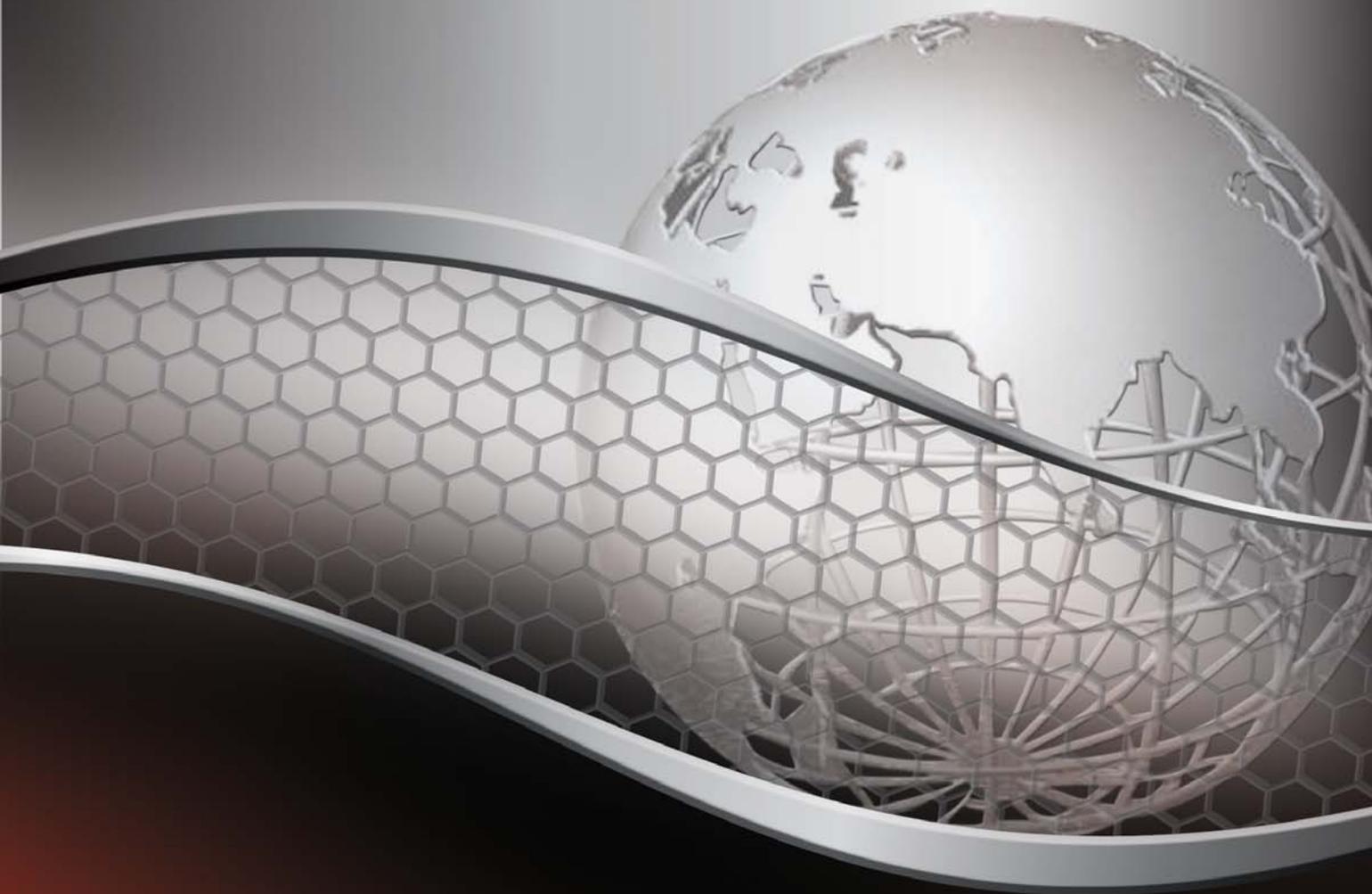


EIGHTH ANNUAL REPORT 2010-2011



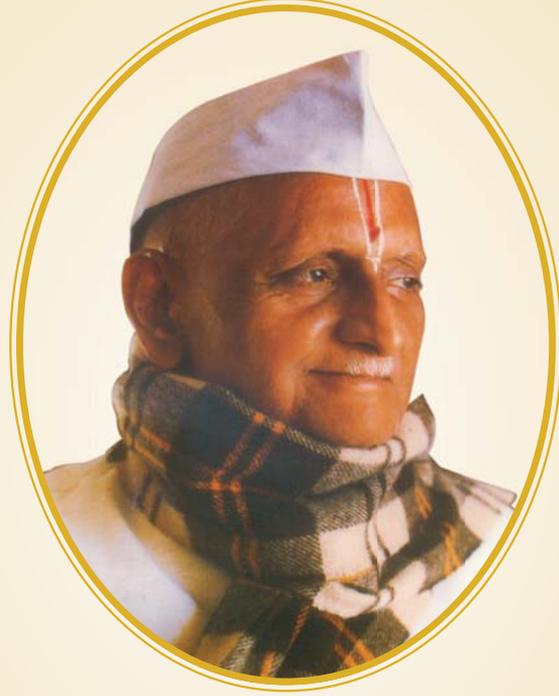
FACOR STEELS LIMITED

युक्तः कर्मफलं त्यक्त्वा शान्तिमाप्नोति नैष्ठिकीम्।

अयुक्तः कामकारेण फले सक्तो निबध्यते॥

The Karmayogi who can disregard the fruits of his labour finds peace and is united with the Divine, whereas the one who remains greedy for the results of his activities is entangled and fails to reach Divinity

Chapter 5, verse 12 of the Srimad Bhagawat Gita



Shri Durgaprasadji Saraf

25th September, 1911 – 25th July, 1988

“*A Karmayogi Whose Shining Spirit
Still Guides Us*”

Homage to our beloved founder on his birth centenary

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****P.K. Kukde****Vibhu Bakhru****G.L.N. Sastry**

(Ceased w.e.f. 30.06.2011)

Nominee of Bank of India

Amit G. PandeyGeneral Manager (Legal) &
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 & Associates

Chartered Accountants

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 :**

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NOTICE TO MEMBERS

Notice is hereby given that the EIGHTH 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 Thursday the 15th of September, 2011 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 2011 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. Anurag Saraf, who retires from Office by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in the place of Mr. M. B. Thaker, who retires from office by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Mr. Arye Berest, 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.”

SPECIAL BUSINESS:

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

“RESOLVED THAT pursuant to the provisions of sections 198, 269, 309, 310 and all other applicable provisions, if any, of the Companies Act, 1956 (the ‘Act’) read with Schedule XIII thereto as amended upto date and all guidelines for managerial remuneration issued by the Central Government from time to time, and subject to such further approvals, if any, as may be necessary, the company hereby approves of the appointment of Mr. N. D. Saraf as Whole-Time Director of the Company for a period of 5 years with effect from 1-5-2011 upon the terms and condi-

tions as to remuneration and otherwise as set out in the agreement prepared in that behalf and submitted to this meeting and initialed by the Secretary for the purpose of identification and which agreement, the broad details of which are given in the explanatory statement in this item of the notice, is hereby specifically approved with the liberty to the directors to vary the terms and conditions of the remuneration and appointment and/or the agreement in such manner as may be agreed to between the directors and Mr. N. D. Saraf in the best interest of the Company, within the limitations in that behalf as contained in the Schedule XIII to the Act or any amendments thereof or otherwise as may be permissible at law.”

7. 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 Sections 198, 269, 309, 310 and all other applicable provisions, if any, of the Companies Act, 1956 (the “Act”) read with Schedule XIII thereto as amended upto date and all guidelines for managerial remuneration issued by the Central Government from time to time, and subject to such further approvals, if any, as may be necessary, the Company hereby approves of the re-appointment of Mr. Anurag Saraf as Joint Managing Director of the Company for a period of 5 years with effect from 1st August, 2011 upon the terms and conditions as to remuneration and otherwise as set out in the draft agreement prepared in that behalf and submitted to this meeting and initialed by the Company Secretary for the purpose of identification which draft agreement, broad details of which are given in the Explanatory Statement in respect of this item of the Notice, is hereby specifically approved and with a liberty to the directors to vary the terms and conditions of the remuneration and appointment and/or the Agreement in such manner and to such extent as may be agreed to between the Directors and Mr. Anurag Saraf in the best interest of the Company, within the limitations in that behalf as contained in Schedule XIII to the Act or any amendments thereof or otherwise as may be permissible at law and that the Agreement when finalized be executed by the Company by affixing its Common Seal thereon in accordance with the relevant provisions contained in the Articles of Association of the Company.”

