Facor Steels Limited

10th Annual Report

CORPORATE INFORMATION

Board of Directors

Narayandas Saraf
Chairman

M.D. Saraf
Vice Chairman & Managing Director

Vinod Saraf
Managing Director

Anurag Saraf

A.S. Kapre

M.B. Thaker

Arye Berest

Mohandas S. Adige

Rajkamal Rao

Amit G. Pandey
General Manager (Legal) &
Company Secretary

Executives

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

Cost Auditors

S.K. Phatak & Co.
Cost 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 :

NOTICE TO MEMBERS

Notice is hereby given that the TENTH 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 Wednesday the 10th of July, 2013 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 2013 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. A. S. Kapre, 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, (Regn. No. 109003W) 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, with or without modification (s), the following resolution as a **Special Resolution:**

   "RESOLVED THAT pursuant to Section 23 and other applicable provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA), the applicable provisions of the Companies Act, 1956 and such other laws, rules, regulations, guidelines or notifications as may be applicable, if any, and subject to approval of audited annual accounts for the financial year 2012-13 by the members of the Company in this Annual General Meeting, the report of the Board of Directors of the Company explaining the reasons of erosion of more than 50% of the peak net worth of the Company as per the audited financial results of the Company for the year ended 31st March, 2013 be and is hereby considered and approved.

   FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorized to inform and report as potentially sick industrial company to the Board for Industrial and Financial Reconstruction (BIFR) and such other State and Central Government Authorities as may be required under the laws, rules, regulations, guidelines and directives for the time being in force in India in the prescribed form(s) and to intimate such other authorities, entities, financial institutions, stock exchange, body corporate, association of person as may be necessary in terms of the agreements, security documents, undertakings, declarations and memorandum of understanding entered into by the Company and to further execute and file plaint(s), documents, undertaking , declarations etc, as may be required (including making amendments thereto, if required).

   FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorized to delegate all or any of the power herein conferred by this resolution to any Director(s) or to any committee of Directors or to any Officer(s) of the Company to give effect to this resolution."

NOTES:

1. The relevant Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of Item No. 6 of the Notice set out above is annexed hereto.
2. Report of the Board of Directors on erosion of net worth of the Company and causes thereof is annexed with the Explanatory Statement and is forming part of this notice.
3. 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.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, 6th July, 2013 to Wednesday, 10th July, 2013 (both days inclusive).
5. 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.

6. 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 Secretarial Department at the Registered Office of the Company at 46 A&B, MIDC Industrial Estate, Hingna Road, Nagpur – 440 028
7. 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.
8. 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.
9. 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.
10. 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.
11. Securities and Exchange Board of India (SEBI) has made it mandatory for submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company/ Registrars and Transfer Agents quoting reference of their folio no.
13. Members who hold shares in physical form in multiple folios in identical names or joint names in the same order of names are requested to send the share certificates to the Registrar and Transfer Agent of the Company for consolidation into a single folio.
14. 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:
46 A & B, MIDC, Industrial Estate,
Hingna Road,
Nagpur – 440028

Dated: 29th May, 2013

By ORDER OF THE BOARD

Amit Pandey

General Manager (Legal) &
Company Secretary

ANNEXURE TO THE NOTICE

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

Item No. 6

The losses posted by your company in the current year have resulted in accumulated losses exceeding 50% of the net worth of your company for the first time. Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985 provides that if the accumulated losses of an industrial company, as at the end of any financial year, have resulted in erosion of 50% or more of its peak net worth during the immediately preceding four financial years, that Company falls under the category of potentially sick industrial company and therefore the fact is required to be reported to Board of Industrial and Financial Restructuring (BIFR) within a period of 60 days from the date of finalization of the duly audited accounts, which is the date of this Annual General Meeting

As per the Audited Account of the Company for the year ended 31st March, 2013 finalized and approved by the Board on 29th May, 2013 and which are subject to approval of shareholders on 10th July, 2013, the accumulated losses of the Company as at 31st March, 2013 amounting to ₹ 4747.81 lacs has resulted in erosion of more than 50% of its peak net worth of ₹ 5343.24 lacs of present year as well as during the immediately preceding four financial year. The peak net worth of the company for present as well as proceeding four financial years is as follows:

Financial Year	Net Worth (₹ in lacs)
2008-09	2065.24
2009-10	2065.24
2010-11	3565.24
2011-12	4565.24
2012-13	5343.24

In terms of the provisions of section 23 a report on such erosion and its causes is required to be submitted before the shareholders for their consideration and approval. The said report is annexed herewith and is forming part of this notice and explanatory statement.

In view of the above, your directors recommend approval of the shareholders by a special resolution.

None of the directors are interested in the above resolution.

Registered Office:
46 A & B, MIDC, Industrial Estate,
Hingna Road
Nagpur – 440028

Dated: 29th May, 2013

By ORDER OF THE BOARD

Amit Pandey
General Manager (Legal) &
Company Secretary

REPORT ON EROSION OF NET WORTH, CAUSES THEREOF AND ACTION TAKEN BY THE COMPANY IN TERMS OF SECTION 23 OF SICK INDUSTRIAL COMPANIES (SPECIAL PROVISION) ACT, 1985.

In terms of requirements of Section 23 and other applicable provisions of the Sick Industrial Companies (Special Provisions) Act, 1985, (SICA) a report of Board of Directors of the Company on erosion of more than 50% of the peak net worth of the company during the present and preceding four financial years along with causes and revival plan is being submitted herewith.

Under the provisions of Sick Industrial Companies (Special Provisions) Act, 1985, Net Worth of the Company for present as well as preceding four financial years is as follows:

(Amount in Rupees)

Financial Year/ Net Worth Components	2012-13	2011-12	2010-11	2009-10	2008-09
Paid up Capital	534323679	456523679	356523679	206523679	206523679
Free Reserves					
General Reserve	–	–	–	–	–
Securities Premium A/c	–	–	–	–	–
Profit & Loss A/c	–	–	–	–	–
Total	534323679	456523679	356523679	206523679	206523679
Amount in Lacs	5343.24	4565.24	3565.24	2065.24	2065.24

Accumulated losses for the year ended 31.03.2013 (Relevant financial year) are ₹ 4747.81 lacs

Peak Net Worth as per above is ₹ 5343.24 lacs

Accumulated losses as percentage of peak net worth: 88.86%

As presented above as per the audited accounts of the Company for the year ended 31.03.2013, the accumulated losses of the Company as at 31.03.2013 amounting to ₹ 4747.81 lacs have resulted in erosion of more than fifty percent of its peak net worth of ₹ 5343.24 lacs for the present as well as immediately preceding four financial year. The erosion of net worth beyond 50% has happened for the first time during the present financial year and thus under the provisions of SICA the Company is a potentially sick industrial Company.

CAUSES OF EROSION OF NET WORTH OF THE COMPANY:

- The commercial vehicle / automobile sector was one of the main clients of the Company. The increased interest rate affected the sales and the sector started looking for various sops and incentives from the Government to keep the momentum of production and sales. The recession in these sectors led to lower off take in the domestic segment. As a result domestic sales of alloy steel were affected resulting into underutilization of the production capacity of the company.
- Competition increased from large players with forward integration and own power plant, production through blast furnace. These players with economy of scale were able to sale their product at lower prices affecting Electric Arc Furnace producers like your company. With the gradual decline in demand for alloys steel due to slowdown in commercial vehicle segment, large players in order to utilize their capacity reduced their prices further making it unviable for small companies to compete in general alloy steel grades.
- In anticipation of the stiff competition from large manufacturers of alloys steel, your company had envisaged forward integration into Forged round bars business and accordingly commissioned 2000MT open die forging press in the year 2009 with an installed capacity of 12000MT per month. The press capacity till date could not be completely utilized due to various external and internal reasons. There was sudden drop

in the demand initially when the press was commissioned due to global meltdown and further many products relating to forging needed prior inspection and certification/ approvals from the end users especially oil and gas industry, this took longer period of time then anticipated by the company. As a result the forged unit could operate only at around 23% of its installed capacity making the operations of the unit very expensive.

- The power tariff in the state of Maharashtra is amongst the highest in the country. Over the last few years there has been significant and sudden increase in the power tariff in the state of Maharashtra, which has adversely affected the cost of production of your company making it difficult for the company to compete with steel manufacturers who enjoy lower power tariff rates in other states.
- The product profile of the Company had to undergo change as a result of above factors and company concentrated more towards heat treated and bright bar products for better margins. Such products required proper heat treatment facilities and quality assurances. However, the company did not have certain balancing equipment required to get the process completed in house. This resulted in extension of product cycle as it tried to outsource the intermediate process through outside vendors. The increased product cycle led to blocking of working capital and increased cost of production.
- Working capital requirement increased with increase in input cost whereas there was no equivalent increase in Steel prices. The stiff competition coupled with sluggish economic conditions has had adverse impact on the working of the company, which has resulted in company posting negative bottom lines.
- Export of steel products to certain countries got affected due to imposition of anti dumping duty. Further continued recession in Europe and America post 2008 global meltdown made it difficult to increase exports sales.

STEPS TAKEN/PROPOSED TO BE TAKEN BY THE COMPANY MANAGEMENT:

- In order to strengthen its financial position, the Company has got its debts restructured with the Financial Institutions and banks under Corporate Debt Restructuring (CDR) mechanism in March, 2013 comprising of repayment reschedule, reduction/ adjustment in interest rates, creation of additional security and pledge of 100% promoter's shareholding in favour of the Lenders. The restructuring of debt has enabled the company to significantly enhance its liquidity position enabling the company to take proper care of its financial needs and take full advantage of opportunities that company previously could not take due to distress financial conditions. Further provision for funds required towards certain capital expenditures required for the company like installation of balancing equipments and pollution control equipments has also been duly covered in the CDR sanctioned scheme and this will benefit the company's operations in future.
- The development of new products continues to remain a major thrust for the company for critical end applications and import substitution which gives higher realization. More focus and attention will be given towards product development to firmly establish company's presence in the aforesaid sector.
- The Company has received approvals from renowned companies like Schlumberger, Siemens etc. for its forged products. With the acceptance of products by the industry; the unit is expected to achieve improved capacity utilization in future.
- The Company anticipating the increase in power costs had tied up with Wardha Power Company Limited (WPCL) for captive power purchase at ₹ 2.75 per unit in 2008. Unfortunately due to non allocation of coal mines by Government of India, the project commenced operations after considerable delay on March, 2012 with purchase of coal from open market. Your company has renegotiated the power arrangement with WPCL to meet partial power requirement at a discounted rate of 14% over the MSEDCL tariff rate to safeguards its margins in future.
- The company had taken steps to reduce its cash losses by closing down its operations where the fixed costs were high and capacity utilization lower. The plant was under Lockout for a period of around five months commencing from 7th January, 2013. The unit was shut down in phases after completing the orders on hand. The last unit was shut down on 16th February, 2013. With the restructuring of its Debt under CDR steps have been taken by the company to restructure its internal manpower strength to optimize cost along with the production expected to be undertaken by company on resuming its operations. Internal procedures and process are further strengthened and operations streamlined to derive maximum benefit and rationalize the cost of production by the company. Excess employees both from the staff and workers category have been relived from service by offering them compensation under the Employee Separation Scheme (ESS). With the total restructuring of its financial and operational requirements, your company's overheads have been significantly reduced and its products have become further competitive giving your company an opportunity to make better capacity utilization of its facilities in future.

