration Committee.

v) Disclosure of information as per regulation 3(1)(e)(i) of SEBI (Substantial Acquisition of Shares & Takeover) Regulations, 1997:

List of persons, who constitute the Group as defined under MRTP Act, 1969 is as under:

I Promoters:

Mrs. Mohinidevi Saraf

Mrs. Bimladevi Saraf

Mr. Narayandas Saraf

Mr. R.K. Saraf

Mr. Murlidhar Saraf

II Relatives of above Five Promoters as defined under Companies Act, 1956

III Group/Associated Entities:

- | | |
|--|---|
| 1. Ferro Alloys Corporation Limited | 16. Godavaridevi Saraf & Sons |
| 2. Facor Alloys Limited | 17. Deepee Sales Corporation |
| 3. Rai Bahadur Shreeram & Co. Pvt. Ltd. | 18. Investar Ltd. |
| 4. Shreeram Durgaprasad Ores Pvt. Ltd. | 19. Supervision Ltd. |
| 5. Saraf Bandhu Pvt. Ltd. | 20. Precisetec Ltd. |
| 6. Facor Power Ltd. | 21. Teracota Consultancy Services Ltd. |
| 7. Facor Realty & Infrastructure Ltd. | 22. Imagetec Ltd. |
| 8. GDP Infrastructure Pvt. Ltd. | 23. Globalscale Investments Ltd. |
| 9. Vidharba Iron & Steel Corpn. Ltd. | 24. Tusta Trading Company Inc. |
| 10. Shreeram Shipping Services Pvt. Ltd. | 25. Cornell Corporation SA. |
| 11. Suchitra Investment & Leasing Ltd. | 26. Trusta Trading Co. AG |
| 12. FAL Employees Welfare Trust | 27. FACOR Employees Welfare Trust |
| 13. Dass Paper Products Ltd. | 28. Best Minerals Ltd. |
| 14. Premier Commercial Corpn. | 29. Metique Marketing (India) Pvt. Ltd. |
| 15. Geedee Sales Services | |

8. MEANS OF COMMUNICATIONS

The financial results, important announcements, declarations are communicated to the Shareholders by means of advertisements in leading national dailies. The quarterly results of the company are published in Financial Express, Times of India and Sakal, local Marathi language newspaper in Nagpur where the registered office of the company is situated.

The Company also posts the vital information such as financial results, shareholding pattern, important information, declarations etc. on its website at www.facorsteel.com which is updated at regular intervals.

The official news releases, as and when required, are being released to the Stock Exchange. Further, the same are posted at the website of the Company from time to time.

9. GENERAL SHAREHOLDERS INFORMATIONi) **AGM: Date, Time and Venue:**

Date of AGM	Time	Venue
20th September, 2010	12.30 p.m.	46 A&B, MIDC Industrial Estate, Hingna Road, Nagpur 440 028, Maharashtra State

- ii) **The particulars of Directors proposed to be appointed / re-appointed in the forthcoming Annual General Meeting as required under Clause 49 IV(G) (i) of the Listing Agreement are as under :-**

Name of Director	Date of Birth	Date of Appointment	Experience In specific Functional Areas	Qualifications	List of Other Public Limited Companies in which Directorship held as on 31-3-2010	Chairman/ Member of the committee of Board of other public Limited Companies on which he was a Director as on 31-3-2010.	No. of shares held
Mr. A. S. Kapre	1-05-1949	20-7-2004	Over 34 years experience mainly in Project & Corporate lending, Rehabilitation Finance and Risk Management	B. Tech., LLB	Ferro Alloys Corporation Limited Facor Alloys Ltd.	Audit Committee (Chairman), Shareholders' Grievances Committee (Chairman), Remuneration Committee (Chairman) & Audit Committee (Member)	Nil
Mr. P. K. Kukde	12-6-1943	27-10-2007	Rich Experience in Power Generation, Transmission & Distribution.	M. E. (Elect.)	Bilt Power Limited Purti Sakhar Karkhana Ltd. Yash Agro Energy Ltd.	Nil	Nil
Mr. Vibhu Bakhru	2-11-1966	01.07.2008	Over 17 years Rich Experience in Legal and Accounts	C. A., LLB	Hindustan Everest Tools Limited. Filatex India Ltd.	Nil	Nil

- iii) **Financial Year ending** : 31st March
- iv) **Date of Book Closure** : 14th September, 2010 to 20th September, 2010 (both days inclusive)
- v) **Dividend payment date** : Not applicable since no dividend is recommended by the Board
- vi) **Listing on Stock Exchanges** : The Bombay Stock Exchange Limited
- vii) **Stock Code** : 532657

viii) **Market Price Data and Performance in comparison with BSE Sensex:**

Month	Bombay Stock Exchange (Rupees)		BSE Sensex	
	High	Low	High	Low
April'2009	2.54	1.31	11942.10	9546.29
May'2009	2.88	1.81	14930.54	11621.30
June'2009	3.83	2.34	15600.30	14016.95
July'2009	2.99	2.23	15732.81	13219.99
August'2009	2.75	2.33	16002.46	14684.45
September'2009	3.25	2.57	17142.52	15356.72
October'2009	2.93	2.21	17457.26	15805.20
November'2009	2.50	2.10	17290.48	15330.56
December'2009	3.42	2.19	17530.94	16577.78
January'2010	3.30	2.32	17790.33	15982.08
February'2010	2.61	2.11	16669.25	15651.99
March'2010	2.80	2.23	17793.01	16438.45

ix) **Registrar and Transfer Agents:**

Registrar & Transfer Agents (RTA) : Link Intime India Pvt. Limited.
C-13, Pannalal Silk Mills Compound,
LBS Marg, Bhandup (W),
Mumbai – 400 078

Share Transfer System : Transfer of shares in physical form are normally processed within a period of 30 days from the date of lodgment with the approval of the Share Transfer Committee of the Board of Directors subject to the documents being valid and complete in all respects.

x) **Distribution of Shareholding as on 31st March:**

No. of equity shares held	2009 – 2010			2008 – 2009		
	No. of shareholders	No. of shares held	% of issued equity share capital	No. of shareholders	No. of shares held	% of issued equity share capital
Upto 500	45454	4763266	2.31	47982	5310973	2.57
501 to 1000	7049	6604038	3.20	7847	7347958	3.56
1001 to 2000	3695	6349843	3.07	3858	6617962	3.20
2001 to 3000	1419	3851737	1.86	1425	3859822	1.87
3001 to 4000	596	2237406	1.08	594	2229260	1.08
4001 to 5000	1010	4950073	2.40	986	4830181	2.34
5001 to 10000	1028	8117026	3.93	985	7862336	3.81
10001 to above	873	169650290	82.15	800	168465187	81.57
Total	61124	206523679	100.00	64477	206523679	100.00

xi) Dematerialisation of shares and liquidity as on 31st March:

No. of equity shares held	2009- 2010			2008 - 2009		
	No. of shareholders	No. of shares held	% of issued equity share capital	No. of shareholders	No. of shares held	% of issued equity share capital
Physical Mode	23220	441211	0.21	23664	452128	0.22
Electronic Mode	37904	206082468	99.79	40813	206071551	99.78
Total:	61124	206523679	100.00	64477	206523679	100.00

xii) Shareholding pattern as on 31st March:

Category	2009 - 2010		2008 - 2009	
	No. of shares held	Percentage of Shares held	No. of shares held	Percentage of Shares held
Promoters, their relatives, associates etc. and persons acting in concert.	137677098	66.66	137677098	66.66
Financial Institutions/Banks	19458	0.01	2005347	0.97
State Government Company / State Financial Corporation	0	0.00	0	0.00
Mutual Funds/ UTI	2869	0.00	2869	0.00
Insurance Companies	4110	0.00	47231	0.02
Bodies Corporate	10392650	5.03	9423679	4.57
Others	58427494	28.30	57367455	27.78
Total:	206523679	100.00	206523679	100.00

xiii) Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity:

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

xiv) Plant Locations:

The mini steel plant of the company is located at 46 A&B, MIDC Industrial Estate, Hingna Road, Nagpur – 440028 (Maharashtra) Telephone No.: 07104 – 235701 – 08, Fax No.: 07104 – 235709, email: info@facorsteel.com.

xv) Address for Correspondence:

For matters relating to Company's Shares

Link Intime India Pvt. Ltd,
C-13 Pannalal Silk Mills Compound,
LBS Marg, Bhandup (W),
MUMBAI – 400 078
Tel.No.: +91-22-25963838
Fax No.: +91-22-25946969
E-mail : mumbai@linkintime.co.in

Helpline for Shareholders

Tel. No.:- 022-2594 6970
E-mail :- rnt.helpdesk@linkintime.co.in

For other matters

Registered Office:

Facor Steels Ltd.
46 A&B, MIDC Industrial Estate,
Hingna Road, Nagpur – 440 028
Tel.No. : +91-07104-235701 - 708
Fax.No.: +91-07104-235709
E-mail : info@facorsteel.com

DECLARATION

As provided in clause 49 of the Listing Agreement with the Stock Exchange, it is hereby declared that all the Board Members and Senior Management personnel of the Company have affirmed the Compliance with the Code of Conduct for the year ended 31st March, 2010.

Place : Nagpur
Date : 26.07.2010

N. D. Saraf
Chairman & Whole Time Director

COMPLIANCE CERTIFICATE

To the Members of Facor Steels Limited

We have examined the compliance of conditions of Corporate Governance by FACOR STEELS LIMITED, for the year ended on 31st March, 2010 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

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

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

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

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

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

For SALVE & CO.
Chartered Accountants
(Registration No 109003W)

Place : NAGPUR
Date : 26th July, 2010

C.A. S.D. PARANJPE,
Partner
Membership No 41472

AUDITORS' REPORT**To The Members of****FACOR STEELS LIMITED**

We have audited the attached Balance Sheet of "Facor Steels Limited" as at 31ST March, 2010, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date both 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.

1. We conducted our audit in accordance with the auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
2. As required by the Companies (Auditors' Report) Order, 2003 as amended by the Companies (Auditors' Report) (Amendment) Order, 2004, (together 'the order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
3. Further to our comments in the Annexure referred to 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 it 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 of the Company;
 - (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 the written representations received from the Directors as on 31st March, 2010 and taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2010 from being appointed as a 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 financial statements together with the notes thereon and attached thereto (specially Note No. 15) 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,2010;
 - (b) in the case of Profit and Loss Account, of the loss for the year ended on that date; and
 - (c) in the case of Cash Flow Statement, of cash flows for the year ended on that date.

For SALVE & CO,
Chartered Accountants,
(Registration No 109003W)

C.A. S.D. PARANJPE,
Partner
Membership No.41472.

Place : NAGPUR
Date : 26th July, 2010

ANNEXURE TO AUDITORS' REPORT

Referred to in paragraph 2 of the Auditors' Report of even date to the Members of FACOR Steels Ltd on the financial statements for the year ended 31st March, 2010.

- i) a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - b) All the fixed assets have been physically verified by the Management at reasonable intervals and no material discrepancies were noticed on such verification.
 - c) The Company has not disposed off any major part of fixed assets during the year.
- ii) a) Physical verification of inventory has been conducted at reasonable intervals by the Management.
 - b) In our opinion, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c) The Company is maintaining proper records of inventory and no material discrepancies were noticed by the Management on physical verification.
- iii) a) The Company has not granted any loans, secured or unsecured, to the Companies, firms and other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, and therefore Clauses (iii) (b), (iii) (c) and (iii) (d) of the said Order are not applicable.
 - b) 1) The Company has taken unsecured loans from nine companies covered in the Register maintained under Section 301 of the Act. The maximum amount involved and the year end balance (including interest) of such loan aggregate to Rs.3419.02 lacs and Rs. 3096.88 lacs respectively.
 - 2) In our opinion, the rate of interest and other terms and conditions of such loans are not prima-facie prejudicial to the interest of the Company.
 - 3) In respect of the aforesaid loan, the interest and principal amounts are repayable on demand and there is no repayment schedule.
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services and during the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- v) There were no contracts or arrangements referred to in Section 301 of the Act (except loans reported under paragraph (iii)(2) (a) above) that needed to be entered in the Register required to be maintained under that section and therefore Clause (v)(b) of the said Order is not applicable.
- vi) The Company has not accepted any fixed deposits from the public within the meaning of Sections 58A, 58AA or any other relevant provisions of the Companies (Acceptance of Deposit) Rules 1975.
- vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- viii) The Company has made and maintained the cost records, as prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956, in respect of the Company's products to which the said rules are made applicable. We have not, however, made a detailed examination of the records.
- ix) a) 1) According to the records examined by us, the Company is generally regular in depositing the undisputed statutory dues, including Provident Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess, with the appropriate authorities. No amounts are outstanding for transfer to the Investors Education and protection Fund under Section 205C of the Companies Act, 1956.
 - 2) According to the information and explanations given to us, no undisputed amount payable in respect of Income Tax, Wealth Tax, Service Tax, Sales Tax, Customs Duty, Excise Duty and Cess were in arrears as at 31ST March, 2010 for a period of more than 6 months from the date they became payable.