NOTES:

1. The relevant Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of Item No. 6 & 7 of the Notice set out above is annexed hereto
2. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

3. The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, 10th September, 2011 to Thursday, 15th September, 2011 both days inclusive.
4. Members are requested to notify immediately any change in their address/bank mandate to their respective Depository Participants (DPs) in respect of their electronic share accounts and to the Registrar and Share Transfer Agent of the Company viz., Link Intime India Private Limited, (Unit: FACOR Steels Limited) C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup(W), Mumbai-400 078, Maharashtra in respect of their physical share holding, if any. While intimating change of address to Depositories and Registrar and Share Transfer Agents please indicate your client ID No./Folio No., as may be applicable. The address should be complete with Pin Code No.
5. 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
6. Shareholders intending to require information about accounts and operations of the company, to be explained at the meeting, are requested to furnish the queries to the Company Secretary at least 10(ten) days in advance of the Annual General Meeting so that the same could be complied in time.
7. 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.
8. 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.
9. 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.
10. 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.
11. The Ministry of Corporate Affairs (MCA) has vide its circular nos. 17/2011 and 18/2011 dated 21st April, 2011 and 29th April, 2011 respectively, undertaken a "Green Initiative in Corporate Governance" and allowed companies to share documents with its shareholders through an electronic mode. Members are requested to support this green initiative by registering/ updating their email addresses, in respect of shares held in dematerialized form with their respective Depository Participants and in respect of shares held in physical form with Registrar and Transfer Agent of the Company i.e. Link Intime India Private Limited.

Registered Office: By Order Of The Board
 46 A & B, MIDC, Industrial Estate,
 Hingna Road, Amit Pandey
 Nagpur – 440028 Company Secretary
 Dated: 29th July, 2011

ANNEXURE TO THE NOTICE

Explanatory Statement as required by Section 173 of the Companies Act, 1956:

Item No. 6

The Board of Directors at its meeting held on 20th of April, 2011 re-appointed Mr. N. D. Saraf as Whole-time Director with effect from 1st May, 2011 for a period of 5 years, subject to approval of the members of the Company. The Remuneration Committee has also approved the terms and conditions including remuneration payable to Mr. N. D. Saraf as Whole-time Director for a period of 5 years w.e.f. 1st May, 2011, subject to approval of the members.

The material terms & conditions of his re-appointment and remuneration which are in conformity with the Schedule XIII to the Act as contained in the Agreement are as follows:

- a. Basic Salary Rs 95,000/- per month in the scale of Rs 75,000 – 5,000 – 1,00,000/-
- b. Perquisites and Allowances:

In addition to the aforesaid salary, the Whole-time Director shall also be eligible to the perquisites and allowances as given hereunder;

The perquisites and allowances payable to the Whole-time Director will include dearness and other allowances, accommodation [furnished or otherwise] or House Rent Allowance in lieu thereof: reimbursement of

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

The term "Family" means the spouse, the dependent children and the dependent parents of the Whole-time Director.

The Whole-time Director shall not be paid any sitting fees for attending the meetings of the Board of Directors or Committee thereof.

The Whole-time Director shall be eligible for increment, as per the basic scale, at the start of every financial year with the first increment falling due on 1st of April, 2012.

The remuneration payable to the Whole-time Director by way of salary, dearness allowance, perquisites and any other allowances shall not however exceed the ceiling limit of Rs 18,00,000/- per annum.

The Board of Directors or any Committee thereof is entitled to determine and revise the salary and perquisites and allowances payable to the Whole-time Director of the Company at any time, such that the overall remuneration payable shall not exceed the aggregate limit of Rs 18,00,000/- per annum as specified above.

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

None of the Directors except Mr. M. D. Saraf who is brother of Mr. N.D. Saraf and Mr. N. D. Saraf, whose appointment is being considered, be deemed to be concerned or interested in the this resolution.

In compliance with the requirements of Section 302(2) of the Companies Act, 1956, an abstract of the terms of appointment of Mr. N. D. Saraf as Whole-Time Director has already been sent to all the Members of the Company.

The Agreement between the Company and Mr. N. D. Saraf is available for inspection by the Members of the Company at the Registered Office between 11 a.m. to 1 p.m. on any working day up to and inclusive of the date of the Annual General Meeting.

Accordingly the resolution in Item No. 6 of the accompanying Notice is commended for your approval.

Item no.7.

The Board of Directors at its meeting held on 29th of July, 2011 re-appointed Mr. Anurag Saraf as Joint Managing Director with effect from 1st August, 2011 for a period of 5 years, subject to approval of the members of the Company. The Remuneration Committee has also approved the terms and conditions including remuneration payable to Mr. Anurag Saraf as Joint Managing Director for a period of 5 years w.e.f. 1st August, 2011, subject to approval of the members.

The material terms & conditions of his appointment and remuneration which are in conformity with the Schedule XIII to the Act as contained in the draft Agreement are as follows:

- a. Basic Salary Rs 95,000/- per month in the scale of Rs 75,000 – 5,000 – 1,00,000/-
- b. Perquisites and Allowances:

In addition to the aforesaid salary, the Joint Managing Director shall also be eligible to the perquisites and allowances as given hereunder;

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

for official purpose. Provision of a car for use on company's business and telephone at residence for official purpose are not to be considered as perquisites.

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

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

The Joint Managing Director shall be eligible for increment, as per the basic scale, at the start of every financial year with the first increment falling due on 1st of April, 2012.

The remuneration payable to the Joint Managing Director by way of salary, dearness allowance, perquisites and any other allowances shall not however exceed the ceiling limit of Rs 18,00,000/- per annum.

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

Notwithstanding anything to the contrary herein contained where in any financial year during the currency of the tenure of the Joint Managing Director, the company has no profits or its profits are inad-

equated, then also he shall be paid salary, allowances and perquisites as specified above in accordance with the applicable provisions of Schedule XIII of the Companies Act, 1956 and subject to the approval of the Central Government, if any, required.

None of the Directors except Mr. M. D. Saraf who is father of Mr. Anurag Saraf and Mr. Anurag Saraf, whose appointment is being considered, be deemed to be concerned or interested in this resolution.

The Particulars set out above may be treated as an abstract of the draft Agreement between the said Joint Managing Director and the Company pursuant to Section 302 of the Companies Act, 1956.

The Draft Agreement between the Company and Mr. Anurag Saraf is available for inspection by the Members of the Company at the Registered Office between 11 a.m. to 1 p.m. on any working day upto and inclusive of the date of the Annual General Meeting.

Accordingly the resolution in Item No. 7 of the accompanying Notice is commended for your approval.

Registered Office:

46 A & B, MIDC, Industrial Estate,
Hingna Road, Nagpur – 440028
Dated: 29th July, 2011

By Order Of The Board

Amit Pandey
Company Secretary

DIRECTORS' REPORT TO THE MEMBERS

The Directors submit the **EIGHTH ANNUAL REPORT** on the business and operations of the Company and the Audited Statements of Accounts for the year ended 31st March, 2011.

FINANCIAL RESULTS:

	For the year ended 31.3.2011 (Rs in lacs)	For the year ended 31.3.2010 (Rs in lacs)
Gross Profit / (Loss)	335.16	(192.85)
Depreciation / Amortization	547.80	397.11
Adjustments relating to earlier years	(130.87)	(3.22)
	(81.77)	(586.74)
Provision/(Credit) for MAT/FBT/DEF. TAX/ WT	272.23	72.73
Profit/(Loss) after tax for the year	(354.00)	(659.47)

OVERALL PERFORMANCE:

The year 2010-11 saw increase in domestic demand as compared to 2009-10 and there were increased orders from Automobile and Non automobile sectors. The competition grew with more Steel Plants coming up especially with backward integration route with Blast Furnaces, Sponge Iron and Captive Power, with lower rates which has affected our qualities and also net realization. There was an increase in raw material prices by almost 30% over the previous year which resulted in further increase in our working capital requirement to meet the targeted production. The production level in Steel Melting Shop remained almost the same i.e. 38585 MT as compared to 38715 MT of 2009-10. The Rolling Mill production was slightly higher at 36657 MT excluding conversion as compared to 33795 MT in 2009-10. However, there was reduction in the conversion tonnage which was at 17052 MT as compared to previous year's 22251 MT. The most encouraging feature was increase in production of Forged Round Bars which almost doubled as compared to previous year as the stabilization period of Forging Plant was almost complete. In the Domestic Sales front the tonnage was lower due to steep competition from new Steel producers with backward integration. On the Export front the tonnage increased by almost 40% as European and U.S. markets opened up after a deep recession in 2008-09 and part of 2010.

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. 361 lacs in a Sales Turnover of Rs. 26814.06 lacs during the financial year 2010-11 as compared to net loss of 659.47 lacs in a Sales Turnover of Rs. 21954.58 lacs during the year 2009-10.