For and on behalf of the Board,

Place : Nagpur **M. D. Saraf**
Dated : 29th May, 2013 **Vice-Chairman & Managing Director**

DIRECTORS' REPORT TO THE MEMBERS

The Directors submit the **TENTH ANNUAL REPORT** on the business and operations of the Company and the Audited Statements of Accounts for the year ended 31st March, 2013.

FINANCIAL RESULTS:

	For the year ended 31.3.2013 (₹ in lacs)	For the Previous year ended 31.3.2012 (₹ in lacs)
Gross Profit / (Loss)	**(2395.74)**	(348.16)
Depreciation / Amortization	**548.56**	543.42
Adjustments relating to earlier years	**22.16**	(25.26)
	(2966.46)	(866.32)
Provision /(Credit) for MAT/FBT/DEF.TAX / WT	**(465.60)**	0.18
Profit/(Loss) after tax for the year	**(2500.86)**	(866.50)

OVERALL PERFORMANCE:

The year 2012-2013 did not see any substantial increase in demand of special alloy steel and remained absolutely flat as compared to 2011-12 but at the same time, there was decreasing trend in the production levels as compared to 2011-12. This was mainly due to availability of steel at cheaper prices as a result of cut throat competition from Blast Furnace route producers and also others with backward integration facilities like sponge iron and captive power units. The automobile industry continues to reel under low demand due to higher interest cost and increase in fuel prices. The relief automobile industry expected from Government of India also did not materialize and as such there was very subdued demand for all type of vehicles during the year 2012-13 resulting in lower demand.

On the production level, the production of Steel Melting Shop decreased by around 7000 MT as compared to 2011-12 and Rolling Mill Shop production was almost down by 14000 MT during the current financial year compared to the previous year. The conversion of outside parties also dropped drastically since competitors' steel plants were lying idle and they did not have semi-finished products for doing conversion at our end. Further since Capital equipment industry was also affected badly, there was a considerable drop in production of Forge Shop by about 1500 MT in 2012-13 compared to 2011-12. The already deteriorating situation became more precarious in the 3rd quarter of 2012-13 paving way for mounting losses and Company was forced to look at continuation of operations.

On the sales front, there was a decrease of 18% in sales turnover on indigenous sales compared to previous year and decrease of 60% in forged product sales. Inspite of domestic sales downward trend, the company could maintain the export turnover similar to that of previous year, thereby minimizing the losses to certain extent.

Your company witnessed rare occasion in its lifetime when all the workers and staff of the company gave their full support to the management to declare lockout for closing down the production activities in the absence of adequate productions orders with a noble intent to save the losses that the company would suffer by keeping its operations continued. The Company declared consented lock out with Workers Union beginning from 7th January, 2013 in a phased manner to curtail future losses. Due to Depressed market conditions coupled with lower production levels, the company has posted a loss of ₹ 25.01 Crores during the year 2012-13.

The Management on its part filed an application with CDR Cell, Mumbai for Corporate Debt Restructuring after preparing a road map where it is envisaged that company shall now concentrate on forged products in Oil & Gas, Nuclear Power equipments and Power sector in addition to increasing the export performance from present level of 400 MT per month to 1400 MT per month during the next two years. The Company is pleased to inform that CDR package has been approved by the Consortium Bankers and various requirements are being complied with to restart the Plant at the earliest.

DIVIDEND:

In the absence of profit, your directors are unable to declare any dividend for the year 2012-2013.

CORPORATE DEBT RESTRUCTURING:

Your company had made a reference to the Corporate Debt Restructuring (CDR) cell constituted by Reserve Bank of India for restructuring of its financial debt. The CDR Cell positively considered the request of the company and has approved the debt restructuring proposal given by the Company. For the purpose of implementation of the approved package as also to comply with the post-implementation requirements, Bank of India the lead consortium bank of the company has been appointed as Monitoring Institution (MI) by the CDR Cell. To facilitate the process of monitoring of progress of sanction and implementation of the approved package by respective lenders and to revive the performance of the Company/ restructuring package on a continuous basis, a Monitoring Committee (MC), comprising of representatives of Bank of India, Central Bank of India and State Bank of Bikaner and Jaipur has also been constituted.

FUTURE PROSPECTS:

With the restructuring of its debt and implementation of the revival package approved by the CDR Cell your company believes that it will gradually be able to revive its operations towards profitability. Your company has been extremely fortunate to have full support of its employees during the lock-out period and all efforts are being made to garner support from the customers of the company as well when the operations of the company are revived. Although, huge efforts would be required towards regaining the confidence of the customers once the operations are restarted, your company is hopeful and confident that the same would be done over a period of time based on continued and sustained quality supply of material coupled with prompt and efficient customer service.

Looking into stiff competition from the blast furnace manufacturers and overall slowdown in the automobile sector, production of general grades of alloy steel, which was done earlier, has become unviable for the company and as a result your company has decided to give major thrust towards export of niche products and manufacture of specialty steel which is currently being imported in the country. More focus will also be given towards products which can give faster realization in terms of money and reduced the inventory carrying cost. Further, the company also plans to stage wise increase the production of its forged round bars and diversify into special shapes and sizes of forged products as per the requirement of the customers. With the combined strategy of increasing exports, catering to domestic market in niche segment to substitute imports and increasing sales of forged products in the open die segment, your company hopes to achieve better results in future.

REPORTING TO BOARD OF INDUSTRIAL AND FINANCIAL RESTRUCTURING (BIFR):

As per the Audited Accounts of the Company for the year ended 31st March, 2013, the accumulated losses of the Company as at the end of the said period amounting to ₹4747.81 lacs have resulted in erosion of more than 50% of its peak net worth of ₹ 5343.24 lacs during the present year as well as immediate preceding four financial years.

In terms of Section 23 of the Sick Industrial Companies (Special Provision) Act, 1985, the Company falls under the category of potentially sick industrial company and therefore the fact is required to be reported to Board of industrial and Financial Restructuring (BIFR) within 60 days from the date of finalization of the audited accounts. A report on causes of erosion of net worth and steps taken by the Company is forming part of the notice of AGM.

FINANCE:

The Company's financial requirements have been significantly restructured under the CDR package. The letter of credit (LC) devolved by the company have been converted into term loans repayable in yearly installments over period of 8 years and fresh term loans have been granted by the banks towards capital investment for procurement of balancing equipments and pollution control equipments required to be installed in its mini steel plant. Further, to accelerate revival of the operations of the company, lenders/ bankers have agreed under the CDR mechanism to grant working capital limits to the company at reduced interest rates then the prevailing bank rates. The promoters of the Company, to avoid complete erosion of net worth, granted their consent for conversion of Inter Corporate Deposit (ICD) worth ₹ 7.78 crores into 5% Redeemable Cumulative Preference Shares, as a result of which the total paid up shares capital of the Company got increased from ₹ 45.65 crores to ₹ 53.43 crores during the last quarter of the financial year 2012-2013.

COST AUDITOR:

The Board of Directors on recommendation of the Audit Committee has appointed Mr. Shridhar K. Phatak, a Practicing Cost Accountant, as Cost Auditor of the company for the financial year 2013-14 to carry out cost audit of the company's Mini Steel Plant situated at Nagpur. Necessary approval of the Central Government in respect of appointment of Mr. Shridhar K. Phatak as Cost Auditor of the Company has been received by the Company. As required under the provisions of Section 224(1B) read with Section 233 (B)(2) of the Companies Act, 1956, the Company has obtained written confirmation from Mr. Shridhar K. Phatak to the effect that he is eligible for appointment as Cost Auditor under Section 233B of the Companies Act,1956. The Audit Committee has also received a certificate from the Cost Auditor certifying his independence and arm's length relationship with the Company. The report on Cost Audit for Financial Year ended 31st March, 2012 was filed on 24th January, 2013 and in respect of Financial Year ended 31st March, 2013 would be filed with Central Government before 30th September, 2013. Further, your Directors have appointed M/s S.K. Phatak & Co., Cost Accountants as Cost Auditors of the Company for Financial Year ended 31st March, 2014 as well subject to the approval of the Central Government.

INDUSTRIAL RELATIONS:

The Overall Industrial Relations in the Company during the entire financial year remained cordial. The company with the support of all its employees including workers and staff members was able to declare consensus lock-out w.e.f 7th January, 2013 in its mini steel plant for closing down the production activities of the company in phased manner due to absence of adequate productions orders and to avoid further losses. Support given by all employees for reducing the losses of the company, by keeping the plant closed, in the larger interest of the company shows the maturity and sense of ownership and affection each employee carries for the company and the Directors deeply acknowledges and appreciates the same.

DIRECTORS:

Mr. Anurag Saraf, Mr. M. B. Thaker and Mr. A. S. Kapre, Directors of the Company, retire by rotation at the ensuing Annual General Meeting, and being eligible offer themselves for re-appointment.

Mr. Anurag Saraf tendered his resignation from the Executive post of Joint Managing Director and his resignation was duly approved by the Board of Directors in their meeting held on 14th March, 2013. However, he continues to remain a Director on the Board of the Company. Mr. Vibhu Bakhru resigned from Directorship of the Company w.e.f. 9th April, 2013 consequent to he being appointed Hon'ble Judge of the Delhi High Court. The Board has placed on record its sincere appreciation of the services rendered by Mr. Vibhu Bakhru and Mr. Anurag Saraf during their tenure as Director and Joint Managing Director of the Company respectively.

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.

ANNEXURE 'A' TO THE DIRECTORS' REPORT

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, in selection of the accounting policies, consulted the Statutory Auditors and these have been applied consistently and reasonably and prudent judgments and estimates have been made so as to give a true and fair view of the state of affairs of the Company as at 31s March, 2013 and of the loss of the Company for the year ended on that date;

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.

AUDITORS:

M/s Salve & Company, Chartered Accountants retire as Statutory Auditors of the Company at the ensuing Annual General Meeting and have given their consent for re-appointment as the Statutory Auditors of the Company for the year 2013-14. Pursuant to the provision of Section 224(1B) of the Companies Act, 1956, the Company has obtained written consent from the above auditors that their re-appointment if made, would be in conformity with the limits specified in the said section.

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 ₹.60,00,000/- per annum or ₹.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 wish to express their appreciation for the continued support and co-operation received from Central and State Government, Financial Institutions, Banks, Customers, Suppliers and the Shareholders of the Company. The Directors also appreciate the value and contributions made by every employee of the company in the operations of the company and deeply acknowledge the support and sacrifices made by the employees of the company during the lock-out period.