- b) On the basis of our examination of the documents and records, there are no dues of Sales Tax, Income Tax, Wealth Tax, Service Tax, Excise Duty, Customs Duty and Cess which have not been deposited on account of any dispute except the following:

Nature of dues	Rs./ Lacs	Forum where the dispute is pending	Period to which the amount related (various Years covering the period)
Excise Duty	30.62	Customs, Excise & Service Tax Appellate Tribunal West Zonal Bench Mumbai.	Jan' 96 to Feb' 2000
Excise Duty	185.41	Customs, Excise & Service Tax Appellate Tribunal West Zonal Bench Mumbai.	Sep' 01 to Nov' 03

- x) The accumulated losses at the end of the financial year are less than 50% of its net worth and company has incurred cash losses during the financial year and in the immediately preceding financial year.
- xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.
- xii) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to the Company and, therefore, Clauses (xiii)(a), (xiii) (b), (xiii) (c) and (xiii) (d) of the said Order are not applicable.
- xiv) The Company is not dealing in or trading in shares, securities, debentures and other investments.
- xv) The Company has not given any guarantee for loans taken by others from banks or financial institutions, the terms and conditions whereof are prejudicial to the interest of the Company.
- xvi) The company has not raised any term loan during the year.
- xvii) On the basis of an overall examination of the Balance Sheet of the Company, in our opinion, the funds raised on short-term basis have not been used for long term investment.
- xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956 during the year.
- xix) During the period covered by our audit report, the Company has not issued any secured debentures.
- xx) The Company has not raised any money by public issues during the year.
- xxi) According to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For SALVE & CO,
Chartered Accountants,
(Registration No 109003W)

Place : NAGPUR
Date : 26th July, 2010

C.A. S.D. PARANJPE,
Partner
Membership No.41472.

BALANCE SHEET AS AT 31ST MARCH, 2010

				(Rupees in lacs)	
		Schedules	31st March, 2010	31st March, 2009	
I	SOURCES OF FUNDS :				
	(1) SHAREHOLDERS' FUNDS :				
	(a) Share Capital	A	2,065.24	2,065.24	
	(b) Reserves and Surplus	B	<u>269.15</u>	<u>269.15</u>	
			2,334.39	2,334.39	
	(2) LOAN FUNDS :				
	(a) Secured Loans	C	2,529.04	3,215.46	
	(b) Unsecured Loans	D	<u>4,510.93</u>	<u>4,716.39</u>	
			7,039.97	7,931.85	
	(3) DEFERRED TAX LIABILITIES (Net)/(Refer Note 8)		<u>195.70</u>	<u>129.60</u>	
	TOTAL		<u>9,570.06</u>	<u>10,395.84</u>	
II	APPLICATION OF FUNDS :				
	(1) FIXED ASSETS :	E			
	(a) Gross Block		7,371.10	6,804.06	
	(b) Less: Depreciation/Amortisation		<u>3,913.87</u>	<u>3,517.69</u>	
	(c) Net Block		3,457.23	3,286.37	
	(d) Capital Work-in-Progress		<u>3,063.29</u>	<u>2,523.84</u>	
			6,520.52	5,810.21	
	(2) INVESTMENTS	F	440.01	440.01	
	(3) CURRENT ASSETS, LOANS & ADVANCES :	G			
	(a) Inventories		5,263.44	5,887.89	
	(b) Sundry Debtors		3,141.52	1,947.26	
	(c) Cash and Bank Balances		252.49	396.90	
	(d) Other Current Assets		1.25	0.10	
	(e) Loans & Advances		<u>1,235.72</u>	<u>1,344.54</u>	
			9,894.42	9,576.69	
	Less: CURRENT LIABILITIES AND PROVISIONS	H			
	(a) Liabilities		8,241.72	5,728.16	
	(b) Provisions		<u>69.62</u>	<u>69.89</u>	
			8,311.34	5,798.05	
	NET CURRENT ASSETS		1,583.08	3,778.64	
	(4) PROFIT & LOSS ACCOUNT		<u>1,026.45</u>	<u>366.98</u>	
	TOTAL		<u>9,570.06</u>	<u>10,395.84</u>	
	NOTES FORMING PART OF THE ACCOUNTS	K			

As per our report of even date attached,

For **SALVE AND CO.**

Chartered Accountants

C.A. S.D. PARANJPE

Partner

Membership No. 41472

NAGPUR, 26th July, 2010

Amit G. Pandey

Company Secretary

NAGPUR, 26th July, 2010

For and on behalf of the Board,

N.D.SARAF

Chairman & Wholetime Director

VINOD SARAF

Managing Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

		(Rupees in lacs)	
	Schedules	31st March, 2010	31st March, 2009
INCOME :			
Sale of Products and other Income :	I	23,167.39	37,154.26
EXPENDITURE :			
Manufacturing and other Expenses	J	22,610.74	36,216.03
Depreciation/Amortisation (Refer Note 5)		397.11	371.08
Interest (Refer Note 6)		746.28	988.01
TOTAL EXPENDITURE		23,754.13	37,575.12
PROFIT/(LOSS) before taxes		(586.74)	(420.86)
Provision for Taxes			
Current year Income Tax (MAT) (Refer Note 7)		-	-
Tax for earlier years		5.69	(2.51)
Fringe Benefit Tax		-	14.97
Deferred Tax (Refer Note 8)		66.10	93.21
Wealth Tax		0.94	0.85
		72.73	106.52
PROFIT/(LOSS) for the year after Tax		(659.47)	(527.38)
Balance brought forward from last year		(366.98)	160.40
Balance carried to Balance Sheet		(1,026.45)	(366.98)
Basic and diluted earning per equity share (in Rs)			
(Face value Re. 1/-per share)		(0.32)	(0.26)
NOTES FORMING PART OF THE ACCOUNTS	K		

As per our report of even date attached,

For **SALVE AND CO.**
Chartered Accountants**C.A. S.D. PARANJPE**
Partner
Membership No. 41472

NAGPUR, 26th July, 2010

Amit G. Pandey
Company Secretary

NAGPUR, 26th July, 2010

For and on behalf of the Board,

N.D.SARAF
Chairman & Wholetime Director**VINOD SARAF**
Managing Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010
PURSUANT TO CLAUSE 32 OF THE LISTING AGREEMENT