Your company in order to tide over this situation has decided to focus over niche products by higher capacity utilization of Forging Plant. Looking into the market size and demand, your company in the financial year 2011-12 expects to achieve consistent production of 500 MT per month for the first six months and thereafter increase it production to 750 MT per month for the remaining part of the financial year.

This is expected to give the required boost to the overall profitability level of the company.

DIVIDEND:

In the absence of profit, your directors are unable to declare any dividend for the year 2010-2011.

PROSPECTS:

Your company has entered into the Forged product material in a big way after receiving approval from following customers in 2009-10.

- M/s. Elecon Engineers, Gujarat
- SIEMENS, Kharagpur
- BHEL, Tiruchy
- Nuclear Power Corporation Limited
- ThyssenKrup Industries, Pune
- Sugar Industries
- Defence Sector

Apart from normal shafts the company has entered into step shafts, Eccentric shafts, special shafts and dies.

- Your company has bagged order of approx., 12 crores from Ordnance Factory Ambajhari, Nagpur in Feb, 2011 which will be executed during the period April to September, 2011.
- Development of new products continues to remain a major thrust of your company for critical end applications and import substitution.
- Number of special grades were developed during the year both for Domestic and Export market.

With the Indian economy maintaining its growth momentum by posting 8.6% growth for the year under review and the auto industry in good shape the outlook for Special and Alloy Steel industry is expected to be good ahead.

FINANCE:

The Company has not accepted any fixed deposit from the public during the year under review. During the year the promoters of the company were allotted 15,00,000 5% Redeemable Cumulative Preference Shares of Rs. 100/- each by converting their interest bearing ICD of equivalent amount. This has not only reduced the debt and interest burden of the company but has also improved the net worth of the company, which got significantly eroded due to continued losses posted by the company during the last three years. In order to enable the company to convert the ICD into Preference shares the Authorised Share Capital of the Company has also been increased from Rs. 30 crores to Rs. 40 crores. The Authorised Share Capital of the Company now constitutes of Equity shares of Rs. 25 crores of Re. 1/- each and 5% Redeemable Cumulative Preference Shares of Rs.15 crores having a face value of Rs. 100/- each.

COST AUDITOR:

The Directors have appointed Mr. Shridhar K. Phatak, a practicing Cost Accountant, as Cost Auditor for the financial year 2011-12 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. Anurag Saraf, Mr. M. B. Thaker and Mr. Arye Berest, Directors of the Company, retire by rotation and, being eligible offer themselves for re-election. Mr. G.L.N. Sastry ceased to be Nominee Director for Bank of India in the Board of the Company w. e. f. 30th June, 2011 consequent to his retirement from the Bank upon attending superannuation. Subject to approval of the shareholders in the General Meeting, the Board of Directors has re-appointed Mr. N. D. Saraf and Mr. Anurag Saraf as Whole-time Director and Joint Managing Director of the company, respectively, for a further period of 5 years. Necessary resolution in respect of their re-appointment has been commended for approval of the Shareholders in the Notice of the ensuing Annual General Meeting of the Company.

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 com-

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

CORPORATE GOVERNANCE:

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 acknowledge the support and co-operation received from Central and State Government, financial Institutions, Banks, Customers, Suppliers and the Shareholders of the Company and expresses its sincere gratitude to them for their valuable support. The Directors also appreciate the value and contributions made by every employee of the company in the operations of the company.

On behalf of Board of Directors,

M. D. SARAF

Vice- Chairman & Managing Director

Place : Nagpur

Dated : 29th July, 2011

VINOD SARAF

Managing Director

ANNEXURE 'A' TO THE DIRECTORS' REPORT

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

A CONSERVATION OF ENERGY:

- a) Measures taken : Hot charging in Forge Shop Switched to electrical furnaces from oil fired for hardening / tempering which resulted in reduction in consumption of energy.
New furnaces with modified design were commissioned to reduce consumption.
- b) Additional investment and proposals, if any, being : Propose to convert old electrical furnaces to new design for implemented for reduction of consumption of energy. achieving better efficiency and reduce energy consumption.
- c) Impact of measures at (a) and (b) for reduction of energy : Rs. 1500/- MT of hardened and tempered product. consumption and consequent impact on the cost of production of goods.
- d) Total energy consumption and energy consumption per unit : As per Form A attached of production in prescribed form 'A'.

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. : Forgings of Stepped Shafts, Hollow Tubes. New Grades: R7007, Forging of Nuclear applications, R10S10U, AISI471, ASCB471, ASCB43517
 - 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 : None

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 developed.
- 2) Total Foreign Exchange used and earned (2010-2011) :

	(Rs. in Lacs)
i) CIF value of imports	1151.01
Expenditure in Foreign Currency	45.55
ii) Foreign Exchange earned	3802.46

On behalf of Board of Directors,

M. D. SARAF
Vice- Chairman & Managing Director

VINOD SARAF
Managing Director

Place : Nagpur
Dated : 29th July, 2011

FORM 'A'

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

PARTICULARS	STEEL	
	CURRENT YEAR 2010-2011	PREVIOUS YEAR 2009-2010
A. POWER AND FUEL CONSUMPTION:		
1. ELECTRICITY		
a) Purchased		
Units (KWH in lacs)	529.26	449.39
Total Amount (Rs. in Lacs).....	2442.12	2146.64
Average rate per unit (Rs.).....	4.61	4.78
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)	4537.17	3439.74
Total cost (Rs.in Lacs)	1250.75	871.51
Average Rate (Rs./K.Liters).....	27566.75	25336.60
4. Others/Internal Generation	—	—
B. CONSUMPTION PER UNIT OF PRODUCTION:		
ELECTRICITY (KWH per tonne).....		
Rolled & Forged Products.....	1335.000	1110.000
FURNACE OIL (K. Liter per tonne).....		
Rolled & Forged Products.....	0.084	0.061
Coal (Specify quality).....	—	—
Others (Specify).....	—	—

MANAGEMENT DISCUSSIONS AND ANALYSIS

INDUSTRY STRUCTURE, DEVELOPMENT AND OTHER RELATED MATTERS

The Alloy & Special Steel industry is largely dependent on major industry segment like automobiles, railways, power and engineering. The steel demand growth in the financial year 2010-2011 was mainly driven by the high growth in the automobile, infrastructure and engineering segment in the country. The order booked position of your company showed signs of improvement, particularly in the last quarter, based on the strong demand in the automobile sector, which is growing at a rapid pace. The total vehicle production of 2010-11 as compared to 2009-10 showed growth of 27.45%. The non auto sector is also growing after recessionary period of November, 2008 to December, 2009 as most of the projects are on the up swing. There has been significant change in the demand for Open Die Forged Products in non auto sector and with less competition in this sector, your company has been successful in securing more orders in this segment. The industry, however, is saddled with increased cost of raw materials such as scrap. There was increase of almost 25%-30% in scrap and other raw material prices from September, 2010 to March, 2011. The Alloy and Special Steel industry was however, partially successful in getting price increase of approx. 15% to 18% from February / March, 2011 onwards from its customers. The fluctuation in the price of nickel in London Metal Exchange was also quite strong during the year under review, which affected Stainless Steel scrap prices.

The Export sector has grown significantly over last 3 months and there is sizeable demand in Stainless Steel and Alloy Steel from Europe, U.S. and other South East Asian Countries. This growth has helped your company in increasing its Export Tonnage from level of 2200 MT in 2009-10 to 3900 MT in 2010-11 and demand is predicted to be sustained in future since European and other Market have picked up after 2 years of dull period.

The passenger vehicle segment continues to boom and is expected to reach 3 Million vehicle sales in the current fiscal, ahead of the industry's original target for 2012-13. Maruti, Hyundai, Tata Motors are leading the growth. The major global auto manufacturers have significant and long term investments in India and the industry is hopeful to achieve 10%-12% growth in 2011-12.

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)
2010-2011	38585	53709**	32655	26814.06*
2009-2010	38715	56046**	33864	21954.58*

* Includes Value Of By-Product Sale

**Includes Conversion Job Work

FINANCIAL PERFORMANCE:

(Rs. in lacs)

	2010-2011	2009-2010
Total Income	27826.72	23167.91
EBIDT	1057.34	553.43
Interest	722.18	746.28
Depreciation	547.80	397.11
Adjustments Relating To Earlier Years	(130.87)	(3.22)
PBT	(81.77)	(586.74)
MAT/FBT/Deferred/ Wealth Tax	272.23	72.73
PAT	(354.00)	(659.47)
EPS	(0.17)	(0.32)

The analysis of company's performance has been covered in Director's Report

OPPORTUNITIES, THREATS, RISKS AND CONCERN:

The alloy steel consumption in India is expected to remain buoyant due to demand growth expected from sectors like automobiles, engineering and energy sectors. The growth opportunities in the Automobile Industry appears to be very good with respect to forecast figures given by SIAM

Automobile Segment	2011-12 growth over 2010-11(per cent)
Passenger Cars	16-18%
Utility vehicles	12-14%
LCV (goods)	18-21%
MHCV (goods)	10-12%
Commercial Vehicles(buses)	8-10%
Motor cycles	11-13%
Scooters	15-17%
Three wheelers(cargo)	4-6%
Three wheelers(Passengers)	10-12%
Automobile Industry	12-15%

The Open Die Forging Press which was installed in July, 2009 has been fully stabilized and the company has received approvals to supply Open Die Forged Steels to major customers like SIEMENS, Elecon Engineering, Thyssen Krupp, Macnelly Bharat, Weatherford, Nuclear Power Corporation Limited. Your company expects more contribution from this segment in future.