On behalf of Board of Directors,

M.D.Saraf
Vice-Chairman & Managing Director

Vinod Saraf
Managing Director

Nagpur
Dated: 29th May, 2013

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	:	In view of the measures already taken in earlier years no fresh measures were required to be taken during the year under review. However the power consumption is continuously being monitored and controlled
b)	Additional investment and proposals, if any, being implemented for reduction of consumption of energy.	:	No major additional investment is required
c)	Impact of measures at (a) and (b) for reduction of energy consumption and consequent impact on the cost of production of goods.	:	Not Applicable
d)	Total energy consumption and energy consumption per unit of production in prescribed form `A'.	:	As per Form A attached

B. TECHNOLOGY ABSORPTION:

Research and development:

a.	Specific areas in which R & D carried out by the Company.	:	18Cr Ni Mo7 for High Speed Gear Box A/c Triveni Engg.
b.	Benefits derived as a Result of above R & D.	:	Under development. Will be developed within 6 / 8 months.
c.	Future plan of action	:	Continue to develop products based on industry needs and become globally competitive in terms of design, quality and cost through operational efficiency and technological betterment
d.	Expenditure on Research & Development.	:	R & D expenditure have not been accounted for separately.
e.	Technology absorption, adaptation and innovation	:	18Cr Ni Mo7 for High Speed Gear Box A/c Triveni Engg.
i)	Efforts, in brief, made towards Technology absorption, adaption and innovation.	:	All in house experiments/trials conducted to achieve properties & desired results of above grades.
ii)	Benefits derived as a result of above efforts.	:	Product Mix was broadened due to inclusion of these products.
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.

The Company has made all efforts to achieve continuous export business growth. With the sound reputation that is gradually being built in international markets, the company hopes to improve export business performance regularly in the coming years. Products as per the requirements of the international markets have been developed.

2) Total Foreign Exchange used and earned (2012-2013): : **(₹ in Lacs)**

i)	CIF value of imports	**771.21**
	Expenditure in Foreign Currency	**127.82**
ii)	Foreign Exchange earned	**5183.47**

On behalf of Board of Directors,

Place: Nagpur
Dated: 29th May, 2013

M.D.Saraf
Vice-Chairman & Managing Director

Vinod Saraf
Managing Director

FORM `A'

FORM OF DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

PARTICULARS	STEEL CURRENT YEAR 2012-2013	STEEL PREVIOUS YEAR 2011-2012
A. POWER AND FUEL CONSUMPTION:		
1. ELECTRICITY		
a) Purchased		
Units (KWH in lacs)	**285.22**	468.32
Total Amount (₹. in Lacs)	**1937.20**	2948.62
Average rate per unit (₹)	**6.79**	6.30
b) Own generation		
i) Through Diesel Generator		
Units (KWH)	—	—
Units per ltr. of diesel oil	—	—
Cost/unit (₹)	—	—
ii) Through Steam Turbine/Generator		
Units	—	—
Units per ltr. of fuel oil/gas	—	—
Cost/unit (₹)	—	—
2. Coal (specify quality)	—	—
3. Furnace Oil		
Quantity (K.Liter)	**2000.06**	3446.87
Total cost (₹ in Lacs)	**839.04**	1306.36
Average Rate (₹ /K.Liters)	**41950.58**	37905.14
4. Others/Internal Generation	—	—
B. CONSUMPTION PER UNIT OF PRODUCTION:		
ELECTRICITY (KWH per tonne)		
Rolled & Forged Products	**1383.000**	1333.000
FURNACE OIL (K.Liter per tonne)		
Rolled & Forged Products	**0.096**	0.084
Coal (Specify quality)	—	—
Others (Specify)	—	—

MANAGEMENT DISCUSSIONS AND ANALYSIS

INDUSTRY STRUCTURE, DEVELOPMENT AND OTHER RELATED MATTERS

The Indian economy continues to pass through a critical phase with GDP on declining trend affecting the overall growth of the economy, especially manufacturing industry. The Alloy Steel industry is operating at 50% of the installed capacity, mostly because of slowdown in the automobile industry which is one of the major consuming industries for alloy steel. There has been a declining trend in the growth of the commercial vehicles and it has undergone significant revision downwards from zero to one percent for the financial year 2012-2013 compared to earlier projected growth of 9 to 11% according to SIAM. The under noted table indicates the projections made in the beginning of the year and revised estimate projected at the end of the year. It can be observed that revised projections have been abysmally low compared to earlier projections, resulting in slow down of automobile industry which directly affects the alloy steel industry. The downward revision was done based on the weak macroeconomic conditions by SIAM.

Description	Projected in April 2012 (%)	Re-revised projections at the last quarter (%)
Passenger Vehicles	10-12	7-10
Commercial Vehicles	9-11	0-2
Three Wheelers	5 – 7	4-7
Two Wheelers	11-13	3 – 5
Overall Industry	10-12	3 - 5

With weaker demand, the profit margin of most of the alloy steel producers remained under pressure and performance dismal during the financial year 2012-2013, where all major special steel plants booked losses in their balance sheet. The Capital equipment industry is also on the down ward trend due to delay in project executions as well inability to undertake expansions by established players in car segment in India as well as MNCs due to change in the product dynamics and the inability of their down stream vendors to switch over due to financial compulsions. The Power sector is also at cross-roads where coal linkages have been adversely affected due to Coalgate scam which is under review by the Supreme Court. The overall economy during the year passed through various turmoil's and turbulence resulting in overall lower growth in the year 2012-13.

The demand for alloy steel products continues to be low and most of the Forgers and Automobile Manufactures are operating at 40 to 50% of their capacity, especially during the second half of 2012-13. There was increase in raw material prices which was not compensated by the user industry thereby affecting the margins of special steel industry to a large extent.

Inspite of the adverse position of the Steel industry especially critical steel grade manufacturers, it is expected that there shall be a gradual increase in steel consumption from 4th quarter of 2013-14 which should sustain the industry and pave way for recovery and growth.

FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE:

FINANCIAL PERFORMANCE:

(₹ in lacs)

	2012-2013	2011-2012
TOTAL INCOME	**24876.38**	31497.56
EBIDT	**1394.80**	438.98
INTEREST	**1000.94**	787.14
DEPRECIATION	**548.56**	543.42
ADJUSTMENTS RELATING TO EARLIER YEARS	**22.16**	(25.26)
PBT	**(2966.46)**	(866.32)
MAT/FBT/DEFERRED/ WEALTH TAX	**(465.60)**	0.18
PAT	**(2500.86)**	(866.50)
EPS	**(1.21)**	(0.42)

The financial performance of the company during the financial year 2012-13 was extremely stressed due to lower capacity utilization in the absence of adequate financial limits and lower order booking position. The Company could achieve gross sales turnover of ₹24876.38 Lacs for the year ended 31st March, 2013 as compared to ₹ 31497.56 Lacs during the previous year. The company has incurred net loss of ₹ 2500.86 Lacs as against net loss of ₹ 866.50 Lacs during the previous year. The Company suffered losses on account of adverse market conditions resulting into significant reduction in demand for its products and under utilization of its capacity. Further stressed cash flow condition in the last quarter of the year forced the company to declare lock-out in its mini steel plant, which directly affected production. In order to restructure its financial requirements a reference was made by the Company to CDR Cell for restructuring the entire debt of the company. The CDR Cell has positively considered the request of the company and the financial restructuring of the company is presently under consideration by the Bankers of the company.

OPERATIONAL PERFORMANCE:

(₹. In Lacs)

YEAR	STEEL MELTING SHOP PRODUCTION (GROSS) (M T)	ROLLING MILL SHOP PRODUCTION (GROSS) (M T)	FORGE SHOP PRODUCTION (GROSS) (M T)	TOTAL SALE	
				QUANTITY	VALUE (₹. IN LACS)
2012-2013	**21768**	**19600****	**1173**	**22915**	**24605.96***
2011-2012	34926	40836**	2903	31090	30858.36*

* Includes value of by-product sale **Includes Conversion Job Work

OPPORTUNITIES, THREATS, RISKS AND CONCERN:

The forecast for Alloy Steel and special critical grades of steel continue to be gloomy and the present market scenario indicates a gradual growth pick up from 4th quarter of 2013-2014. Due to curtailment of production by major producers and stabilization of raw material prices in view of weak demand from Industry, it is expected that steel consumption shall pick up giving reprieve to the alloy steel industry in the year 2013-2014. In order to reduce its dependency on the automobile sector, where the competition is cut-throat and margins are under severe pressure, the Company has made a road map to enter to cater Oil & Gas Industry, Turbine Blade steel for Power sector and nuclear power equipments where the major requirements are for open die forgings. With this we expect the capacity utilization to increase from present level of 20 to 40% to 70-80% during the year 2013-14 and further higher in 2014-15. Further Company have also made thrust in export sales where focus is being given to increase the sales from present level of 400 MT per month to the level of 1400 MT in the next two years. The Company shall continue to cater domestic market in critical grades where it is a niche market and margins are comfortable once the demand for steel products picks up during the year 2013-14 from the 4th quarter onwards.

Fluctuation in raw material prices which the Industry is unable to pass on to the user industry is a major cause of concern and acceptance of price increase by the industry takes more than two to three months which affects the operations and margins during the intervening period. Frequent increase in power tariff which is a basic source of raw material of EAF producers also is a threat and Company is envisaging to access power from Open Access from Private Power Generation Company at marginally lower price than Maharashtra State Distribution Co. Ltd.

The blast furnace route producers along with backward integration producers having sponge iron and power plants continue to supply material at very cheap prices, thereby creating severe competition in the market place where the demand is already low. Your company will continue to strive on increased production of forged products and stainless steel products in both domestic and export sectors.

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 management 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. With restructuring of the financial debt under the CDR mechanism, the company, as per the request of the lenders/ bankers has also appointed concurrent auditor to monitor the progress of the company as submitted under the restructuring process.

MATERIAL DEVELOPMENT IN HUMAN RESOURCES / INDUSTRIAL RELATIONS:

Industrial relations in the company were extremely cordial throughout the year 2011-2012. The employees of the company showed immense maturity and support towards the financial health of the company and granted their full support for consensus lock-out of the mini steel plant of the company situated at Nagpur. It is perhaps rare occasion in our country that all the workers and staff of any company have given their full support to the management to declare lockout for closing down the production activities in the absence of adequate production orders with a noble intent to save the losses that the company would suffer by keeping its operations continued. In order to optimize work force post restructuring of its financial debts the company has launched a special scheme know as Employee Separation Scheme, whereby lump sum amount of compensation is offered to those employees whose services are not required by the company post restructuring of its operations and business. The need for development of multi skill attributes amongst its employees was strongly felt by the company during the restructuring process and accordingly steps are being taken by the HR department of the Company to harness and develop the same amongst its employees.

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:

Corporate Governance has been gaining considerable importance in the working of the companies these days and is recognized as an indispensable norm for disclosures of information to those who need it to ensure fair play and uplift the business values. The need for corporate governance is now felt worldwide and laws are being framed to maintain transparency of business operations. 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. It 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. It 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 displayed in the company's website.