	(Rupees in lacs)	
	2009-2010	2008-2009
(A) CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit before tax and extraordinary items	(586.74)	(420.86)
Adjustment for :		
Depreciation	397.11	371.08
Interest on Deposits of others	(14.63)	(18.86)
Interest	746.28	988.01
Profit on Sale of Fixed Assets (Net)	0.52	0.78
	<u>1,129.28</u>	<u>1,341.01</u>
Operating Profit before Working Capital changes	542.54	920.15
Adjustment for :		
Trade and Other receivables	(1,092.14)	1,609.52
Inventories	624.45	2,644.87
Trade payables	2,513.29	(4,074.41)
	<u>2,045.60</u>	<u>179.98</u>
Cash generated from operations	2,588.14	1,100.13
Interest paid	(677.45)	(930.26)
Direct taxed paid/adjusted	(0.39)	(45.50)
	<u>(677.84)</u>	<u>(975.76)</u>
	1,910.30	124.37
Cash flow before extraordinary items		
Extraordinary items	-	-
Net Cash flow from Operating Activities (A)	<u>1,910.30</u>	<u>124.37</u>
(B) CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets	(1,142.82)	(2,349.97)
Sale of Fixed Assets	34.88	0.23
Purchase of Investments	-	(440.00)
Interest and Dividend Income	13.94	17.70
Net Cash flow from Investing Activities (B)	<u>(1,094.00)</u>	<u>(2,772.04)</u>
	816.30	(2,647.67)
(C) CASH FLOW FROM FINANCING ACTIVITIES :		
Proceeds from Long and Short term borrowings	(960.71)	2,143.40
Proceeds from Share Capital	-	-
Net Cash used in Financing Activities (C)	<u>(960.71)</u>	<u>2,143.40</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(144.41)</u>	<u>(504.27)</u>
Cash and Cash equivalents (Opening Balance)	396.90	901.17
Less :- Cash and Cash equivalents (Closing Balance)	252.49	396.90
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(144.41)</u>	<u>(504.27)</u>

As per our report of even date attached,

For **SALVE AND CO.**
Chartered Accountants**C.A. S.D. PARANJPE**
Partner
Membership No. 41472

NAGPUR, 26th July, 2010

Amit G. Pandey
Company Secretary

NAGPUR, 26th July, 2010

For and on behalf of the Board,

N.D.SARAF
Chairman & Wholetime Director**VINOD SARAF**
Managing Director**AUDITORS' CERTIFICATE**

We have examined the above Cash Flow statement of FACOR Steels Limited for the year ended 31st March, 2010. The statement has been prepared by the Company in accordance with the requirements of Clause 32 of the listing agreement with Stock Exchanges and is based on and in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company covered by our report of 26th July 2010 to the members of the company.

Nagpur, 26th July, 2009

For SALVE AND CO
Chartered Accountants
C.A. S.D.PARANJPE
Partner
Membership No.41472

SCHEDULES

Annexed to and forming part of the Balance Sheet and Profit and Loss Account

		(Rupees in lacs)	
		31st March, 2010	31st March, 2009
SCHEDULE A			
SHARE CAPITAL			
AUTHORISED:			
240,000,000	Equity Shares of Re 1/- each	2,400.00	2,400.00
600,000	Redeemable Preference Shares of Rs. 100/- each	600.00	600.00
	TOTAL	<u>3,000.00</u>	<u>3,000.00</u>
ISSUED,SUBSCRIBED,CALLED & PAID-UP:			
206,523,679	Equity Shares of Re 1/- each fully paid-up	2,065.24	2,065.24
	TOTAL	<u>2,065.24</u>	<u>2,065.24</u>
SCHEDULE B			
RESERVES AND SURPLUS			
CAPITAL RESERVE			
Opening Balance		269.15	269.15
	TOTAL	<u>269.15</u>	<u>269.15</u>
SCHEDULE C			
SECURED LOANS			
FROM BANKS:			
PLR-4% Funded Interest Term Loan Accounts (FITL)	197.47		361.12
Add: Interest accrued and due (Refer Note below)	<u>2.44</u>	199.91	<u>4.63</u> 365.75
0% Funded Interest Term Loan Accounts (FITL)	170.68		
Add: Interest accrued and due (Refer Note below)	<u>0.95</u>	171.63	195.02
Cash Credit Accounts	2,117.18		2,350.09
Export Packing Credit Accounts (Refer Note below)	<u>40.32</u>	2,157.50	<u>304.60</u> 2,654.69
	TOTAL	<u>2,529.04</u>	<u>3,215.46</u>
NOTE :			
Secured by hypothecation of stocks of raw-materials,finished products,book debts and other receivables and by way of first charge on fixed assets of the company and guaranteed by two Directors. These are also secured by Inter-company guarantees by Ferro Alloys corpn. Ltd.and Facor Alloys Ltd.as well as by pledge of promoters' shareholding.			
SCHEDULE D			
UNSECURED LOANS			
Hire Purchase Credits		57.16	150.59
Inter Corporate Deposits / Loans	2,954.00		2,954.00
Add: Interest accrued and due	<u>142.88</u>	3,096.88	<u>72.81</u> 3,026.81
External commercial Borrowings /(ECB Loan)	1,356.89		
Add: Interest accrued and due	<u>-</u>	1,356.89	1,538.99
	TOTAL	<u>4,510.93</u>	<u>4,716.39</u>

**SCHEDULE E
FIXED ASSETS**

(Rupees in lacs)

PARTICULARS	GROSS BLOCK AT COST			DEPRECIATION/AMORTISATION			NET BLOCK			
	As at 01.04.2009	Additions/ Adjustments	Deductions/ Adjustments	As at 31.03.2010	Up to 31-3.2009	For the Year	Deductions/ Adjustments	Upto 31-03.2010	As at 31-03.2010	As at 31-03.2009
GOODWILL	1,545.00	-	-	1,545.00	756.60	154.50	-	911.10	633.90	788.40
BUILDINGS	641.14	13.85	-	654.99	307.75	18.88	-	326.63	328.36	333.39
PLANT AND MACHINERY	4,156.08	500.68	34.21	4,622.55	2,271.09	172.32	-	2,443.41	2,179.14	1,884.99
OFFICE AND OTHER EQUIPMENTS	184.78	86.08	1.43	269.43	107.52	28.25	0.50	135.27	134.16	77.26
FURNITURE AND FIXTURES	39.98	2.76	0.69	42.05	28.24	1.30	0.43	29.11	12.94	11.74
VEHICLES	237.08	-	-	237.08	46.49	21.86	-	68.35	168.73	190.59
	6,804.06	603.37	36.33	7,371.10	3,517.69	397.11	0.93	3,913.87	3,457.23	3,286.37
WORK - IN - PROGRESS	2,523.84	1,133.36	593.91	3,063.29	-	-	-	-	3,063.29	2,523.84
TOTAL	9,327.90	1,736.73	630.24	10,434.39	3,517.69	397.11	0.93	3,913.87	6,520.52	5,810.21
Previous Year	6,982.26	2,939.00	593.36	9,327.90	3,149.93	371.08	3.32	3,517.69	5,810.21	-

Note:

Depreciation on Fixed assets capitalised upto 30.06.1986 as per written down value method and depreciation on addition thereafter as per straight line method has been charged at the rates of Depreciation as per Schedule XIV of Companies Act 1956 as amended.