The raw material prices continue to have wide fluctuation with respect to shredded scrap, Nickel, Ferro Chrome, Furnace Oil and Power. These increases have considerable impact on the cost of production of your company's product as there is delay in realizing price increases from customers of at least 2-3 months which affects margins adversely. Liquidity position, however still continues to be poor since most of the Automobile grade steel buyers do not pay on time and this affects the cash flow adversely. The production cycle of most of the grades of steel is 45-60 days and approximately 80-85%

of the raw materials being procured are under Letter of Credit or immediate payments.

The prices of Alloy Steels are continuously under pressure due to heavy competition and supplies outstripping demand, hence bottom line of most of the Alloy and Special Steel plants manufacturing steel through Electric Arc Furnace route is getting affected.

The only way of survival for Electric Arc Furnace route Alloy Steel manufacturers is production of niche value added steel products where competition is comparatively less. This value added product mix however, calls for very large investments in technology and infrastructure.

Your company in order to improve its financial position is in search for strategic investor through which the operations of the company can be streamlined to bring more value for the company's business and also for all its stakeholders.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

Keeping in view the size and nature of its business your company has an adequate internal control system. The Internal Audit of the Company is carried out by an independent agency which submits its report to the Audit Committee which reviews and submits its finding to the Board of Directors on quarterly basis. The Company has an adequate system of internal control implemented by the manage-

ment towards achieving efficiency in operations, optimum utilization of resources, and effective monitoring thereof and in compliance with all applicable regulations. Your company also takes quarterly compliance certificates in respect of applicability of various laws from the concerned departmental heads and executives and the same is placed before the Board of Directors for its observation, review and suggestions if any.

MATERIAL DEVELOPMENT IN HUMAN RESOURCES / INDUSTRIAL RELATIONS:

Industrial relations in the company were cordial through out the year 2010-2011. Total employee strength of the Company at the end of financial year 2010-2011 was 687. Apart from the above employees the company hires services of apprentices, trainees and contract workers from time to time. Regular training and skill development of employees and workers are undertaken by the Human Resource Department.

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 is committed to the core principles of Corporate Governance and has adopted a code of conduct for its employees, including the Managing Director and the Executive Directors and other Board Members. During the year the company has also adopted the Anti-corruption Manual, which governs the conduct of its employees including the Directors and applies equally to all its business transactions throughout the country and abroad. Your company is committed to do its business in a fair and transparent manner with fairness and integrity and all types of bribery and other unethical business practices are prohibited. Both the code of conduct and the Anti Corruption Manual are available in the company's website.

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 Company has an Executive Chairman and the composition of the Board of Directors of the company complies with the norms as set out by the Listing Agreement and has been strictly adhered to at all times. As on 31 March, 2011, 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 2011 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*	5	Yes	4	---	---
Mr. Vinod Saraf, Managing Director	Executive*	5	Yes	2	---	---
Mr. Anurag Saraf Joint Managing Director	Executive*	3	No	3	---	---
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. P. K. Kukde	Non-Executive Independent	3	No	2	---	---
Mr. G. L. N. Sastry @	Non-Executive Independent	2	No	Nil	---	---
Mr. Vibhu Bakhru	Non-Executive Independent	Nil	No	2	---	---

* Represent Promoters.

@ Ceased to be director w.e.f. 30.06.2011

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 matters to be discussed at the Board Meeting are included in the Agenda in consultation with the Chairman of the Company. The Managing Director briefs the Board at every Meeting on the overall performance of the Company followed by presentation by Senior Executives of the Company. All the major decisions of the company are reviewed by the Board of Directors, such as capital expenditures, investments, budgets of the company, compliance reports of all laws applicable to the Company, as well as steps taken by the Company to rectify instances of non-compliances if any, review of major legal issues, adoption of quarterly/ half yearly/ annual financial results, minutes of Audit Committee, Remuneration Committee, Shareholders/ Investors Grievance Committee, etc.

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 2010-2011 the Board met 6 times on 27th April' 2010, 26th July' 2010, 20th September 2010, 28th October' 2010, 20th January' 2011, and 4th March'2011 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. The Code of Conduct is also uploaded in the company's website: www.facorsteel.com

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 with 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 2010-2011 on 27th April 2010, 26th July 2010, 28th October 2010 and 20th January 2011 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	2	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 were no issues requiring attention of the Remuneration Committee during the year 2010-2011 and hence, there was no meeting of the committee members held for the year. Mr. A. S. Kapre, Chairman and Mr. M. B. Thaker, Members of the Remuneration Committee attended the Annual General Meeting of the Company held on 20th of September, 2010.

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 2010-11 are as under:-

Name of Director	Total Remuneration including perquisites and allowances	Period of Agreement
Mr. N. D. Saraf, C & WTD	16,48,994.80	5 years w.e.f 1 st May, 2011
Mr. M. D. Saraf, VC & MD	12,76,487.89	5 years w.e.f 11 th August, 2007
Mr. Vinod Saraf, MD	16,49,021.80	5 years w.e.f 1 st August, 2009
Mr. Anurag Saraf, JMD	13,47,760.96	5 years w.e.f 28 th July, 2006
Total:	59,22,265.45	

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 2010-2011, 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. 55,000/-*	--
Mr. M.B. Thaker	Rs. 55,000/-*	2647
Mr. Arye Berest	Rs. 5,000/-	--
Mr. P. K. Kukde	Rs. 5,000/-	--
Mr. GLN Sastry	Rs. 10,000/-	--
Total	Rs. 1,30,000/-	

* 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		Nil
Mr. M.B. Thaker	Member		1

ii) **Name and Designation of Compliance Officer:**

Mr. Amit G. Pandey, General Manager (Legal) & 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 2010-11 is as under:-

Investors complaints received	Resolved	Not solved to the satisfaction of Shareholders	No. of pending complaints
17	17	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
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
7 th AGM	46 A&B, MIDC Industrial Estate, Hingna Road, Nagpur-440 028	Monday, 20 th September, 2010 at 12.30 p.m.	No	No

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

On 4th March, 2011 Extra-ordinary General Meeting of the Shareholders was held at the Registered office of the Company and the Authorised Share Capital of the Company was reclassified and increased from Rs. 30 crores divided into 24 crores equity shares of Re.1/- each and 6 lacs 0.01% Redeemable Preference Shares of Rs.100/- each to Rs. 40 crores divided into 25 crores equity shares of Re.1/- each and 15 lacs 5% Redeemable Cumulative Preference Shares of Rs.100/- each by:

- creation of 1,00,00,000 (one crore) new equity shares of Re.1/- (Rupee one) each to rank pari passu in all respects with the existing equity shares in the authorised share capital of the Company;
- cancelling the 600,000 0.01% Redeemable Preference Shares of Rs.100/- (one hundred) each which have not been taken or agreed to be taken by any person; and
- creation of 15,00,000 (Fifteen lakhs) 5% Redeemable Cumulative Preference Shares of Rs.100/- (Rupees hundred) each with the rights, privileges and conditions attaching thereto as provided from time to time by the Articles of Association of the Company

Accordingly, the existing Clause V of the Memorandum of Association of the Company and Article 5 of Articles of Association of the Company were amended.