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 31st March, 2013, 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 2013 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*	2	Yes	2	---	---
Mr. M. D. Saraf, Vice Chairman & Managing Director	Executive*	4	Yes	4	---	---
Mr. Vinod Saraf, Managing Director	Executive*	6	No	4	---	---
Mr. Anurag Saraf	Non-Executive*	6	Yes	4	---	---
Mr. A.S. Kapre	Non-Executive Independent	7	Yes	3	1	3
Mr. M.B. Thaker	Non-Executive Independent	6	Yes	1	3	–
Mr. Arye Berest	Non-Executive Non-Independent	Nil	No	2	–	–
Mr. Vibhu Bakhru@	Non-Executive Independent	1	No	2	–	–
Mr. Mohandas S. Adige	Non-Executive Independent	7	Yes	8	6	2
Mr. Rajkamal C. Rao	Non-Executive Independent	4	No	Nil	–	–

@Ceased to be director w. e. f. 09.04.2013

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 the financial year 2012-2013 the Board met 7 times on 12th May, 2012, 14th August, 2012, 24th September, 2012, 6th November, 2012, 22nd December, 2012, 25th January, 2013, and 14th March, 2013 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. COMMITTEES OF THE BOARD

A. AUDIT COMMITTEE:

Composition, Meetings and Attendance

The Audit Committee is composed of four members viz. Mr. A. S. Kapre, Mr. M. B. Thaker, Mr. Mohandas S. Adige, who are Non-Executive Independent Directors of the Company and Mr. Anurag Saraf, who is Promoter Director of the Company. Mr. A. S. Kapre is the Chairman of the Committee. Mr. M. S. Adige was inducted in Audit Committee as a Member w. e. f. 12.05.2012.

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.

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.

There were five (5) meetings held of Audit Committee during the financial year 2012-2013 on 12th May, 2012, 14th August, 2012, 6th November, 2012, 22nd December, 2012 and 25th January, 2013 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	5	5	Yes
Mr. M.B. Thaker, Member	Independent	5	4	Yes
Mr. M. S. Adige, Member @	Independent	5	4	Yes
Mr. Anurag Saraf, Member	Non Executive	5	4	Yes

@ Appointed as Member w. e. f. 12.05.2012

B. REMUNERATION COMMITTEE:

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.

The Remuneration Committee is composed of Mr. A. S. Kapre, Mr. M. B. Thaker and Mr. Mohandas S. Adige. All the members of Remuneration Committee are Independent Directors. Mr. A. S. Kapre, Independent Director is the Chairman of Remuneration Committee.

The Committee had one meeting on 14th August, 2012 to consider revision in the remuneration payable to the Managing Director and the attendance of members was as under:

Name of the Director	Category	No. of meetings held during the tenure		Whether attended last AGM
		Held	Attended	
Mr. A. S. Kapre, Chairman	Independent	1	1	Yes
Mr. M. B. Thaker, Member	Independent	1	0	Yes
Mr. Mohandas S. Adige	Independent	1	1	Yes

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.

Details of remuneration paid to Executive Directors for the year 2012-13 are as under:-

Name of Director	Total Remuneration including perquisites and allowances	Period of Agreement
Mr. N. D. Saraf, C & WTD	13,73,018.99	5 years w.e.f 1st May, 2011
Mr. M. D. Saraf, VC & MD	11,35,518.99	5 years w.e.f 14th August, 2012
Mr. Vinod Saraf, MD	14,42,069.02	5 years w.e.f 1st August, 2009
Mr. Anurag Saraf, JMD	11,35,518.99	5 years w.e.f 1st August, 2011
Total:	**50,86,126.00**	

** Mr. Anurag Saraf tendered his resignation from the post of Joint Managing Director w.e.f. 14th March, 2013

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 financial year 2012-2013, 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	₹ 67,500/-*	--
Mr. M.B. Thaker	₹ 52,500/-*	2647
Mr. Vibhu Bakhru	₹ 5,000/-	--
Mr. Mohan S Adige	₹ 57,500/-*	--
Mr. Rajkamal Rao	₹ 17,500/-	--
Total	**₹ 2,00,000/-**	

* 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.

C. SHARE HOLDERS / INVESTORS' 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.

The Shareholders' Grievance Committee is headed by Mr. A. S. Kapre, an Independent Director. The other members of the Committee are Mr. M. B. Thaker and Mr. Anurag Saraf. The Committee endeavours 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. Anurag Saraf	Member		0
Mr. M.B. Thaker	Member		1

Status of Investors' complaints received and resolved during the year 2012-13 is as under:-

Investors complaints received	Resolved	Not solved to the satisfaction of Shareholders	No. of pending complaints
12	12	Nil	Nil

Mr. Amit G. Pandey, General Manager (Legal) & Company Secretary, acts as the Secretary to all the Committee mentioned above and is also designated as the Compliance Officer of the Company.

4. GENERAL BODY MEETINGS

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
7th AGM	46 A&B, MIDC Industrial Estate, Hingna Road, Nagpur-440 028	Monday, 20th September, 2010 at 12.30 p.m.	No	No
8th AGM	46 A&B, MIDC Industrial Estate, Hingna Road, Nagpur-440 028	Thursday, 15th September, 2011 at 12.30 p.m.	Yes	No
9th AGM	46 A&B, MIDC Industrial Estate, Hingna Road, Nagpur-440 028	Monday, 24th September, 2012 at 12.30 p.m.	Yes	No

On 14th March, 2013 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 increased from ₹ 50 Crores **to** ₹ 60 Crores by creation of additional 10,00,000 (ten lakhs) 5% Redeemable Cumulative Preference Shares of ₹ 100/- (Rupees hundred) each ranking pari passu with the existing 25,00,000 (twenty five lakhs) 5% Redeemable Cumulative Preference Shares of ₹100/- each. Thereafter additional 7.78 lakhs 5% Redeemable Preference Shares of ₹ 100/- each were issued and allotted to the following promoter group entities.

	PROMOTER GROUP ENTITY	NO. OF PREFERENCE SHARES
1	Rai Bahadur Shreeram and Co. Pvt. Ltd.	679000
2	Suchitra Investments & Leasing Limited	99000
	TOTAL	**778000**

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 and now the Authorised Share Capital of the Company consists of 25,00,00,000 (twenty five crore) equity shares of Re.1/- each and 35,00,000 (thirty five lakhs) 5% Redeemable Cumulative Preference Shares of ₹.100/- each and the paid up capital of the company as on 31st March, 2013 is ₹ 53,43,23,679/- comprising of 20,65,23,679 equity shares of Re. 1/- each and 32,78,000 5% Redeemable Cumulative Preference Shares of ₹100/- each.

5. 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.

iii) SEBI Code of Conduct:

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 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.

iv) 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.

v) 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.

vi) Constituents of "Group" as defined in erstwhile MRTP Act, 1969 for the purpose of erstwhile SEBI (SAST) Regulations, 1997.

Persons constituting group within the definition of "Group" as defined in the erstwhile Monopolies and Restrictive Trade Practices Act, 1969, for the purpose of regulation 3(I)(e) of the erstwhile Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997, include the following:

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.	Investar Ltd.
2.	Facor Alloys Limited	22.	Supervision Ltd.
3.	Rai Bahadur Shreeram & Co. Pvt. Ltd.	23.	Precisetec Ltd.
4.	Shreeram Durgaprasad Ores Pvt. Ltd.	24.	Teracota Consultancy Services Ltd.
5.	Saraf Bandhu Pvt. Ltd.	25.	Imagetec Ltd.
6.	Facor Power Ltd.	26.	Globalscale Investments Ltd.
7.	Facor Realty And Infrastructure Ltd.	27.	Tusta Trading Company Inc.
8.	GDP Infrastructure Pvt. Ltd.	28.	UMT International Ltd.
9.	Vidharba Iron & Steel Corpn. Ltd.	29.	Cornell Corporation SA
10.	Shreeram Shipping Services Pvt. Ltd.	30.	Facor Employees Welfare Trust
11.	Suchitra Investment & Leasing Ltd.	31.	FAL Employees Welfare Trust
13.	Premier Commercial Corpn.	32.	Best Minerals Ltd.
12.	Dass Paper Products Ltd.	33.	Arka Resources Pvt. Ltd..
14.	Geedee Sales Services	34.	YMR Enterprise Pvt. Ltd.
15.	Godavaridevi Saraf & Sons	35.	V & G Commercial Pvt. Ltd.
16.	Facor Energy India Ltd.	36.	ARK Mercantile Pvt. Ltd.
17.	Facor Electric Limited	37.	Vanita Enterprises Pvt Ltd.
18.	Facor Solar Limited	38.	NDS Minerals Pvt Ltd.
19.	FAL Power Ventures Pvt. Ltd.	40.	Mezeron Enterprises Pvt. Ltd.
20.	Deepee Sales Corporation	41.	Vakrangee Press Limited

42.	Pioneer Facor IT Infradevelopers Pvt. Limited.	46.	Facor Turkkrom Mining Netherlands B.V.
43.	Facor Energy Limited, Guernsey	47.	Cati Madencilik Ithalat Ve Ihracat Anonim Sirketi
44.	Facor Minerals Pte Limited	48.	Asim Minerals Pvt. Ltd.
45.	Facor Minerals (Netherlands) B.V.	49.	Trusta Resources S.L.

6. 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 all India editions of 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.

7. GENERAL SHAREHOLDERS INFORMATION

Date of AGM	Time	Venue
10th July, 2013	12.30 p.m.	46 A&B, MIDC Industrial Estate, Hingna Road, Nagpur 440 028 Maharashtra State

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:-

Name of Director	Date of Birth	Date of Appointment	Experience In specific Functional Areas	Qualification	List of Other Public Limited Companies in which Directorship held as on 31-3-2013	Chairman/ Member of the committee of Board of other public Limited Companies on which he was a Director as on 31-3-2013.	No. of shares held
Mr. Anurag Saraf	17-5-1971	28-7-2006	Rich experience in Business Administration	B. E.	FACOR Alloys Ltd. FACOR Power Ltd. FACOR Realty And Infrastructure Ltd. Vidarbha Iron & Steel Corpn. Ltd.	Nil	9434402
Mr. M. B. Thaker	13-12-1938	20-7-2004	Over 49 years business experience in Manganese Mining	B. Com	Ferro Alloys Corporation Ltd.	Audit Committee (Member), Share Transfer & Shareholders/ Investor Grievances Committee (Member) & Remuneration Committee (Member)	2647
Mr. A. S. Kapre	1-05-1949	20-7-2004	Over 37 years experience mainly in Project & Corporate lending, Rehabilitation Finance and Risk Management	B. Tech., LLB	Ferro Alloys Corporation Ltd. Facor Alloys Ltd. FACOR Power Ltd.	Audit Committee (Chairman), Share Transfer & Shareholders/ Investor Grievances Committee (Chairman), Remuneration Committee (Chairman) & Audit Committee (Member)	Nil

Financial Year ending : 31st March, 2013
Date of Book Closure : 6th July, 2013 to 10th July, 2013(both days inclusive)
Dividend payment date : Not applicable since no dividend is recommended by the Board

Listing Details:

Name of Stock Exchange	Stock Code	ISIN No.
Bombay Stock Exchange Ltd.	532657	INE829G01011

Market Price Data:

Month	Bombay Stock Exchange (Rupees)		BSE Sensex	
	High	Low	High	Low
April'2012	1.28	1.08	17664.10	17010.16
May'2012	1.22	1.01	17432.33	15809.71
June'2012	1.20	0.90	17448.48	15748.98
July'2012	1.18	0.89	17631.19	16598.48
August'2012	1.14	0.79	17972.54	17026.97
September'2012	1.61	0.76	18869.94	17250.80
October'2012	2.45	1.48	19137.29	18393.42
November'2012	1.45	1.00	19372.70	18255.69
December'2012	1.29	1.05	19612.18	19149.03
January'2013	1.22	0.98	20203.66	19596.38
February'2013	1.14	0.83	19966.69	18793.97
March'2013	1.05	0.61	19754.66	18568.43

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 15 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.