	31st March, 2010	(Rupees in lacs) 31st March, 2009
SCHEDULE F		
INVESTMENTS - Long Term		
a) IN GOVERNMENT SECURITIES : (At Cost)		
I) 6 Years National Saving Certificates (Face Value Rs.0.01 lac) (Unquoted)	0.01	0.01
b) IN FULLY PAID PREFERENCE SHARES:UNQUOTED:		
I) 2454133 (0.01% Class 'A' Redeemable preference shares of Rs. 10/- each in Wardha Power Co. Ltd.)	245.41	245.41
c) IN PARTLY PAID EQUITY SHARES:UNQUOTED:		
I) 1945867 (Equity shares of Rs. 10/- each Rs. 1/- paid up in Wardha Power Co. Ltd.)	19.46	19.46
II) Equity share Application money in Wardha Power Co. Ltd.(Pending Allotment)	175.13	175.13
	<u>194.59</u>	<u>194.59</u>
	<u>440.01</u>	<u>440.01</u>
	TOTAL – (c)	TOTAL – (a + b + c)
(a) Aggregate carrying cost of unquoted Investments	264.88	264.88
(b) National saving certificate is pledged with Government authority	0.01	0.01
(c) Aggregate carrying cost of unquoted Investments in Wardha Power Co. Ltd.	264.87	264.87
SCHEDULE G		
CURRENT ASSETS,LOANS AND ADVANCES		
(a) INVENTORIES :		
Stores,Spare Parts,Loose Tools and Stock-in-Trade (As per inventory taken,valued and as certified by Managing Director) :		
Stores and Spare Parts (At Cost)	1,130.15	1,492.74
Loose Tools (At Cost)	19.24	19.47
Stock-in-Trade:		
Work-in-Process (At Cost or Net realisable value whichever is lower)	1,881.64	1,223.09
Finished Products (At Cost or Net realisable value whichever is lower)	1,712.34	2,563.72
	<u>3,593.98</u>	<u>3,786.81</u>
Raw Materials (At Cost)	520.07	588.87
	<u>4,114.05</u>	<u>4,375.68</u>
	5,263.44	5,887.89
(b) SUNDRY DEBTORS :		
Unsecured and considered good (Unless otherwise stated):		
Debts outstanding for a period exceeding six months :		
Considered good	306.17	107.24
Considered doubtful	52.30	46.46
	<u>358.47</u>	<u>153.70</u>
Other Debts	2,835.35	1,840.02
	<u>3,193.82</u>	<u>1,993.72</u>
Less: Provision for bad and doubtful debts	52.30	46.46
	3,141.52	1,947.26
(c) CASH AND BANK BALANCES:		
Cash in hand	7.36	7.76
With Scheduled Banks:		
In Current Accounts	105.82	308.66
In Fixed Deposit Accounts	122.83	76.41
In Cash Credit Accounts	16.40	2.28
In Packing Credit Account.	-	1.71
In Margin Money Accounts	0.08	0.08
	<u>245.13</u>	<u>389.14</u>
	252.49	396.90

		(Rupees in lacs)	
		31st March, 2010	31st March, 2009
(d) OTHER CURRENT ASSETS :			
Interest accrued on Fixed Deposits		1.25	0.10
(e) LOANS AND ADVANCES :			
Unsecured and considered good (Unless otherwise stated)			
(i) Advance Tax including TDS (Net of provisions)	106.17		96.99
(ii) Advances recoverable in cash or in kind or for value to be received(Refer Note 14)	906.88		1,007.48
(iii) Claims Recoverable	143.40		57.09
(iv) Deposits	79.27		182.98
		<u>1,235.72</u>	<u>1,344.54</u>
TOTAL		<u>9,894.42</u>	<u>9,576.69</u>
Fixed Deposit Receipts lodged with Banks as security for Letters of Credit / Guarantees.		113.83	27.40

SCHEDULE H

CURRENT LIABILITIES AND PROVISIONS

(a) CURRENT LIABILITIES :			
Bills Discounted	955.78		753.01
Sundry Creditors *	6,664.58		4,564.23
Managerial Remuneration payable	2.17		0.22
Other Liabilities	619.19		410.70
		<u>8,241.72</u>	<u>5,728.16</u>
(b) PROVISIONS :			
For Gratuity	48.60		48.60
For P.L.Encashment	21.02		21.29
		<u>69.62</u>	<u>69.89</u>
TOTAL		<u>8,311.34</u>	<u>5,798.05</u>

Note:

* Includes outstanding dues of Micro enterprises and Small enterprises of Rs. 30.81 lacs previous year Rs. 41.81 lacs.(Refer Note 16)

		(Rupees in lacs)	
		Year Ended 31st March, 2010	Year Ended 31st March, 2009
SCHEDULE I			
SALE OF PRODUCTS AND OTHER INCOME			
Sales less Returns		21,954.58	36,510.70
Export Incentives		79.23	115.35
Interest on Deposits (Gross) [Income tax deducted at source Rs 0.67 lacs (Previous Year:Rs.1.13)]		5.45	7.91
Other Interest (Gross)		9.18	10.95
Miscellaneous Receipts (Refer Note 4)		1,022.40	517.06
Profit /(Loss) on Fixed Assets Sold/Discarded (Net)		(0.52)	(0.78)
Foreign Exchange Gain (Net)		93.85	-
Adjustments relating to earlier years (Net)		3.22	(6.93)
TOTAL		<u>23,167.39</u>	<u>37,154.26</u>