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, General Manager (Legal) & 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:

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

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

III Group/Associated Entities:

- | | |
|---|--|
| 1. Ferro Alloys Corporation Limited | 21. Deepee Sales Corporation |
| 2. Facor Alloys Limited | 22. Investar Ltd. |
| 3. Facor Power Limited | 23. Supervision Ltd. |
| 4. Facor Realty and Infrastructure Ltd. | 24. Precisetec Ltd. |
| 5. Facor Energy India Limited | 25. Teracota Consultancy Services Ltd. |
| 6. Facor Electric Limited | 26. Imagetec Ltd. |
| 7. Facor Solar Limited | 27. Globalscale Investments Ltd. |
| 8. Rai Bahadur Shreeram & Co. Pvt. Ltd. | 28. Tusta Trading Company Inc. |
| 9. Shreeram Durgaprasad Ores Pvt. Ltd. | 29. Trusta Trading Co. AG |
| 10. Saraf Bandhu Pvt. Ltd. | 30. Cornell Corporation SA. |
| 11. Best Minerals Ltd. | 31. FAL Employees Welfare Trust |
| 12. GDP Infrastructure Pvt. Ltd. (Formerly Saraf Mor & Company Pvt. Ltd.) | 32. FACOR Employees Welfare Trust |
| 13. Vidharba Iron & Steel Corpn. Ltd. | 33. Metique Marketing (India) Pvt. Ltd. |
| 14. Shreeram Shipping Services Pvt. Ltd. | 34. NDS Minerals Private Ltd. |
| 15. Suchitra Investment & Leasing Ltd. | 35. ARK Mercantile Private Ltd. |
| 16. Dass Papers Pvt. Ltd. | 36. Vanita Enterprises Private Ltd. |
| 17. Premier Commercial Corpn. | 37. Raghavendra Sarkar Venture Pvt. Ltd. |
| 18. Geedee Sales Services | 38. YMR Enterprise Pvt. Ltd. |
| 19. Godavaridevi Saraf & Sons | 39. V& G Commercial Pvt. Ltd. |
| 20. BEC Power Pvt.Ltd. | 40. Mezeron Enterprises Pvt. Ltd. |

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 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 INFORMATION

i) **AGM: Date, Time and Venue:**

Date of AGM	Time	Venue
15 th September, 2011	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 31-3-2011	Chairman/ Member of the committee of Board of other public Limited Companies on which he was a Director as on 31-3-2011.	No. of shares held
Mr. Anurag Saraf	17-5-1971	28-7-2006	Rich experience in Business Administration	B. E.	FACOR Power Ltd. FACOR Realty & Infrastructure Ltd. Vidarbha Iron & Steel Corpn. Ltd.	Nil	9434402
Mr. M. B. Thaker	13-12-1938	20-7-2004	Over 47 years business experience in Manganese Mining	B. Com	Ferro Alloys Corporation td.	Audit Committee (Member), Shareholders' Grievances Committee (Member) & Remuneration Committee (Member)	2647
Mr. Arye Berest	27-11-1939	01-02-2005	Expertise in metals and minerals as well as finance and international trade	Qualified in Business studies Polytechniques from London	Ferro Alloys Corporation Ltd. FACOR Alloys Ltd.	Nil	Nil

- iii) Financial Year ending : 31st March, 2011
- iv) Date of Book Closure : 10th September, 2011 to 15th September, 2011 (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'2010	3.20	2.58	18047.86	17276.80
May'2010	3.02	2.19	17536.86	15960.15
June'2010	2.50	2.10	17919.62	16318.39
July'2010	2.59	2.11	18237.56	17395.58
August'2010	3.33	2.00	18475.27	17819.99
September'2010	3.18	2.73	20267.98	18027.12
October'2010	3.42	2.57	20854.55	19768.96
November'2010	2.74	2.02	21108.64	18954.82
December'2010	2.36	2.04	20552.03	19074.57
January'2011	2.54	1.81	20664.80	18038.48
February'2011	2.10	1.63	18690.97	17295.62
March'2011	1.99	1.51	19575.16	17792.17

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	2010 – 2011			2009 – 2010		
	No. of share-holders	No. of shares held	% of issued equity share capital	No. of share-holders	No. of shares held	% of issued equity share capital
Upto 500	43932	4478766	2.17	45454	4763266	2.31
501 to 1000	6658	6241813	3.02	7049	6604038	3.20
1001 to 2000	3529	6086266	2.95	3695	6349843	3.07
2001 to 3000	1364	3698091	1.79	1419	3851737	1.86
3001 to 4000	615	2307887	1.12	596	2237406	1.08
4001 to 5000	946	4639226	2.25	1010	4950073	2.40
5001 to 10000	1047	8287169	4.01	1028	8117026	3.93
10001 to above	895	170784461	82.69	873	169650290	82.15
Total	58986	206523679	100.00	61124	206523679	100.00

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

No. of equity shares held	2010– 2011			2009– 2010		
	No. of share-holders	No. of shares held	% of issued equity share capital	No. of share-holders	No. of shares held	% of issued equity share capital
Physical Mode	22636	398178	0.19	23220	441211	0.21
Electronic Mode	36350	206125501	99.81	37904	206082468	99.79
Total:	58986	206523679	100.00	61124	206523679	100.00

xii) Shareholding pattern as on 31st March:

Category	2010 – 2011		2009 – 2010	
	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.	136677098	66.18	137677098	66.66
Financial Institutions/Banks	19458	0.01	19458	0.01
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	4110	0.00
Bodies Corporate	7729177	3.74	10392650	5.03
Others	62090967	30.07	58427494	28.30
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, 2011.

Place : Nagpur
Date : 29th July, 2011

M. D. Saraf
Vice- Chairman & Managing 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, 2011 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 : 29th July, 2011

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, 2011, 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, 2011 and taken on record by the Board of Directors, none of the Directors is disqualified as on 31ST March, 2011 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 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, 2011;
 - (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)

Place : NAGPUR
Date : 29th July, 2011

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

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, 2011.

- 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. 3096.88 lacs and Rs. 1784.75 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, 2011 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	30.67	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 not incurred cash losses during the financial year. However the Company has incurred cash losses 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) During the Period Company has made Preferential allotment of 15,00,000 5% Redeemable Cumulative Preference Shares of Rs.100/- each to Company covered in the register maintained under section 301 of the Act. In our opinion, prices at which shares have been issued is not prejudicial to the interest of the Company.
- 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)

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

Place : NAGPUR
Date : 29th July, 2011

BALANCE SHEET AS AT 31ST MARCH, 2011

		(Rupees in lacs)	
		31st March, 2011	31st March, 2010
		Schedules	
I SOURCES OF FUNDS :			
(1) SHAREHOLDERS' FUNDS :			
(a) Share Capital	A	3,565.24	2,065.24
(b) Reserves and Surplus	B	<u>269.15</u>	<u>269.15</u>
		3,834.39	2,334.39
(2) LOAN FUNDS :			
(a) Secured Loans	C	3,027.32	2,529.04
(b) Unsecured Loans	D	<u>3,136.73</u>	<u>4,510.93</u>
		6,164.05	7,039.97
(3) DEFERRED TAX LIABILITIES (Net)(Refer Note 8)		<u>465.60</u>	<u>195.70</u>
	TOTAL	<u>10,464.04</u>	<u>9,570.06</u>
II APPLICATION OF FUNDS :			
(1) FIXED ASSETS :	E		
(a) Gross Block		10,405.78	7,371.10
(b) Less: Depreciation/Amortisation		<u>4,443.50</u>	<u>3,913.87</u>
(c) Net Block		5,962.28	3,457.23
(d) Capital Work-in-Progress		<u>42.38</u>	<u>3,063.29</u>
		6,004.66	6,520.52
(2) INVESTMENTS	F	440.00	440.01
(3) CURRENT ASSETS, LOANS & ADVANCES :	G		
(a) Inventories		7,069.00	5,263.44
(b) Sundry Debtors		2,721.10	3,141.52
(c) Cash and Bank Balances		378.96	252.49
(d) Other Current Assets (Refer note 15)		305.07	1.25
(e) Loans & Advances		<u>1,328.21</u>	<u>1,235.72</u>
		11,802.34	9,894.42
Less: CURRENT LIABILITIES AND PROVISIONS	H		
(a) Liabilities		9,105.53	8,241.72
(b) Provisions		<u>57.88</u>	<u>69.62</u>
		9,163.41	8,311.34
NET CURRENT ASSETS		2,638.93	1,583.08
(4) PROFIT & LOSS ACCOUNT		<u>1,380.45</u>	<u>1,026.45</u>
	TOTAL	<u>10,464.04</u>	<u>9,570.06</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, 29th July, 2011

Amit G. Pandey
Company Secretary

NAGPUR, 29th July, 2011

For and on behalf of the Board,

M.D.SARAF
Vice-chairman & Managing Director**VINOD SARAF**
Managing Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