Distribution of Shareholding as on 31st March:

No. of equity shares held	2012 – 2013			2011 – 2012		
	No. of shareholders	No. of shares held	% of issued equity share capital	No. of shareholders	No. of shares held	% of issued equity share capital
Upto 500	41794	4053266	1.96	42862	4265183	2.07
501 to 1000	6014	5638726	2.73	6303	5911176	2.86
1001 to 2000	3233	5562979	2.69	3372	5800531	2.81
2001 to 3000	1262	3425428	1.66	1326	3592347	1.74
3001 to 4000	571	2134634	1.03	597	2236458	1.08
4001 to 5000	906	4435703	2.15	923	4524058	2.19
5001 to 10000	1020	8063022	3.91	1016	8045181	3.90
10001 to above	914	173209921	83.87	915	172148745	83.35
Total	**55714**	**206523679**	**100.00**	**57314**	**206523679**	**100.00**

Dematerialisation of shares and liquidity as on 31st March:

No. of equity shares held	2012– 2013			2011– 2012		
	No. of shareholders	No. of shares held	% of issued equity share capital	No. of shareholders	No. of shares held	% of issued equity share capital
Physical Mode	22040	374645	0.18	22248	377715	0.18
Electronic Mode	33674	206149034	99.82	35066	206145964	99.82
Total:	**55714**	**206523679**	**100.00**	**57314**	**206523679**	**100.00**

Shareholding pattern as on 31st March:

Category	2012 – 2013		2011 – 2012	
	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	136677098	66.18
Financial Institutions/Banks	19438	0.01	19438	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	6760406	3.27	6781489	3.28
Others	63059758	30.54	63038675	30.53
Total:	**206523679**	**100.00**	**206523679**	**100.00**

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

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.

Address for Correspondence:

For matters relating to Company's Shares	For other matters
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	**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

Useful Information for Shareholders

a) Unclaimed shares:

Reference of the shareholders is invited to clause 5 AII in the Listing Agreement which provides that company shall transfer all these unclaimed shares into one Folio in the name of "Unclaimed Suspense Account" and these shares can be dematerialized and kept with one of the Depository Participants and all corporate benefits in terms of securities accruing on such shares viz. Bonus shares, Split etc. shall also be credited to such Unclaimed Suspense Account.

The Company, therefore, requests the shareholders holding shares in physical form to take stock of their shareholding in the Company and in case not in possession of share certificates of the aforesaid companies, may, quoting reference of their folio no., current postal address (with pin code) and e-mail address, if any, please write to the Registrar & Share Transfer Agent of the Company at the address mentioned hereinabove for receiving custody of share certificates.

b. Registration of Email Addresses:

The Company strongly advocates for the 'Green Initiative in Corporate Governance' of the Ministry of Corporate Affairs, whereby Companies are permitted to send Notices / documents including Annual Report comprising Balance Sheet, Profit & Loss Account, Directors Report, Auditors Report etc. in electronic mode (hereinafter 'documents'), provided the Company has obtained email addresses of its members for sending these documents through email by giving an advance opportunity to every shareholder to register their email address and changes therein from time to time with the Company.

Accordingly, Members are requested to support this green initiative by registering/ updating their email addresses to:

a) The Registrars and Share Transfer Agents, M/s. Link Intime India Pvt. Ltd., Mumbai in respect of shares in physical form; and

b) Their Depository Participants in respect of shares in electronic form

so that upon registration of the email address, the Company could send notices and other documents, in electronic form, to such shareholders

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, 2013.

Place : Nagpur **M.D. Saraf**
Date : 29.05.2013 **Vice-Chairman & Managing Director**

AUDITOR'S 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, 2013, 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 for the review 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 Agreements.

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,
(Regn.No.109003W)

Place : Nagpur **C.A. S.D.PARANJPE,**
Date : 29th May, 2013 **Partner**
Membership No.41472

INDEPENDENT AUDITOR'S REPORT

To the Members of Facor Steels Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Facor Steels Limited ('the Company'), which comprise the Balance Sheet as at 31st March, 2013, and the Statement of Profit and Loss and the Cash Flow Statement for the year ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act 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, 2013;

b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and

c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order"), as amended, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by section 227(3) of the Act, we report that:

   a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

   b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

   c. the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;

   d. in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956; and

   e. on the basis of written representations received from the directors as on 31st March, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

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

Place : Nagpur
Date : 29th May, 2013

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

ANNEXURE TO THE AUDITOR'S REPORT:

The Annexure referred to in our report to the members of Facor Steels Limited ('the Company') for the year ended 31st March, 2013.

We report that:

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) 1) (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) The Company has taken unsecured loans from three 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 ₹.781.37 lacs and Rs. 3.37 lacs respectively.

(c) 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.

(d) In respect of the aforesaid loan, the interest payable is ₹ 3.37 lacs.

iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory 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) a) According to the information and explanations given to us, based on the disclosure of interest made by the directors of the Company, transactions that need to be entered into register in pursuance of Sections 301 of the Companies Act, 1956 have been so entered.

b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained u/s 301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.

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) We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

ix) (a) 1) According to the records examined by us, the Company is 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, 2013 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	₹/ Lacs	Forum where the dispute is pending	Period to which the amount related (various Years covering the period)
Excise Duty	**30.67**	**Hon'ble High court Mumbai.**	**Jan' 96 to Feb' 2000**
Excise Duty	**185.41**	**To be filed before Hon'ble High court Mumbai.**	**Sep' 01 to Nov' 03**

x) The accumulated losses at the end of the financial year are more than 50% of its net worth and company has incurred cash losses during the current and also in the immediate preceding financial year.

xi) In our opinion and according to the information and explanations given to us, and keeping in view the Master Restructuring Agreement executed on 30th March,2013 there is no default in repayment of the dues of Financial Institutions,Bankers 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 4(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) Based on information and explanation given to us by the Management Term loans were applied for the purpose for which the loans were obtained.

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 778000 5% Redeemable Cumulative Preference shares of ₹ 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 year 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,
(Regn.No.109003W)

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

Place : Nagpur
Date : 29th May, 2013

BALANCE SHEET AS AT 31ST MARCH, 2013

(₹ in lacs)

	Note No.	As at 31st March,2013		As at 31st March, 2012
EQUITY AND LIABILITIES				
SHAREHOLDERS' FUNDS				
Share Capital	2	**5,343.24**		4,565.24
Reserves and Surplus	3	**(4,478.66)**		(1,977.80)
			864.58	2,587.44
NON-CURRENT LIABILITIES				
Long Term Borrowings	4	**5,222.93**		2,841.91
Deferred Tax Liabilities (Net) (Refer Note 29)	5	–		465.60
Long Term Provisions	6	**21.86**		71.61
			5,244.79	3,379.12
CURRENT LIABILITIES				
Short Term Borrowings	7	**3,193.35**		3,619.94
Trade Payables	8	**2,540.32**		8,377.04
Other Current Liabilities	9	**226.73**		727.45
			5,960.40	12,724.43
TOTAL			**12,069.77**	18,690.99
ASSETS				
NON-CURRENT ASSETS				
Fixed Assets				
Tangible Assets	10	**5,168.55**		5,442.83
Intangible Assets	10	**170.40**		324.90
Capital Work -in-Progress		–		7.82
		5,338.95		5,775.55
Non-Current Investments	11	**440.00**		440.00
Long Term Loans and Advances	12	**86.43**		72.22
			5,865.38	6,287.77
CURRENT ASSETS				
Inventories	13	**3,133.26**		7,844.46
Trade Receivables	14	**1,089.29**		2,519.03
Cash and Cash Equivalents	15	**889.90**		404.61
Short Term Loans and Advances	16	**918.93**		1,374.89
Other Current Assets	17	**173.01**		260.23
			6,204.39	12,403.22
TOTAL			**12,069.77**	18,690.99
Significant Accounting Policies	1			
Notes on Financial Statements	2 to 43			

As per our report of even date attached,
For SALVE AND CO.
Chartered Accountants
(Regn. No. 109003W)

C.A. S.D. PARANJPE
Partner
Membership No. 41472
Nagpur, 29th MAY, 2013

AMIT G. PANDEY
General Manager(Legal)
& Company Secretary
Nagpur, 29th MAY, 2013

For and on behalf of the Board

M.D. SARAF
Vice Chairman & Managing Director

VINOD SARAF
Managing Director

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2013

(₹ in lacs)

	Note No.	Year Ended 31st March, 2013		Year Ended 31st March, 2012
INCOME				
Revenue from Operations	18	**27,404.00**		34,341.10
Less: Excise duty		**2,578.16**		2,920.42
		24,825.84		31,420.68
Other Income	19	**50.54**		76.88
Total Revenue			**24,876.38**	31,497.56
EXPENDITURE :				
Cost of Materials Consumed	20	**14,074.00**		20,685.76
Changes in Inventories of Finished Goods and Work-in-Progress	21	**4,106.44**		(335.22)
Employee Benefits Expense	22	**1,555.71**		1,737.77
Finance Costs	23	**1,000.94**		787.14
Depreciation and Amortisation Expense	24	**548.56**		543.42
Other Expenses	25	**6,557.19**		8,945.01
Total Expenses			**27,842.84**	32,363.88
Profit/(Loss) Before Tax			**(2,966.46)**	(866.32)
Tax Expenses				
Current Tax (Refer Note 31)		**–**		–
Tax for Earlier Years		**–**		0.18
Deferred tax (Refer Note 30)		**(465.60)**		–
			(465.60)	0.18
Profit/(Loss) for the year			**(2,500.86)**	(866.50)
Earnings per equity share of face value of Re 1/- each				
Basic and Diluted (in ₹)	26		**(1.21)**	(0.42)
Significant Accounting Policies	1			
Notes on Financial Statements	2 to 43			

As per our report of even date attached,
For SALVE AND CO.
Chartered Accountants
(Regn. No. 109003W)

C.A. S.D. PARANJPE
Partner
Membership No. 41472
Nagpur, 29th MAY, 2013

AMIT G. PANDEY
General Manager(Legal)
& Company Secretary
Nagpur, 29th MAY, 2013

For and on behalf of the Board

M.D. SARAF
Vice Chairman & Managing Director

VINOD SARAF
Managing Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2013
PURSUANT TO CLAUSE 32 OF THE LISTING AGREEMENT

(₹ in lacs)