		(Rupees in lacs)	
		Year Ended 31st March, 2010	Year Ended 31st March, 2009
SCHEDULE J			
MANUFACTURING AND OTHER EXPENSES			
Purchase of Semi Finished Product		266.27	625.91
Raw Material Consumed :			
Opening Stocks:	588.87		1,654.64
Add: Purchases	<u>14,051.74</u>		<u>23,562.95</u>
	14,640.61		25,217.59
Less: (i) Sales and Internal Consumption	43.16		157.47
(ii) Consumption Transfer to Capital work in progress	415.62		
(ii) Closing Stock (At Cost)	<u>520.07</u>		<u>588.87</u>
	<u>978.85</u>		<u>746.34</u>
		13,661.76	24,471.25
Payments and Other Benefits to Employees :			
Salaries,Wages and Bonus(Refer Note 9)	1,151.65		1,174.23
Provident Fund & ESI Contributions	8.17		8.05
Staff Gratuity & Superannuation	1.00		0.87
Welfare Expenses	<u>94.62</u>		<u>102.89</u>
		1,255.44	1,286.04
Operating and Other Expenses :			
Power and Fuel	3,018.15		2,728.17
Production and Handling Expenses	325.40		305.44
Freight,Shipment and Sales Expenses	682.35		1,001.79
Excise Duty (Net)	2.81		(26.91)
Compensation to mini steel plant	21.00		21.00
Lease rent paid to SKM	-		4.50
Stores and Spares	2,042.23		1,896.26
Sampling and Analysis	17.68		13.92
Works Expenses (Refer Note 10)	421.97		963.40
Transport Expenses	13.56		12.73
Repairs and Maintenance to Plant and Machinery	494.28		546.07
Repairs and Maintenance to Buildings	1.81		37.44
Insurance	27.18		25.52
Rent	23.85		23.95
Rates and Taxes	34.23		36.00
Commission and Brokerage on Sales	37.03		95.98
Donations	-		0.31
Subscriptions	4.09		2.56
Payments to Auditors (Refer Note 11)	1.70		1.66
Directors' Sitting Fees	1.55		1.50
Office Establishment Expenses	-		53.58
Tools Consumed	<u>10.45</u>		<u>4.71</u>
		7,181.32	7,749.58
Provision for Bad & Doubtful Debts & Advances		5.83	-
Directors' Remuneration (Refer Note 12)		47.29	44.16
Decrease/(Increase) in Stock :			
a) Opening Stock	3,786.81		5,825.90
b) Less : Closing Stock	<u>3,593.98</u>		<u>3,786.81</u>
		192.83	2,039.09
TOTAL		<u>22,610.74</u>	<u>36,216.03</u>

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**SCHEDULE : K****CONTINGENT LIABILITIES AND NOTES****1 Significant Accounting Policies :****(a) Accounting Concepts :**

- (i) These accounts have been prepared under the historical cost convention on accrual basis of accounting in accordance with the generally accepted Accounting Standards and the provisions of the Companies Act, 1956, as adopted consistently by the Company.
- (ii) Accounting policy not specifically referred to otherwise are consistent and in consonance with the generally accepted accounting principles followed by the Company.

(b) Sales :

Sales comprise sale of goods and services, Inter-unit transfers and exports.

(c) Research and Development :

Research and Development costs (other than cost of fixed assets acquired) are charged as expenses in the year in which they are incurred.

(d) Employees Retirement Benefits :

Company's contribution to Provident Fund and Superannuation Fund is charged to Profit and Loss Account. Liability for Gratuity and unutilised leave benefits to employees is provided on the basis of Actuarial Valuation.

(e) Fixed Assets :

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

(f) Depreciation :

Depreciation is provided on different fixed assets on the basis of 'straight line method' and 'written down value method' at rates prescribed in Schedule XIV to the Companies Act, 1956, as clarified in Note (a) to Schedule 'E' to the Accounts.

(g) Current Assets :

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

(h) Investments :

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

(i) Foreign Exchange Transactions :

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

(j) Provision for Current and Deferred Tax:

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

2 Contingent Liabilities:

- (a) Estimated amount of contracts on Capital Account remaining to be executed and not provided for in accounts is Rs.Nil lacs(Previous-Year Rs.119.79 lacs).
- (b) Claims not acknowledged as debts since disputed Rs.249.29lacs (Previous Year Rs.376.63 lacs). Amounts already paid under protest Rs.33.21 lacs(Previous Year :Rs.33.61 lacs) have been debited to Advance Account.

- (c) Counter guarantees in favour of Consortium Banks in respect of their outstandings with Ferro Alloys Corporation Limited and Facor Alloys Limited. Due to the nature of the liability, its financial impact is not ascertainable.
- 3 The Company has entered into Share subscription and Power delivery agreement with M/s Wardha Power co. Ltd. By way of subscription to 1945867 class'A' Equity shares of Rs. 10/- each and Rs. 1/- paid up and 2454133 class 'A' 0.01% Redeemable Preference shares of Rs. 10/- each fully paid up. The company will be entitled to 11MW of power generated from the group captive power plant as per the power and delivery agreement dated 28th March 2008.
- 4 Miscellaneous receipts includes Rs.1008.14 lacs (Previous year Rs. 509.74 lacs) towards conversion charges received.
- 5 Depreciation includes Rs. 154.50 lacs(Previous year Rs. 154.50 lacs) towards amortisation of goodwill as per the Accounting Standard AS 14 issued by the Institute of Chartered Accountants of India (ICAI).

		(Rupees in Lacs)	
		2009-10	2008-09
6	Interest includes :		
	Interest on Fixed Loans	34.00	48.58
	Others	712.28	939.43
		746.28	988.01

7 No provision for current Income-Tax is considered necessary in view of the brought forward Business loss and unabsorbed depreciation. In view of current year book loss no provision for Minimum Alternate Tax is required.

		(Rupees in Lacs)		
		As at	Debited/(Credited)	As at
		<u>01/04/2009</u>	<u>during the year</u>	<u>31/03/2010</u>
A)	<u>Deferred Tax Assets:-</u>			
I)	Disallowance u/s.43B of the Income Tax Act, 1961 to be allowed on payment basis	70.39	(0.04)	70.35
B)	<u>Deferred Tax Liabilities:-</u>			
	Difference between Book and Income Tax depreciation	451.69	194.41	646.10
	Net Deferred Tax Assets (A-B):	<u>(381.30)</u>	<u>(194.45)</u>	(575.75)
	Tax on above	<u>(129.60)</u>	<u>(66.10)</u>	(195.70)

		(Rupees in Lacs)	
		<u>2009-10</u>	<u>2008-09</u>
9	Salaries,Wages & Bonus includes reimbursement for services.	948.04	973.64
10	Works Expenses includes Directors' Travelling.	6.55	21.33
11	Payments to Auditors include:		
	Audit Fees	1.50	1.50
	Other matters	0.15	0.15
	Expenses reimbursed	0.05	0.01
		1.70	1.66

12 (a) The Company has been advised that the computation of net profits for the purpose of directors' remuneration under Section 349 of the Companies Act,1956 need not be enumerated since no commission has been paid to the Directors. Fixed monthly remuneration paid to the Directors are well within the limits prescribed under Schedule XIII to the Companies Act,1956.

		(Rupees in Lacs)	
		<u>2009-10</u>	<u>2008-09</u>
(b)	Directors' Remuneration being minimum remuneration is as under :		
	(i) Salaries	37.47	35.00
	(ii) Contribution to Provident Fund and Superannuation	4.84	4.60
	(iii) Perquisites in cash	4.98	4.56
	Total	<u>47.29</u>	<u>44.16</u>
	Estimated value of Other Perquisites	<u>16.31</u>	<u>8.60</u>

The above amounts do not include provision for Gratuity and Privilege Leave encashment benefits which is based on actuarial valuation done on an overall company basis.