		(Rupees in lacs)	
	Schedules	31st March, 2011	31st March, 2010
INCOME :			
Sale of Products and other Income :	I	27,826.72	23,167.91
EXPENDITURE :			
Manufacturing and other Expenses	J	26,638.51	22,611.26
Depreciation/Amortisation (Refer Note 5)		547.80	397.11
Interest (Refer Note 6)		722.18	746.28
TOTAL EXPENDITURE		27,908.49	23,754.65
PROFIT/(LOSS) before taxes		(81.77)	(586.74)
Provision for Taxes			
Current year Income Tax (MAT) (Refer Note 7)		-	-
Tax for earlier years		1.44	5.69
Deferred Tax (Refer Note 8)		269.90	66.10
Wealth Tax		0.89	0.94
		272.23	72.73
PROFIT/(LOSS) for the year after Tax		(354.00)	(659.47)
Balance brought forward from last year		(1,026.45)	(366.98)
Balance carried to Balance Sheet		(1,380.45)	(1,026.45)
Basic and diluted earning per equity share (in Rs)			
(Face value Re. 1/-per share)		(0.17)	(0.32)
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, 29th July, 2011

For and on behalf of the Board,

M.D.SARAF
Vice-chairman & Managing Director**VINOD SARAF**
Managing Director**Amit G. Pandey**
Company Secretary

NAGPUR, 29th July, 2011

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011
PURSUANT TO CLAUSE 32 OF THE LISTING AGREEMENT

	2010-2011	2009-2010
(Rupees in lacs)		
(A) CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit/(Loss) before tax and extraordinary items	(81.77)	(586.74)
Adjustment for :		
Depreciation	547.80	397.11
Foreign Exchange	(9.81)	(93.85)
Interest on Deposits of others	(19.63)	(14.63)
Interest	722.18	746.28
Profit/Loss on Sale of Fixed Assets (Net)	11.81	0.52
	<u>1,252.35</u>	<u>1,035.43</u>
Operating Profit before Working Capital changes	1,170.58	448.69
Adjustment for :		
Trade and Other receivables	5.96	(1,092.14)
Inventories	(1,805.56)	624.45
Trade payables	850.18	2,513.29
	<u>(949.42)</u>	<u>2,045.60</u>
Cash generated from operations	221.16	2,494.29
Interest paid	(834.74)	(677.45)
Direct taxed paid/adjusted	25.06	(0.39)
	<u>(809.68)</u>	<u>(677.84)</u>
Cash flow before extraordinary items	(588.52)	1,816.45
Extraordinary items	-	-
Net Cash flow from Operating Activities (A)	<u>(588.52)</u>	<u>1,816.45</u>
(B) CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets	(59.90)	(1,142.82)
Sale of Fixed Assets	16.15	34.88
Sale of Investments	0.01	-
Interest and Dividend Income	10.39	13.94
Net Cash flow from Investing Activities (B)	<u>(33.35)</u>	<u>(1,094.00)</u>
	(621.87)	722.45
(C) CASH FLOW FROM FINANCING ACTIVITIES :		
Proceeds from Long and Short term borrowings	(761.47)	(960.71)
Proceeds from Share Capital	1,500.00	-
Effect of exchange rate change	9.81	93.85
Net Cash used in Financing Activities (C)	<u>748.34</u>	<u>(866.86)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<u>126.47</u>	<u>(144.41)</u>
Cash and Cash equivalents (Opening Balance)	252.49	396.90
Less :- Cash and Cash equivalents (Closing Balance)	378.96	252.49
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<u>126.47</u>	<u>(144.41)</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, 29th July, 2011

Amit G. Pandey

Company Secretary

NAGPUR, 29th July, 2011

For and on behalf of the Board,

M.D.SARAF

Vice-chairman & Managing 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, 2011. 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 29th July 2011 to the members of the company.

Nagpur, 29th July, 2011

For SALVE AND CO
Chartered AccountantsC.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,	31st March,
		2011	2010
SCHEDULE A			
SHARE CAPITAL			
AUTHORISED:			
250,000,000	Equity Shares of Re 1/- each (Refer Note below)	2,500.00	2,400.00
1,500,000	5% Redeemable Cumulative Preference Shares of Rs. 100/- each (Refer Note below)	1,500.00	600.00
TOTAL		<u>4,000.00</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
1,500,000	5% Redeemable cumulative Preference Share of Rs.100/- each fully paid up (Refer Note 14)	1,500.00	-
TOTAL		<u>3,565.24</u>	<u>2,065.24</u>

Note:

The Authorised Share Capital of the company has been reclassified and increased from Rs. 3000 lacs divided into 2400 lacs Equity shares of Re. 1/- each and 6 lacs 0.01% redeemable Preference Shares of Rs. 100/- each to Rs. 4000 lacs divided into 2500 lacs Equity Shares of Re. 1/- each and 15 lacs 5% Redeemable Cumulative Preference Shares of Rs. 100/-each.

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)		112.75	197.47
Add: Interest accrued and due (Refer Note below)		<u>1.07</u>	2.44
		113.82	199.91
0% Funded Interest Term Loan Accounts (FITL) (Refer Note below)		184.20	171.63
Cash Credit Accounts		2,453.13	2,117.18
Export Packing Credit Accounts (Refer Note below)		<u>276.17</u>	40.32
TOTAL		<u>2,729.30</u>	<u>2,157.50</u>
		<u>3,027.32</u>	<u>2,529.04</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		6.79	57.16
Inter Corporate Deposits / Loans		1,754.00	2,954.00
Add: Interest accrued and due		<u>30.75</u>	142.88
		1,784.75	3,096.88
External commercial Borrowings		1,345.19	1,356.89
TOTAL		<u>3,136.73</u>	<u>4,510.93</u>

SCHEDULE E
FIXED ASSETS
(Rupees in lacs)

PARTICULARS	GROSS BLOCK AT COST				DEPRECIATION/AMORTISATION				NET BLOCK	
	As at 01.04.2010	Additions/ Adjustments	Deductions/ Adjustments	As at 31.03.2011	Up to 31-3.2010	For the Year	Deductions/ Adjustments	Upto 31-03.2011	As at 31-03.2011	As at 31-03.2010
GOODWILL	1,545.00	-	-	1,545.00	911.10	154.50	-	1,065.60	479.40	633.90
BUILDINGS	654.99	504.88	-	1,159.87	326.63	35.71	-	362.34	797.53	328.36
PLANT AND MACHINERY	4,622.55	2,558.89	11.70	7,169.74	2,443.41	307.14	-	2,750.55	4,419.19	2,179.14
OFFICE AND OTHER EQUIPMENTS	269.43	14.34	0.04	283.73	135.27	28.27	0.04	163.50	120.23	134.16
FURNITURE AND FIXTURES	42.05	2.70	0.18	44.57	29.11	2.41	0.17	31.35	13.22	12.94
VEHICLES	237.08	-	34.21	202.87	68.35	19.77	17.96	70.16	132.71	168.73
WORK - IN - PROGRESS	7,371.10	3,080.81	46.13	10,405.78	3,913.87	547.80	18.17	4,443.50	5,962.28	3,457.23
TOTAL	10,434.39	3,123.78	3,110.01	10,448.16	3,913.87	547.80	18.17	4,443.50	6,004.66	6,520.52
Previous Year	9,327.90	1,736.73	630.24	10,434.39	3,517.69	397.11	0.93	3,913.87	6,520.52	-

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, 2011	(Rupees in lacs) 31st March, 2010
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
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.) (Refer note 3)	245.41	245.41
c) IN FULLY PAID EQUITY SHARES:UNQUOTED:		
I) 1945867 (Equity shares of Rs. 10/- each in Wardha power co. Ltd.) (Previous year Rs. 1/- paid up) (Refer note 3)	194.59	19.46
II) Equity share Application money in Wardha power co. Ltd.(Pending Allotment)	-	175.13
	<u>194.59</u>	<u>194.59</u>
TOTAL	<u>440.00</u>	<u>440.01</u>
(a) Aggregate carrying cost of unquoted Investments	440.00	264.88
(b) National saving certificate is pledged with Government authority	-	0.01
(c) Aggregate carrying cost of unquoted Investments in Wardha power co. Ltd.	440.00	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)	1,113.30	1,130.15
Loose Tools (At Cost)	19.81	19.24
Stock-in-Trade:		
Work-in-Process (At Cost or Net realisable value whichever is lower)	2,947.34	1,881.64
Finished Products (At Cost or Net realisable value whichever is lower)	2,297.19	1,712.34
	<u>5,244.53</u>	<u>3,593.98</u>
Raw Materials (At Cost)	691.36	520.07
	<u>5,935.89</u>	<u>4,114.05</u>
	7,069.00	5,263.44
(b) SUNDRY DEBTORS :		
Debts outstanding for a period exceeding six months :		
Considered good	455.34	306.17
Considered doubtful	49.45	52.30
	504.79	358.47
Other Debts (Considered good)	2,265.76	2,835.35
	<u>2,770.55</u>	<u>3,193.82</u>
Less: Provision for bad and doubtful debts	49.45	52.30
	2,721.10	3,141.52
(c) CASH AND BANK BALANCES:		
Cash in hand	4.02	7.36
With Scheduled Banks:		
In Current Accounts	69.20	105.82
In Fixed Deposit Accounts	304.67	122.83
In Cash Credit Accounts	-	16.40
In Margin Money Accounts	1.07	0.08
	<u>374.94</u>	<u>245.13</u>
	378.96	252.49