	2012-13		2011-12	
(A) CASH FLOW FROM OPERATING ACTIVITIES :				
Net Profit/(Loss) before tax		**(2,966.46)**		**(866.32)**
Adjustment for:				
Depreciation	548.56		543.42	
Exchange difference on translation (Net)	110.00		88.98	
Interest and Dividend Income	(30.19)		(30.73)	
Finance Costs	1,000.94		787.14	
Profit/Loss on Sale of Fixed Assets (Net)	0.08		0.13	
		1,629.39		**1,388.94**
Operating Profit before Working Capital Changes		**(1,337.07)**		**522.62**
Adjustment for:				
Trade and Other Receivables	1,993.23		138.35	
Inventories	4,711.20		(775.46)	
Trade Payables	(6,387.86)		846.91	
		316.57		**209.80**
Cash Generated from Operations		**(1,020.50)**		**732.42**
Direct Taxes Paid/Adjusted	(0.77)		33.05	
		(0.77)		**33.05**
Net Cash Flow from Operating Activities		**(1,021.27)**		**765.47**
(B) CASH FLOW FROM INVESTING ACTIVITIES:				
Purchase of Fixed Assets	(200.32)		(314.74)	
Sale of Fixed Assets	88.28		0.30	
Sale of Investments	–		–	
Interest and Dividend Income	30.38		26.91	
Net Cash Flow (used in) /from Investing Activities		**(81.66)**		**(287.53)**
(C) CASH FLOW FROM FINANCING ACTIVITIES:				
Proceeds from issue of Share Capital (Net)	778.00		1,000.00	
Proceeds from Long and Short Term Borrowings	1,978.43		(531.47)	
Finance Costs Paid	(1,024.27)		(789.74)	
Effects of Exchange Rate Change	(110.00)		(88.98)	
Net Cash Flow (used in) /from Financing Activities		**1,622.16**		**(410.19)**
Net Increase/(Decrease) in Cash and Cash Equivalents		**519.23**		**67.75**
Opening Balance of Cash and Cash Equivalents		**142.04**		**74.29**
Closing Balance of Cash and Cash Equivalents		**661.27**		**142.04**
Net Increase/(Decrease) in Cash and Cash Equivalents		**519.23**		**67.75**

As per our report of even date attached,
For SALVE AND CO.
Chartered Accountants
(Regn. No. 109003W)

C.A. S.D. PARANJPE
Partner
Membership No. 41472
Nagpur, 29th MAY, 2013

AMIT G. PANDEY
General Manager(Legal)
& Company Secretary
Nagpur, 29th MAY, 2013

For and on behalf of the Board

M.D. SARAF
Vice Chairman & Managing Director

VINOD SARAF
Managing Director

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Corporate Information

Facor Steels Limited ("The Company") is a Public Limited Company incorporated in India under the Companies Act, 1956. It is part of Worldwide reputed FACOR Group of Industries. The Company is listed at Bombay Stock Exchange . The Company, is one of the leading Producers of Carbon/Alloy steel/Stainless and special steel. The products are manufactured at its works in Nagpur and caters both domestic and international market. The products are meant for critical industrial application.

(b) Basis of Preparation of Financial Statements

These accounts have been prepared under the historical cost convention on accrual basis of accounting in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956, as adopted consistently by the Company.

(c) Fixed Assets :

All fixed assets are valued at cost net of recoverable taxes 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) Intangible asset :

Intangible asset acquired separately are measured at cost less amortisation and impairment losses, if any, Intangible assets are amortised on a straight line basis over the estimated useful life.

(e) 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.

(f) Foreign Exchange Transactions :

(i) Transactions in foreign exchange are translated to Indian Rupees at the rate of exchange ruling on the date of transaction.

(ii) 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.

(iii) Other outstanding foreign currency liabilities and receivables are translated at the year end rates and the difference in translation is recognized in the Statement of Profit and Loss.

(g) Investments :

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

(h) Current Assets :

Finished Goods and Stock-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.

(i) Revenue Recognition :

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Sales comprise sale of goods and services, conversion charges and exports. Sales are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are inclusive of excise duty but net of trade discounts and VAT. However, excise duty relating to sales is reduced from gross turnover for disclosing net turnover. Export benefits are recognised on accrual basis as per schemes specified in Foreign Trade Policy, as amended from time to time. Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

(j) Employee Benefits :

(i) Short-term employee benefits are recognised as an expense at the undiscounted amount in the Statement of Profit and Loss for the year in which the related service is rendered.

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

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

(k) Borrowing Costs :

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

(l) 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 asset is recognised and carried forward only to the extent that there is a virtual certainty that the asset will be realised in future.

(m) Contingent liabilities :

Contingent Liabilities are not recognised but are disclosed in the notes.

2. SHARE CAPITAL

(₹ in lacs)

		As at 31st March, 2013	As at 31st March, 2012
Authorised Share Capital:			
250,000,000	(Previous Year-250,000,000) Equity Shares of Re 1/- each	**2,500.00**	2,500.00
3,500,000	(Previous Year-2,500,000) 5% Redeemable Cumulative Preference Shares of ₹ 100 each	**3,500.00**	2,500.00
	TOTAL	**6,000.00**	5,000.00
Issued, Subscribed and Paid up:			
206,523,679	(Previous Year - 206,523,679)Equity Shares of Re 1/- each fully paid-up	**2,065.24**	2,065.24
3,278,000	(Previous Year-2,500,000) 5% Redeemable Cumulative Preference Shares of ₹ 100 each fully paid up	**3,278.00**	2,500.00
	TOTAL	**5,343.24**	4,565.24

2.1 Details of Shareholders holding more than 5% Equity shares held:

Name of the Shareholder	As at 31st March,2013		As at 31st March, 2012	
	No. of Shares	% held	No. of Shares	% held
Rai Bahadur Shreeram And Company Private Limited	**28,030,712**	**13.57%**	28,030,712	13.57%
Cornell Corporation	**19,058,774**	**9.23%**	19,058,774	9.23%

2.2 Details of Shareholders holding more than 5% Preference shares held:

Name of the Shareholder	As at 31st March,2013		As at 31st March, 2012	
	No. of Shares	% held	No. of Shares	% held
Rai Bahadur Shreeram And Company Private Limited	**2,179,000**	**66.47%**	1,500,000	60.00%
Vineet Infin Pvt. Ltd.	**225,000**	**6.86%**	225,000	9.00%
S.D. Ores Pvt. Ltd.	**332,000**	**10.13%**	332,000	13.28%
Suchitra Investment & Leasing Limited	**482,000**	**14.70%**	383,000	15.32%

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

2.3 Reconciliation of Equity shares outstanding at the beginning and at the end of the reporting period:

(₹ In lacs)

Particulars	As at 31/3/2013	As at 31/3/2012	As at 31/3//2013	As at 31/3/2012
	No. of Shares	No. of Shares	Amount	Amount
Shares outstanding at the beginning of the year	**206,523,679**	206,523,679	**2065.24**	2065.24
Shares issued during the year	–	–	–	–
Shares bought back during the year	–	–	–	–
Shares outstanding at the end of the year	**206,523,679**	206,523,679	**2065.24**	2065.24

2.4 Reconciliation of Preference shares outstanding at the beginning and at the end of the reporting period:

(₹ In lacs)

Particulars	As at 31/3/2013	As at 31/3/2012	As at 31/3/2013	As at 31/3/2012
	No. of Shares	No. of Shares	Amount	Amount
Shares outstanding at the beginning of the year	**2,500,000**	1,500,000	**2500.00**	1,500.00
Shares issued during the year	**778,000**	1,000,000	**778.00**	1,000.00
Shares bought back during the year	–	–	–	–
Shares outstanding at the end of the year	**3,278,000**	2,500,000	**3278.00**	2,500.00

2.5 Terms/rights attached to Equity Shares:

The Company has only one class of Equity Shares having par value of ₹ 1/- per share. Each holder of Equity Share is entitled to one vote per share.

In the event of liquidation of the company, the holders of Equity Shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of Equity Shares held by the Shareholders.

2.6 Terms/rights attached to Preference Shares:

The Company has only one class of 5% Redeemable Cumulative Preference Shares having par value of ₹ 100/- per share. The company has allotted 1500000(nos.) 5% Redeemable cumulative Preference Share of ₹ 100/- each to Rai Bahadur Shreeram And Company Private Limited On 4th March 2011 and 1000000(nos.) to other Promoter group entity on 17th March 2012. Further on 14th March 2013 company has allotted 778000(nos.) 5% Redeemable cumulative Preference Share of ₹ 100/- each to Rai Bahadur Shreeram And Company Private Limited & other Promoter group entity. The said 5% Redeemable Cumulative Preference Shares (hereinafter called "Preference Shares") shall have the following rights,privileges and conditions attaching thereto. Viz.

a) The Preference Shares shall be entitled to fixed cumulative Preferential dividend at the rate of 5% per annum in priority to the equity shares, but shall not confer any further right to participate in the profits or assets

b) Subject to the provisions of the Act, the said Preference Shares shall be redeemable in the manner following:

(i) The company may on the expiry of six years from the date of allotment thereto and after giving three months notice to the holders of the Preference shares, apply any profits or monies of the company which may be lawfully applied for the purpose of redemption of the Preference Shares for the time being issued and outstanding at par, together with a sum equal to the arrears of fixed dividend thereon,(whether earned or declared or not), upto the date of redemption.

(ii) The said Preference Shares shall be redeemed in five annual installments commencing from the seventh year from the date of allotment thereof.

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

3. RESERVES AND SURPLUS

(₹ in lacs)

	As at 31st March, 2013	As at 31st March, 2012
Capital Reserve		
Balance as at the beginning and end of the year	**269.15**	269.15
Statement of Profit and Loss		
Balance as at the beginning of the year	**(2,246.95)**	(1,380.45)
Add: Profit/(Loss) for the year		
	(2,500.86)	(866.50)
Balance as at the end of the year	**(4,747.81)**	(2,246.95)
TOTAL	**(4,478.66)**	(1,977.80)

4. LONG TERM BORROWINGS

(₹ in lacs)

	As at 31st March, 2013 Non-Current	As at 31st March, 2012 Non-Current	As at 31st March, 2013 Current	As at 31st March, 2012 Current
Secured				
From Bank : Rupee Term Loan Account				
PLR-4% Funded Interest Term Loan Account (FITL)	–	–	–	47.79
Add: Interest Accrued and due	–	–	–	–
	–	–		47.79
Amount disclosed under the head 'Other Current liabilities'			–	(47.79)
	–	–	–	–
0% Funded Interest Term Loan Account (FITL)	–	–	–	204.46
Amount disclosed under the head 'Other Current liabilities'			–	(204.46)
	–	–	–	–
Working capital Term Loan -1 (Refer Note 4.1)	1,447.85	–	–	–
Working capital Term Loan -2 (Refer Note 4.1)	900.82	–	–	–
	2,348.67	–	–	
Funded Interest Term Loan Account (FITL) (Refer Note 4.1)	0.55	–	–	–
Unsecured				
From Banks				
External commercial Borrowing (Israel Discount Bank London) (Refer Note 4.2)	**1,631.71**	1,545.91	–	–
Loans and Deposits from related parties				
Inter corporate Deposits/Loans (Refer Note 4.3)	**3.37**	781.37	–	–
Less:: Interest Accrued and due Amount disclosed under the head			–	–
Other Current liabilities'(Refer Note 9)	**(3.37)**	(27.37)		
	–	754.00	–	–
Others (Refer Note 4.4)	**1,242.00**	542.00	–	–
TOTAL	**5,222.93**	2,841.91	–	

4.1 (a) During the year under review, Company filed an application for Corporate Debt Restructure (CDR) through its lead banks before the CDR cell. The Empowered Group of Corporate Debt Restructuring cell (CDR-EG) has approved the final restructuring package of the company. The details thereof is as under.