(Rupees in Lacs)

13	Payment to Cost Auditor:		
	Audit fees	0.30	0.20
	Expenses Reimbursed	0.03	0.03
		0.33	0.23

14 Loans and Advances includes Rs. 75.58 lacs(previous year Rs. 75.58 lacs) towards advance paid against supply of scrap by overseas supplier against which company has initiated action for recovery towards quality dispute.

15 In accordance with the accounting policy followed by the Company, Excise Duty in respect of goods manufactured by the Company is being accounted for at the time of removal of goods from the factory.Such Excise Duty payable on goods awaiting clearances from the factory is estimated at Rs. 340.21 lacs (previous year Rs. 296.79 lacs). However, the said liability, if accounted, would have no impact on the results for the year.

16 Disclosure required under Micro,Small and Medium Enterprises Development Act, 2006 (the Act) are as follows:

Sr. No.	Particulars	2009-10	2008-09
(a)	Principal Amount Outstanding	30.81	41.81
(b)	Interest due on the above	1.20	-
(c)	Principal amount paid during the year beyond appointed day	70.88	-
(d)	Interest paid during the year beyond the appointed day	0.53	-
(e)	Amount of Interest due and payable for the period of delay in making payment without adding the interest specified under the Act	-	-
(f)	Amount of interest accrued and remaining unpaid at the end of the year	1.25	-
(g)	Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Act.	2.45	-

Note:

1 The above information and that given in Schedule -H 'Current Liabilities and Provisions' regarding micro enterprises and small enterprises has been determined on the basis of information available with the Company.

17 Particulars of Licensed and Installed Capacity :

Licensed and Installed Capacities are not applicable,since the plant is taken on leave and licence from Vidarbha Iron & Steel Corporation Ltd. (VISCO).

18	(a) Production in M.Tons (excluding quantity used for internal consumption):	2009-10	2008-09
	Blooms/ Ingots	5239	12779
	Rolled Product	29052	27876

	2009-10		2008-09	
	Quantity in M.T.	Value Rs. in lacs	Quantity in M.T.	Value Rs. in lacs
(b) Purchases				
Steel Product	880	266.27	1761	625.91
(c) Sales :				
Blooms / Ingots	5421	3946.31	10762	12427.97
Rolled Product	28443	18008.27	26783	24073.97
By Products		-		8.76
		21954.58		36510.70
(d) Stock Particulars-goods produced/sold (after adjustment of shortages / excesses):				
Blooms / Ingots				
Opening Stock	1925	1050.96	2619	2843.93
Closing Stock	1743	1049.28	1925	1050.96

		2009-10		2008-09	
		Quantity	Value	Quantity	Value
		in M.T.	Rs. in lacs	in M.T.	Rs. in lacs
Rolled Product	Opening Stock	2850	2283.85	2969	2354.72
	Closing Stock	3459	2209.43	2850	2283.85
By Products	Opening Stock	-	452.00	-	627.25
	Closing Stock	-	335.27	-	452.00
		2009-10		2008-09	
		Quantity	Value	Quantity	Value
		in M.T.	Rupees in lacs	in M.T.	Rupees in lacs
19	Consumption of important basic Raw Materials :				
	Scrap	24708	8246.46	25365	16217.57
	Sponge Iron	12438	1933.34	11648	2421.12
	Ferro Nickle	246	1247.88	167	1643.25
	Ferro Alloys	2507	1691.10	2283	3027.86
	Lime stone	4128	176.56	4887	184.40
	Coke & Charcoal	623	97.96	565	111.09
	Miscellaneous	623	684.07	689	865.96
			14077.37		24471.25
	R.M.Consumption Transfer to CWIP		415.61		-
			13661.76		24471.25
		Rs. in lacs	Percentage	Rs. in lacs	Percentage
20	(a) 1. Value of Consumption of imported Raw Materials	2228.94	16.32	3577.95	14.62
	2. Value of Consumption of indigenous Raw Materials	11432.82	83.68	20893.30	85.38
		13661.76	100.00	24471.25	100.00
	(b) 1. Value of Consumption of imported Components and Spare Parts	8.12	1.83	11.30	2.96
	2. Value of Consumption of indigenous Components and Spare Parts	436.58	98.17	370.64	97.04
		444.70	100.00	381.94	100.00
21	C.I.F. Value of Imports :				(Rupees in Lacs)
	(a) Raw materials			1199.93	2254.90
	(b) Capital goods			-	296.05
	(c) Components and spare parts			18.32	-
				1218.25	2550.95
22	Earnings in Foreign Exchange on account of Exports of Goods on F.O.B. basis			2079.51	6497.95
23	Expenditure in Foreign Currency				
	(a) Commission on Sales			12.52	54.86
	(b) Travelling Expenses			-	5.83
	(c) Directors Travelling Expenses			-	2.92
	(d) Cash Discount			4.68	-
	(e) Interest paid on Loan			26.05	26.11
	(f) Others			-	22.55
				43.25	112.27
24	Amounts remitted during the year in foreign currencies on account of dividends.			Nil	Nil

25 Segment Information:

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

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

27 Related Party Disclosure:-

I List of related parties:-

A Name and nature of relationship of the related party where control exists:-

Vidarbha Iron and Steel Corporation Limited (VISCO)- Associates

B Enterprises, over which Key management personnel and their relatives exercise significant influence, with whom transactions have taken place during the year.

- | | |
|--|---|
| 1 Ferro Alloys Corporation Limited | 2 Facor Alloys Limited |
| 3 Rai Bahadur Shreeram & Co. Pvt. Ltd. | 4 Dass Papers Products. Ltd. |
| 5 Orchard Consultancy Pvt. Ltd. | 6 Godavari Devi Saraf & Sons. |
| 7 S.D. Ores Pvt. Ltd. | 8 Suchitra Investment & Leasing Ltd. |
| 9 Saraf Bandhu Pvt. Ltd. | 10 Facor Power Ltd. |
| 11 GDP Infrastructure Pvt. Ltd. | 12 Queen Consultancy Services Pvt. Ltd. |

C Key Management Personnel :

- | | |
|----------------|-----------------------------------|
| 1 N.D. Saraf | Chairman & whole Time Director |
| 2 M.D. Saraf | Vice chairman & Managing Director |
| 3 Vinod Saraf | Managing Director |
| 4 Anurag Saraf | Joint Managing Director |

II Transactions with Related Parties during the year ended 31-3-2010 in the ordinary course of business.