		(Rupees in lacs)
	31st March, 2011	31st March, 2010
(d) OTHER CURRENT ASSETS :		
Interest accrued on Fixed Deposits	9.33	1.25
RLC Claim Receivable (Refer note 15)	<u>295.74</u>	-
	305.07	<u>1.25</u>
(e) LOANS AND ADVANCES :		
Unsecured and considered good (Unless otherwise stated)		
(i) Advance Tax including TDS (Net of provisions)	93.56	106.17
(ii) Advances recoverable in cash or in kind or for value to be received(Refer Note 16)	1,140.00	906.88
(iii) Claims Recoverable	58.36	143.40
(iv) Deposits	<u>36.29</u>	79.27
	<u>1,328.21</u>	<u>1,235.72</u>
TOTAL	<u>11,802.34</u>	<u>9,894.42</u>
Fixed Deposit Receipts lodged with Banks as security for Letters of Credit / Guarantees.	304.67	<u>113.83</u>

**SCHEDULE H
CURRENT LIABILITIES AND PROVISIONS**

(a) CURRENT LIABILITIES :		
Bills Discounted	985.08	955.78
Sundry Creditors *	7,561.25	6,664.58
Managerial Remuneration payable	2.97	2.17
Interest Accrued but not due on loans	1.89	-
Other Liabilities	<u>554.34</u>	<u>619.19</u>
	9,105.53	<u>8,241.72</u>
(b) PROVISIONS :		
For Gratuity	41.10	48.60
For P.L.Encashment	16.78	21.02
	<u>57.88</u>	<u>69.62</u>
TOTAL	<u>9,163.41</u>	<u>8,311.34</u>

Note:

* Includes outstanding dues of Micro enterprises and Small enterprises of Rs.7.38 lacs previous year Rs. 30.81 lacs.(Refer Note 18)

	Year Ended 31st March, 2011	(Rupees in lacs) Year Ended 31st March, 2010
SCHEDULE I SALE OF PRODUCTS AND OTHER INCOME		
Sales less Returns	26,814.06	21,954.58
Export Incentives	118.61	79.23
Interest on Deposits (Gross) [Income tax deducted at source Rs 1.83 lacs (Previous Year:Rs.0.67)]	13.76	5.45
Other Interest (Gross)	5.87	9.18
Miscellaneous Receipts (Refer Note 4)	733.74	1,022.40
Foreign Exchange Gain (Net)	9.81	93.85
Adjustments relating to earlier years (Net)	<u>130.87</u>	<u>3.22</u>
TOTAL	<u>27,826.72</u>	<u>23,167.91</u>

		Year Ended 31st March, 2011	(Rupees in lacs) Year Ended 31st March, 2010
SCHEDULE J			
MANUFACTURING AND OTHER EXPENSES			
Purchase of Semi Finished Product		280.91	266.27
Raw Material Consumed :			
Opening Stocks:	520.07		588.87
Add:Purchases	<u>18,285.14</u>		<u>14,051.74</u>
	18,805.21		14,640.61
Less:(i) Sales and Internal Consumption	182.45		43.16
(ii) Consumption Transfer to Capital work in progress	-		415.62
(iii) Closing Stock (At Cost)	<u>691.36</u>		<u>520.07</u>
	<u>873.81</u>		<u>978.85</u>
		17,931.40	13,661.76
Payments and Other Benefits to Employees :			
Salaries,Wages and Bonus(Refer Note 9)	1,352.17		1,151.65
Provident Fund & ESI Contributions	11.93		8.17
Staff Gratuity & Superannuation	1.17		1.00
Welfare Expenses	<u>135.73</u>		<u>94.62</u>
		1,501.00	1,255.44
Operating and Other Expenses :			
Power and Fuel	3,692.87		3,018.15
Production and Handling Expenses	408.74		325.40
Freight,Shipment and Sales Expenses	805.32		682.35
Excise Duty (Net)	7.22		2.81
Compensation to mini steel plant	21.00		21.00
Stores and Spares	2,143.46		2,042.23
Sampling and Analysis	29.48		17.68
Works Expenses (Refer Note 10)	566.93		421.97
Transport Expenses	13.21		13.56
Repairs and Maintenance to Plant and Machinery	644.98		494.28
Repairs and Maintenance to Buildings	16.10		1.81
Insurance	30.96		27.18
Rent	27.09		23.85
Rates and Taxes	37.93		34.23
Commission and Brokerage on Sales	48.38		37.03
Donations	0.10		-
Subscriptions	4.66		4.09
Payments to Auditors (Refer Note 11)	1.74		1.70
Directors' Sitting Fees	1.25		1.55
Tools Consumed	6.15		10.45
Loss on sale of Fixed Assets Sold Discarded(Net)	<u>11.81</u>		<u>0.52</u>
		8,519.38	7,181.84
Provision for Bad & Doubtful Debts & Advances (Net)		(2.85)	5.83
Directors' Remuneration (Refer Note 12)		59.22	47.29
Decrease/(Increase) in Stock :			
a) Opening Stock	3,593.98		3,786.81
b) Less : Closing Stock	<u>5,244.53</u>		<u>3,593.98</u>
		<u>(1,650.55)</u>	<u>192.83</u>
TOTAL		<u><u>26,638.51</u></u>	<u><u>22,611.26</u></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 :**

The accounts of the Company are prepared under the historical cost convention using the accrual method of accounting in accordance with the generally accepted accounting principles in India, mandatory accounting standards as specified in the Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956.

(b) Use of Estimates :

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent liabilities as at the date of financial statements and the results of operations during the reported period. Although, these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(c) 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.

(d) 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 to Schedule 'E' to the Accounts.

(e) Investments :

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

(f) 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. Inventories are measured using Weighted Average method.

(g) Borrowing Cost :

Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalized as part of the cost of that asset. The amount of borrowing costs eligible for capitalization are determined in accordance with Accounting Standard 16 on "Borrowing Costs". Other borrowing costs are recognized as an expense in the period in which they are incurred.

(h) Revenue Recognition:

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured.

Sale of Goods:

Sale is recognized, when the significant risks and rewards of ownership of the goods is passed to the buyer, which is generally on despatch of goods to customers except in case of consignment sales, Sales exclude excise duty and VAT and is net of discounts and incentives to the customers.

(i) Employees Retirement Benefits :

(a) Short-term employee benefits are recognised as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.

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

(j) 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.

(k) 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.

(l) 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.

(m) Cash Flow Statement :

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

(n) Provisions and Contingent Liabilities :

A provision is recognized if, as a result of a past event, the company has a present legal obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by the best estimate of the outflow of economic benefits required to settle the obligation at the reporting date. Where no reliable estimate can be made, a disclosure is made as contingent liability. A disclosure for a contingent liability is also made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

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.Nil lacs).
- (b) Claims not acknowledged as debts since disputed Rs.249.29lacs(Previous Year Rs.249.29 lacs). Amounts already paid under protest Rs.33.21 lacs(Previous Year :Rs.33.21 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 a Power Delivery agreement with Wardha Power Company Limited (WPCL) for procurement of power for its manufacturing activity at the term set out in the said agreement for twenty five years from the commencement of commercial operation of power plant to be declared by WPCL. As per the terms of another related agreement with WPCL, the company has invested Rs. 440 lacs shown under investments (schedule F) in the class A Equity shares of 1945867 of Rs10 each aggregating to Rs19458670- and 2454133 no of 0.01% redeemable class A preference shares aggregating to Rs 24541330 and Company is required to invest Rs275 lakhs in 0.01% class C redeemable preference shares of 2750000 of Rs 10 each at par , prior to commencement of commercial operation of the said power plant. Therefore said shares are/shall be under lien with WPCL.Upon the expiry of Power Delivery agreement. Class A Equity Shares and Class A Redeemable Preference Shares will be bought back by WPCL for total consideration of Rs. 1. One tenth of Class C Redeemable Preference Shares will be redeemed on every anniversary from the date of issue at Rs. 0.01 share.