(b) The CDR-EG in its meeting held on March'25th 2013 has approved the CDR package of the company. Bank of India (BOI) has been appointed as Monitoring Institution (MI).Final Letter of approval (LOA) has been issued by the CDR cell to all the lenders with a copy

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

to the company on April 27'2013. Individual sanction letter in line with LOA is awaited. Company has signed the Master Restructure Agreement (MRA) with Bank of India,Cental Bank of India, State Bank of india and State Bank of Bikaner and Jaipur.

(c) Cut-off date (COD) is Jan 01'2013 Holding on operation is allowed i.e. continuance of working capital limits at existing sanctioned level till implementation of CDR package. The Letter of credit payment devolved upto Dec 31, 2012 has been converted into working capital Term loan-I.

(d) The Letter of credit payments devolved during the period between Jan 01'2013 to March 31'2013 has been converted into working capital Term loan-II (WCTL-II).

(e) WCTL-I and WCTL-II are proposed to be repaid in equal quarterly Instalments over a period of 8 years commencing after a principal and interest moratorium of 24 months Repayments in 32 quarterly instalments commencing from quarter April 2015 and ending on quarter ending Jan' 2023.

(f) Unpaid interest on working capital cash credit limit from 01.01.2013 to 31.03.2013 to be repaid within six months from April, 2013. The future interest accrued on WCTL-I and WCTL-II for the period of two years from cut-off date will be converted into FITL-I.

The FITL is proposed to be repaid over a period of 2 + 3 years in equal quarterly instalments commencing from April'2015.

(g) All facility to carry interest at the rate of 10.75% per annum.

(h) All working capital facilities, Working capital Term Loan (WCTL), Fresh Term loan and Funded Interest Term Loan (FITL) are secured by...

(i) First charge by way of hypothecation of Movable Fixed Assets Plant & machinery spares,tools and accessories and other movable Fixed assets both present and future of the company.

(ii) First charge on Immovable Fixed Assets including building of Factory.

(iii) second charge by way of hypothecation of entire stock of Raw materials,stock in process, finished goods, consumable stores & spares and Receivables etc, and all other current assets of the company both present and future on pari passu basis.

(iv) First charge by way of equitable mortgage of Lease hold Land in the name of Vidarbha Iron & Steel Corporation Ltd.

(v) Pledge of 100% shares of the company held by promoters.

(vi) Inter - company guarantees by Ferro Alloys Corpn.Ltd. Facor Alloys Ltd and Vidarbha Iron & Steel Corporation Ltd.

(vii) Personal guarantee of two Directors.

4.2 External Commercial Borrowing (ECB loan) outstanding USD 3000000 lakhs (Pre. Yr. USD 3000000 lakhs) repayable in 5 equal Annual instalments w.e.f April'2014.

4.3 During the year the Inter corporate deposits/loan of ₹ 778 lakhs (Previous year ₹1000 lakhs) from related parties converted into 5% Redeemable cumulative Preference shares of ₹ 100/- each.

4.4 Other loans taken in August 2011 and repayable after 31st march 2015.

(₹ in lacs)

	As at 31st March, 2013	As at 31st March, 2012
5. DEFERRED TAX LIABILITIES (NET) (Refer Note 30)		
Deferred Tax Assets:		
Disallowance u/s 43B of the Income Tax Act, 1961 to be allowed on payment basis	**13.37**	28.53
Unabsorbed Depreciation	**628.81**	36.40
	642.18	64.93
Deferred Tax Liability:		
Difference between Book and Income Tax depreciation	**642.18**	530.53
Net Deferred Tax Liabilities	**–**	465.60

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

(₹ in lacs)

		As at 31st March, 2013	As at 31st March, 2012
6. LONG TERM PROVISIONS			
Provision for Employee Benefits:			
For Gratuity (Funded) (Refer Note 27)		–	48.56
For P.L.Encashment (Unfunded)		**21.86**	23.05
TOTAL		**21.86**	71.61
7. SHORT TERM BORROWINGS			
From Banks (Secured) :[Refer Note 4.1 (h)]			
Cash Credit / Packing Credit Accounts	**2,972.29**		2,986.56
Bills Discounted	**108.37**		633.38
		3,080.66	3,619.94
Funded interest Term Loan		**112.69**	–
TOTAL		**3,193.35**	3,619.94
8. TRADE PAYABLES			
Micro, Small and medium Enterprises		**43.61**	10.32
Trade Payables		**2,496.71**	8,366.72
TOTAL		**2,540.32**	8,377.04

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

	2013	2012
Principal Amount Outstanding	**43.61**	10.32
Interest due on above	**3.22**	1.31
Principal amount paid during the year beyond appointed day	**60.48**	78.04
Interest paid during the year beyond the appointed day	–	0.40
Amount of Interest due and payable for the period of delay in making payment without adding the interest specified under the Act	–	–
Amount of interest accrued and remaining unpaid at the end of the year	**2.56**	0.36
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 enterprises for the purpose of disallowance as a deductible expenditure under section 23 of the Act.	**5.78**	1.67

The above information regarding micro,small and medium enterprises has been determined on the basis of information available with the company.

	As at 31st March, 2013	As at 31st March, 2012
9. OTHER CURRENT LIABILITIES		
Current Maturities of Long- Term debt	–	252.25
Interest Accrued but not due on loans	**2.52**	1.85
Interest Accrued and due on loans	**3.37**	27.37
Other Payables*	**220.84**	445.98
TOTAL	**226.73**	727.45

*Includes statutory dues, security deposits and advance from customers.

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

10 FIXED ASSETS

(₹ in lacs)

	PARTICULARS	GROSS BLOCK AT COST				DEPRECIATION				NET BLOCK	NET BLOCK
		As at 1.04.2012	Additions/ Adjustments	Deductions/ Adjustments	As at 31.03.2013	Upto 1.04.2012	For the Year	Deductions/ Adjustments	Upto 31.03.2013	As at 31.03.2013	As at 31.03.2012
(A)	**TANGIBLE ASSETS:**										
	BUILDINGS	1,166.40	–	–	1,166.40	398.20	35.86	–	434.06	732.34	768.20
	PLANT AND MACHINERY	7,505.28	200.28	–	7,705.56	3,056.98	315.17	–	3,372.15	4,333.41	4,448.30
	OFFICE AND OTHER EQUIPMENTS	288.05	6.29	0.77	293.57	189.55	25.17	0.59	214.13	79.44	98.50
	FURNITURE AND FIXTURES	46.26	1.57	–	47.83	32.53	1.78	–	34.31	13.52	13.73
	VEHICLES	202.87	–	164.94	37.93	88.77	16.08	76.76	28.09	9.84	114.10
		9,208.86	208.14	165.71	9,251.29	3,766.03	394.06	77.35	4,082.74	5,168.55	5,442.83
(B)	**INTANGIBLE ASSETS:**										
	GOODWILL	1,545.00	–	–	1,545.00	1,220.10	154.50	–	1,374.60	170.40	324.90
	TOTAL (A+B)	10753.78	208.14	165.71	10,796.29	4,986.13	548.56	77.35	5,457.34	5,338.95	5,767.73
	Previous Year	10405.78	349.30	1.22	10,753.86	4,443.50	543.42	0.79	4,986.13	5,767.73	–

Notes:

10.1 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.

10.2 Additions and adjustment in Plant & machinery includes ₹ 85.80 lacs (net loss) [previous years ₹ 201.60 lacs (net loss)] on account of exchange difference during the year.

(₹ in lacs)

	As at 31st March, 2013	As at 31st March, 2012
11 NON-CURRENT INVESTMENTS		
Trade Investments : (At Cost) (Refer Note 32)		
In 0.01% Class 'A" Redeemable Preference Shares- Unquoted, fully paid up		
2,454,133 (Previous Year-2,454,133) Wardha power co. Limited of ₹ 10 each	**245.41**	245.41
In Equity Shares - Unquoted, fully paid up		
1,945,867 (Previous Year-1,945,867) Wardha Power Co. Limited of ₹ 10 each	**194.59**	194.59
TOTAL	**440.00**	440.00
Aggregate amount of Unquoted Investments	**440.00**	440.00
12. LONG TERM LOANS AND ADVANCES		
(Unsecured and Considered Good)		
Capital Advances	**9.75**	9.75
Security Deposits	**31.33**	33.64
Others		
Advance Income Tax (Net of Provisions)	**16.33**	28.83
Surplus in Gratuity fund	**29.02**	–
TOTAL	**86.43**	72.22

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

		As at 31st March, 2013	(₹ in lacs) As at 31st March, 2012
13. INVENTORIES			
(As per Inventory taken, valued and as certified by the Management)			
(At Cost unless otherwise stated)			
Raw Materials		**631.18**	1,133.75
Work-in-Progress (At Cost or Net realisable value whichever is lower)		**354.36**	3,086.67
Finished Goods (At Cost or Net realisable value whichever is lower)		**1,118.95**	2,493.08
Stores and Spare Parts		**1,004.03**	1,107.77
Loose Tools		**24.74**	23.19
TOTAL		**3,133.26**	7,844.46
14. TRADE RECEIVABLES			
(Unsecured)			
Over six months			
Considered good		**490.00**	401.81
Considered doubtful		**49.45**	49.45
		539.45	451.26
Less: Provision for Bad & doubtful debt		**49.45**	49.45
		490.00	401.81
Others (Considered good)		**599.29**	2,117.22
TOTAL		**1,089.29**	2,519.03
15. CASH AND CASH EQUIVALENTS			
Cash in hand		**4.33**	10.74
Cheques in hand		–	1.18
With Scheduled Banks:			
In Current Accounts		**136.94**	130.12
In Fixed Deposit Accounts:(With maturity upto 3 months)		**520.00**	–
		661.27	142.04
In Fixed Deposit			
With maturity of more than 3 months but less than 12 months	**10.00**		4.50
With maturity more than 12 months	**218.63**		258.07
		228.63	262.57
TOTAL		**889.90**	404.61

15.1 Fixed Deposit Receipts lodged with Banks as security deposit for Letters of Credit/Guarantees ₹ 228.63 lacs (Previous Year ₹ 262.57 lacs)

		As at 31st March, 2013	As at 31st March, 2012
16. SHORT TERM LOANS AND ADVANCES			
(Unsecured and Considered Good)			
Others		**918.93**	1,374.89
TOTAL		**918.93**	1,374.89

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

17. OTHER CURRENT ASSETS		As at 31st March, 2013	As at 31st March, 2012
Interest accrued on Fixed Deposits		**12.29**	13.14
RLC claim Receivable from MSEDCL (Refer Note 33)		**82.10**	188.92
Claims Recoverable		**78.62**	58.17
TOTAL		**173.01**	260.23

18. REVENUE FROM OPERATIONS			
Sale of products, less returns		**27,184.12**	33,778.78
Other Operating revenue			
Sale of Services		**52.38**	404.61
Export Incentives		**167.50**	157.71
		219.88	562.32
TOTAL		**27,404.00**	34,341.10