(Rupees in lacs)

Particulars	With Vidarbha Iron & Steel Co Ltd. Associates		With Key Management Personnel		With Enterprises where Significant influence exists	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
i) Purchase of goods	-	-	-	-	66.12	109.43
ii) Sale of Goods	-	-	-	-	-	-
iii) Rent paid	-	-	-	-	1.32	1.35
iv) Interest paid	-	-	-	-	100.22	291.34
v) Reimbursement of expenses	969.04	998.72	-	-	-	-
vi) Unsecured Advances given	-	-	-	-	-	-
vii) Finance received	-	-	-	-	-	300.00
viii) Directors Remuneration	-	-	63.60	52.76	-	-
ix) Outstanding balances as on 31-03-2010						
a) Loans & advances given	-	-	-	-	-	-
b) Unsecured Loans taken	-	-	-	-	3,096.88	3,026.81
c) Sundry creditors	427.45	322.61	2.17	0.22	99.80	156.78

28 Balance Sheet abstract and Company's General Business Profile :

I REGISTRATION DETAILS

REGISTRATION NO.	<input type="text" value="146283"/>	State Code :	<input type="text" value="11"/>
Balance Sheet Date	<input type="text" value="31.03.2010"/>		

II CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS. THOUSANDS)

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

III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RS. THOUSANDS)

Total Liabilities	<input type="text" value="1788140"/>	Total Assets	<input type="text" value="1788140"/>
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SOURCES OF FUNDS

Paid up Capital	<input type="text" value="206524"/>	Reserves and Surplus	<input type="text" value="26915"/>
Secured Loans	<input type="text" value="252904"/>	Un-Secured Loans	<input type="text" value="451093"/>
Deferred Tax Liabilities	<input type="text" value="19570"/>		

APPLICATION OF FUNDS

Net Fixed Assets	<input type="text" value="652052"/>	Investments	<input type="text" value="44001"/>
Net Current Assets	<input type="text" value="158038"/>	Misc. Expenditure	<input type="text" value="NIL"/>
Accumulated Losses	<input type="text" value="102645"/>	Deferred Tax Assets (Net)	<input type="text" value="NIL"/>

IV PERFORMANCE OF COMPANY (AMOUNT IN RS. THOUSANDS)

Turnover (Gross Revenue)	<input type="text" value="2316739"/>	Total Expenditure	<input type="text" value="2375413"/>
Profit (+)/Loss(-) Before Tax	<input type="text" value="- 58674"/>	Profit (+)/Loss(-) After Tax	<input type="text" value="- 65947"/>
Earning per Share (Rs.)	<input type="text" value="- 0.32"/>	Dividend Rate	<input type="text" value="NIL"/>

V GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY (AS PER MONETARY TERMS)

Item Code No. (ITC Code)	Products Description
<input type="text" value="722830-00"/>	OTHER BARS AND RODS NOT FURTHER WORKED THAN HOT-ROLLED, HOT - DRAWN FOR EXTRUDED OF OTHER STEEL
<input type="text" value="722210-00"/>	BARS AND RODS NOT FURTHER WORKED THAN HOT-ROLLED, HOT-DRAWN OR EXTRUDED OF STAINLESS STEEL
<input type="text" value="721800-00"/>	SEMI FINISHED PRODUCTS OF STAINLESS STEEL

As per our report of even date attached,

For **SALVE AND CO.**
Chartered Accountants

C.A. S.D. PARANJPE
Partner
Membership No. 41472

NAGPUR, 26th July, 2010

Amit G. Pandey
Company Secretary

NAGPUR, 26th July, 2010

For and on behalf of the Board,

N.D.SARAF
Chairman & Wholetime Director

VINOD SARAF
Managing Director

PRINCIPAL ADDRESS OF THE COMPANY

Registered Office and Works

Nagpur
46 A & B MIDC, Industrial Estate
Hingna Road, Nagpur - 440028
Maharashtra
Phone : 91-7104-235701-08
Gram : FACOR STEEL
E-Mail : info@facorsteel.com
Fax : 91-7104-235709

Corporate & Head Office

Tumsar
Shreeram Bhawan
Tumsar - 441 912
Dist : Bhandara [Maharashtra]
Phone : 91-7183-232251, 232233,
233090 & 232341
Gram : FACOR
E-Mail : facorho@facorgroup.in
Fax : 91-7183-232271

Regional Office

Mumbai
168, C.S.T.Road
Kalina, Santacruz [East]
Mumbai - 400 098
Phone : 91-22-66910822, 23, 24, 26, 27
Gram : FACORSALES
E-Mail : facor@mtnl.net.in
Fax : 91-22-26526079
Shri Arun Mahalpurkar
Dy. General Manager

Kolkata
Everest House, 17th Floor, Block - 'G'
46-C, Jawaharlal Nehru Road,
Kolkata - 700 071
Phone : 91-33-40103400
Gram : FACORAGENT
E-Mail : facorkol@dataone.in
Fax : 91-33-40103434
Shri Pratap Lodge
General Manager [East Zone]

Chennai
37F, Whites Road, 2nd Floor,
Royapettah Chennai - 600 014
Phone : 91-44-28411092-96
Gram : FACORAGENT
E-Mail : facoralloys@vsnl.net
Fax : 91-44-28411097
Shri R.G.Chari
General Manager [South Zone]

New Delhi
Corporate One – Suite 401
Plot No. 5, Jasola
New Delhi - 110 044
Phone : 91-11-40701000
Gram : FACOR
E-Mail : facordelhi@facorgroup.in
Fax : 91-11-4162 4880
Shri Ishwar Das
Manager [Administration]

Other Offices

Visakhapatnam
Manganese House
Harbour Road
Visakhapatnam - 530 001
Phone : 91-891-2569011/13
Gram : FACOR
E-mail : facoralloys@eth.net
Fax : 91-891-2564077
Shri Naresh Kumar
Asst. General Manager [Finance]

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

Bhubaneswar
GD-2/10, Chandrasekharpur
Bhubaneswar - 751 023
[Orissa]
Phone : 91-674-2302881/ 882, 2302481
Gram : FACOR
E-Mail : facorbbsr@dataone.in
Fax : 91-674-2302612
Shri M.V.Rao
Resident Manager

Pune
Parshwanath Industrial Premises
Orion Computer Services Building,
1st Floor, Office No. 11, T-71/1A/1B,
'G' Block, Telco Road, Bhosari, MIDC,
Pune - 411 026
Phone : 91-020-30780744, 30780746,
27126441
E-Mail : fslpune@facorsteel.com
Fax : 91-020-30780743
Shri Casmillo Fernandes
Manager [Marketing]



FACOR STEELS LIMITED

46 A & B, MIDC Industrial Estate, Hingna Road, Nagpur-440 028, Maharashtra

Ph: +91-7104-235701-08 Fax: +91-7104-235709

E-mail: info@facorsteel.com