4 Miscellaneous receipts includes Rs.731.12 lacs (Previous year Rs. 1008.14 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)	
		2010-11	2009-10
6	Interest includes :		
	Interest on Fixed Loans	28.24	34.00
	Others	693.94	712.28
		<u>722.18</u>	<u>746.28</u>
	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.		
8	The Deferred Tax Assets/(Liabilities) as on 31-03-2011 as per the AS 22 issued by the ICAI.		(Rupees in Lacs)
		As at	As at
		01/04/2010	31/03/2011
		Debited/(Credited)	during the year
A)	<u>Deferred Tax Assets:-</u>		
I)	Disallowance u/s. 43B of the Income Tax Act, 1961 to be allowed on payment basis	70.35	(11.71)
			58.64
B)	<u>Deferred Tax Liabilities:-</u>		
	Difference between Book and Income Tax depreciation	646.10	814.21
	Net Deferred Tax Assets/(Liabilities) (A-B):	<u>(575.75)</u>	<u>(825.92)</u>
	Tax on above	<u>(195.70)</u>	<u>(465.60)</u>
			(Rupees in Lacs)
		2010-11	2009-10
9	Salaries,Wages & Bonus includes reimbursement for services.	1064.45	948.04
10	Works Expenses includes Directors' Travelling.	8.53	6.55
11	Payments to Auditors include:		
	Audit Fees	1.50	1.50
	Other matters	0.15	0.15
	Expenses reimbursed	0.09	0.05
		<u>1.74</u>	<u>1.70</u>
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.		
	(b) Directors' Remuneration being minimum remuneration is as under :	2010-11	2009-10
	(i) Salaries	47.22	37.47
	(ii) Contribution to Provident Fund and Superannuation	6.30	4.84
	(iii) Perquisites in cash	5.70	4.98
		<u>59.22</u>	<u>47.29</u>
	TOTAL		
		16.56	16.31
	Estimated value of Other Perquisites		
	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.		
13	Payment to Cost Auditor:		
	Audit fees	0.30	0.30
	Expenses Reimbursed	0.03	0.03
		<u>0.33</u>	<u>0.33</u>
14	During the year Company has issued 1500000 (nos.) 5% Redeemable Cumulative Preference Shares of Rs. 100/- each to one of the Pramoter group entity against Inter Corporate Deposit worth Rs. 1500 lacs.		
15	Maharashtra Electricity Regulatory Commission (MERC) vide its order dated 27th April 2007 has directed Maharashtra State Electricity Distribution company Limited (MSEDCL) to refund, Regulatory Liability Charges (RLC)collected by it during the period commencing December		

2003 to September 2006, to selected consumer category within which the company gets covered. Company has received refund of Rs. 24367270/- from MSEDCCL upto 31.03.2010. In the current Financial year company has recognised refund of Rs.41924123/- of which Rs. 29573589/- is outstanding as on 31.03.2011 and the same is grouped under other current assets.

- 16 Loans and Advances includes Rs. 75.58 lacs(previous year Rs.75.58) towards advance paid against supply of scrap by overseas supplier against which company has initiated action for recovery towards quality dispute.
- 17 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.493.26 lacs.(previous year Rs. 340.21 lacs) However, the said liability, if accounted, would have no impact on the results for the year.
- 18 Disclosure required under Micro,Small and Medium Enterprises Development Act, 2006 (the Act) are as follows:

Sr. No.	Particulars	2010-11	2009-10
(a)	Principal Amount Outstanding	7.38	30.81
(b)	Interest due on the above	0.15	1.20
(c)	Principal amount paid during the year beyond appointed day	34.19	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	1.03	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.	1.18	2.45

Note:

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.

19 Particulars of Installed Capacity :	2010-11	2009-10
	Quantity in	Quantity in
	M.T.	M.T.
Carbon Alloy and Stainless steel	60000	60000

20 (a) Production in M.Tons (excluding quantity used for internal consumption):

Blooms/ Ingots	410	5239
Rolled Product	32973	29052

	2010-11		2009-10	
	Quantity in M.T.	Value Rs. in lacs	Quantity in M.T.	Value Rs. in lacs
(b) Purchases				
Steel Product	656	280.91	880	266.27
(c) Sales :				
Blooms / Ingots	357	310.78	5421	3946.31
Rolled Product	32298	26503.28	28443	18008.27
By Products		-		-
		26814.06		21954.58

	(Rupees in Lacs)	
	2010-11	2009-10
25 Expenditure in Foreign Currency		
(a) Commission on Sales	8.52	12.52
(b) Travelling Expenses	1.48	-
(c) Subscription	2.38	-
(d) Cash Discount	4.70	4.68
(e) Interest paid on Loan	22.97	26.05
(f) Legal & professional charges	5.50	-
	45.55	43.25
26 Amounts remitted during the year in foreign currencies on account of dividends.	Nil	Nil

27 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.

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

29 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. |
| 13 Vineet Infin 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 31-3-2011 in the ordinary course of business.

Particulars	(Rupees in lacs)					
	With Vidarbha Iron & Steel Co Ltd. Associates		With Key Management Personnel		With Enterprises where Significant influence exists	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
i) Purchase of goods	285.18	-	-	-	276.72	66.12
ii) Sale of Goods	-	-	-	-	-	-
iii) Rent paid	-	-	-	-	1.32	1.32
iv) Interest paid	-	-	-	-	-	100.22
v) Reimbursement of expenses	1,085.45	969.04	-	-	-	-
vi) Unsecured Advances given	-	-	-	-	-	-
vii) Finance received	-	-	-	-	300.00	-
viii) Directors Remuneration	-	-	75.78	63.60	-	-
ix) Outstanding balances as on 31-03-2011						
a) Loans & advances given	-	-	-	-	-	-
b) Unsecured Loans taken	-	-	-	-	1,784.75	3,096.88
c) Sundry creditors	561.58	427.45	2.96	2.17	250.42	99.80

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

I REGISTRATION DETAILS

REGISTRATION NO.	146283	State Code :	11
Balance Sheet Date	31.03.2011		

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

Public Issue	NIL	Rights Issue	NIL
Bonus issue	NIL	Private Placement	150000

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

Total Liabilities	1962745	Total Assets	1962745
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SOURCES OF FUNDS

Paid up Capital	356524	Reserves and Surplus	26915
Secured Loans	302732	Un-Secured Loans	313673
Deferred Tax Liabilities	46560		

APPLICATION OF FUNDS

Net Fixed Assets	600466	Investments	44000
Net Current Assets	263893	Misc. Expenditure	NIL
Accumulated Losses	138045	Deferred Tax Assets (Net)	NIL

IV PERFORMANCE OF COMPANY (AMOUNT IN RS. THOUSANDS)

Turnover (Gross Revenue)	2782672	Total Expenditure	2790849
Profit (+)/Loss(-) Before Tax	- 8177	Profit (+)/Loss(-) After Tax	- 35400
Earning per Share (Rs.)	- 0.17	Dividend Rate	NIL

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

Item Code No. (ITC Code)	Products Description
722830-00	OTHER BARS AND RODS NOT FURTHER WORKED THAN HOT-ROLLED, HOT - DRAWN FOR EXTRUDED OF OTHER STEEL
722210-00	BARS AND RODS NOT FURTHER WORKED THAN HOT-ROLLED, HOT-DRAWN OR EXTRUDED OF STAINLESS STEEL
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, 29th July, 2011

Amit G. Pandey
Company Secretary

NAGPUR, 29th July, 2011

For and on behalf of the Board,

M.D. SARAF
Vice-chairman & Managing Director

VINOD SARAF
Managing Director

EMAIL ID REGISTRATION FORM FOR RECEIVING DOCUMENTS & COMMUNICATIONS OVER E-MAIL

I/we, the shareholder(s), whose name(s) is/are listed below request for sending soft copies of Abridged Annual Report and other communications as and when required to be sent to me/us at the email ID, particulars whereof are as under:-

Name of the First/Sole Shareholder	
Name of the First Joint Shareholder	
Name of the Second Joint Shareholder	
Name the Third Joint Shareholder	
Folio No./Client ID & DP ID	
E-mail ID for sending communications	

I/We hereby declare that the particulars given above are correct and complete. If the soft copies of communication are not received at all for reasons of incomplete or incorrect information, or due to technical fault/ flaw, I/we would not hold the Company responsible for non-receipt of documents / communications.

Signature of the First/Sole Shareholder	Signature of the First Joint Shareholder	Signature of the Second Joint Shareholder	Signature of the Third Joint Shareholder
(As per specimen signatures registered with the Company(for shares in physical form); and Depository Participant (for shares held in electronic form)			

Place:

Date

Instructions:

- Please send the duly completed and signed form (in original) to:
 - The Registrar and Transfer Agents of the Company (*in case of shares held in physical form*) at the following address:-
 Link Intime India Pvt. Ltd.,
 C-13 Pannalal Silk Mills Compound,
 LBS Road, Bhandup (West),
 MUMBAI – 400 078
 - The Depository Participants (*in case of shares held in electronic form*)
- For any change of email particulars, fresh form needs to be submitted in the same format.
- Please send the duly signed forms in original. Fax/Scanned copy of the signed forms shall not be accepted.
- Please note that any change in email particulars revokes previous email details registered with the Depository Participants or the Registrar and Transfer Agents of the Company, as the case may be.

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
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