18.1 PARTICULARS OF SALE OF PRODUCTS		Gross Sales	
		Year Ended 31st March, 2013	Year Ended 31st March, 2012
Blooms/Ingots		**5,189.49**	2,562.47
Rolled Product		**20,613.49**	27,465.43
Forge Round bars		**1,381.14**	3,750.88
TOTAL		**27,184.12**	33,778.78

19. OTHER INCOME			
INTEREST INCOME:			
Interest on Deposits	**25.77**		23.09
Other Interest	**4.42**		7.64
		30.19	30.73
Miscellaneous receipts		**14.56**	20.89
Liabilities/Provisions no longer required written back		**5.79**	25.26
TOTAL		**50.54**	76.88

20. COST OF MATERIALS CONSUMED			
Opening stock of Materials	**1,133.75**		691.36
Add: Purchases (Including purchase of blooms)	**13,752.16**		21,158.40
		14,885.91	21,849.76
Less: Sale of Materials	**180.73**		30.25
Closing stock of Materials	**631.18**		1,133.75
		811.91	1,164.00
Cost of Materials Consumed		**14,074.00**	20,685.76

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

20.1 PARTICULARS OF MATERIALS CONSUMED

(₹ in lacs)

	Year Ended 31st March, 2013	Year Ended 31st March, 2012
Scrap	**9,549.94**	13,245.10
Sponge Iron	**946.41**	1,293.51
Ferro Nickle	**1,135.90**	1,881.69
Ferro Alloys	**1,784.31**	2,991.67
Lime Stone	**174.90**	232.08
Coke & Charcoal	**6.62**	10.17
Blooms	**68.02**	246.70
Other	**407.90**	784.84
TOTAL	**14,074.00**	20,685.76

21. CHANGES IN INVENTORIES OF FINISHED GOODS AND STOCK-IN PROCESS

		2013		2012
Closing stock:				
Finished Goods	**1,118.95**		2,493.08	
Work-in-Progress	**354.36**		3,086.67	
		1,473.31		5,579.75
Opening stock:				
Finished Goods	**2,493.08**		2,297.19	
Work-in-Progress	**3,086.67**		2,947.34	
		5,579.75		5,244.53
Decrease/(Increase) in Inventories		**4,106.44**		(335.22)

22. EMPLOYEE BENEFITS EXPENSE

	2013	2012
Salaries, Wages and Bonus	**1,236.46**	1,426.86
Contribution to Provident and Other Funds	**160.20**	114.20
Welfare Expenses	**108.19**	135.30
Directors' Remuneration	**50.86**	61.41
TOTAL	**1,555.71**	1,737.77

23. FINANCE COSTS

	2013	2012
Interest	**1,000.94**	787.14

24. DEPRECIATION AND AMORTISATION EXPENSE

	2013	2012
Depreciation	**394.06**	388.92
Amortisation	**154.50**	154.50
TOTAL	**548.56**	543.42

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

25. OTHER EXPENSES

(₹ in lacs)

	Year Ended 31st March, 2013	Year Ended 31st March, 2012
Power and Fuel	**2,776.24**	4,254.98
Production and Handling Expenses	**267.47**	383.60
Freight, Shipment and Sales Expenses	**691.60**	817.36
Lease rent	**21.00**	21.00
Stores and Spares	**1,354.70**	1,973.14
Works Expenses	**697.68**	638.52
Transport Expenses	**9.80**	14.32
Repairs and Maintenance to Plant and Machinery	**411.72**	508.42
Repairs and Maintenance to Buildings	**24.79**	16.27
Insurance	**34.96**	34.62
Rent	**18.51**	27.98
Rates and Taxes	**43.48**	34.45
Commission and Brokerage on Sales	**26.00**	69.99
Payments to Auditors	**2.18**	2.40
Directors' Sitting Fees	**2.09**	1.65
Foreign Exchange Loss (Net)	**110.00**	88.98
Loss on sale of Fixed Assets Sold Discarded (Net)	**0.08**	0.13
Provision and adjustments relating to earlier years	**27.95**	–
Miscellaneous Expenses	**36.94**	57.20
TOTAL	**6,557.19**	8,945.01

25.1 PAYMENTS TO AUDITORS

(A) Statutory Auditor		
Audit Fees	**1.50**	1.50
Tax Audit Fees	**0.15**	0.15
Certification and Consultation Fees	**0.12**	0.12
Reimbursement of Expenses	**0.02**	–
Sub-Total (A)	**1.79**	1.77
(B) Cost Auditor		
Audit Fees	**0.30**	0.60
Reimbursement of Expenses	**0.09**	0.03
Sub-Total (B)	**0.39**	0.63
TOTAL (A + B)	**2.18**	**2.40**

26. EARNINGS PER SHARE BASIC AND DILUTED

(i) Net Profit/(Loss) after Tax	**(2,500.86)**	(866.50)
(ii) Weighted average number of equity shares (Nos. in lacs)	**2,065.24**	2,065.24
(iii) Earnings per Share: (₹ per share)	**(1.21)**	(0.42)

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

27. Disclosure pursuant to Accounting Standard - 15 (Revised) "Employee Benefits" :

The company provides for Gratuity, a defined benefit retirement plan covering eligible employees. As per the scheme, the Gratuity fund trust, administered and managed by the Life Insurance corporation of India (LIC), make payment to vested employees at retirement, death or termination of employment of an amount based on the respective employees salary and the tenure of employment.

Liability for employee benefit has been determined by an actuarial valuation in conformity with the principles set out in the accounting standard 15 (Revised) the details of which are as under.

(₹ In lacs)

Particulars	**2012-13 Gratuity**	2011-12 Gratuity
Amount to be Recognised in Balance sheet		
Present value of Funded Obligation	**257.05**	334.54
Fair value of Plan Assets	**286.07**	285.98
Net Liability	**(29.02)**	48.56
Amounts in Balance sheet		
Liability	**–**	48.56
Assets	**29.02**	–
Net Liability	**(29.02)**	48.56
Expense To Be Recognised in the Statement of Profit and Loss		
Current Service Cost	**23.60**	2.12
Interest on Defined Benefit Obligation	**24.22**	1.19
Expected Return on Plan Assets	**(26.97)**	(274.61)
Net Actuarial Losses/(Gains) Recognised in Year	**42.32**	349.66
Total,Included in "Employee benefits expense"	**63.17**	78.36
Reconciliation of Benefit Obligations and Plan Assets For the Period		
Change in Defined Benefit Obligation		
Opening defined Benefit Obligation	**302.72**	14.89
Current Service Cost	**23.60**	2.12
Interest Cost	**24.22**	1.19
Actuarial Losses/(Gains)	**42.32**	349.66
Benefit Paid	**(135.81)**	(33.32)
Closing Defined Benefit Obligation	**257.05**	334.54
Change in Fair Value of Assets		
Opening Fair Value of Plan Assets	**285.98**	2.35
Expected return on Plan Asset	**26.97**	274.61
Actuarial Gains/(Losses)		
Contribution by Employer	**108.92**	42.34
Benefit Paid	**(135.81)**	(33.32)
Closing Fair Value of Plan Assets	**286.06**	285.98
Principal Actuarial Assumptions		
Discount Rate (p.a.)	**8.00%**	8.00%
Salary Escalation Rate (p.a.)	**5.00%**	5.00%

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

28 The slowing industrial activity and depressed market conditions had seriously affected the operations of the company. Considering the dwindling order position, the company has discussed with Workers union and reaches an agreement for consensus lock out effective from Jan' 2013 and which is still in force. The company's application for Corporate Debt Restructure (CDR) has been approved by CDR - Empowered Group vide its Letter of Approval dated April 27, 2013. Company will restart its operation once the revised Non fund based limits are approved and released by the individual banks.

29 As per the Corporate Debt Restructure (CDR) package approved by Empowered Group of Corporate Debt Restructuring cell (CDR-EG) vide its letter of approval dated April 27, 2013 the amount of Recompense payable during this period from the cut off date i.e. January 1, 2013 to March 31, 2013 is ₹ Nil. The cumulative Recompense amount payable from cut off date to end of package period i.e. March 31, 2023 ₹ 852 lakhs.

30 The Deferred Tax Liability accounted in the earlier period considering the timing difference between the book value and tax basis of an assets created tax liability in future periods. But considering the present losses and accumulated depreciation, the company feels there is no need for continuation of deferred tax liability of ₹ 465.60 lakhs in the books and hence the same is reversed during the year under review.

31 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.

32 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 ₹ 440 lacs (Previous year ₹ 440 lacs) shown under Non current investments (Note 11) in 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. 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 ₹ 1.

33 During the year Company has issued 778000 (nos.)[Previous year 1000000(nos.)] 5% Redeemable Cumulative Preference Shares of ₹ 100/- each to Promoter group entities against Inter Corporate Deposit worth ₹ 778 lacs (Previous year ₹1000 lacs).

34 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. In the Financial year 2010-11 company has recognised refund of ₹ 41924123/- of which ₹ 8210503/-(previous year 18892046/-) is outstanding as on 31.03.2013 and the same is grouped under other current assets.

35 Short term loans and advances includes ₹ 75.58 lacs(previous year ₹ 75.58) towards advance paid against supply of scrap by overseas supplier against which company has initiated action for recovery towards quality dispute.

				2012 - 13		2011 - 12	
				₹ in lacs	**Percentage**	₹ in lacs	Percentage
36	**(a)**	**1.**	**Value of Consumption of imported Raw Materials**	**1,880.08**	**13.36**	3,633.83	17.57
		2.	**Value of Consumption of indigenous Raw Materials**	**12,193.92**	**86.64**	17,051.93	82.43
				14,074.00	**100.00**	20,685.76	100.00
	(b)	**1.**	**Value of Consumption of imported Components and Spare Parts:**	**6.20**	**2.38**	11.48	4.35
		2.	**Value of Consumption of indigenous Components and Spare Parts:**	**254.75**	**97.62**	252.33	95.65
				260.95	**100.00**	263.81	100.00

			2012-13	2011-12
37		**C.I.F. Value of Imports :**	**2012-13**	2011-12
	(a)	**Raw Materials**	**688.08**	919.28
	(b)	**Components, Stores and Spare Parts**	**83.13**	10.50
			771.21	929.78

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

38 Expenditure in Foreign Currency :

₹in lacs

		2012-13	2011-12
(i)	Commission on Sales	25.07	38.80
(ii)	Travelling Expenses	1.19	1.54
(iii)	Subscription	2.64	2.42
(iv)	Cash Discount	16.37	13.27
(v)	Interest paid on Loan	31.71	29.82
(vi)	Legal & Professional charges	22.89	3.57
(vii)	Provision and adjustments relating to earlier years	27.95	–
		127.82	89.42

	2012-13	2011-12
39 Earnings in Foreign Exchange on account of Export of Goods on F.O.B. basis	5,183.47	5,373.44

40 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.

41 CONTINGENT LIABILITIES AND COMMITMENTS

(I) Contingent Liabilities :

(a) Estimated amount of contracts on Capital Account & other Commitments remaining to be executed and not provided for in accounts ₹15.25 lacs (Previous Year ₹15.25 lacs).

(b) Claims against the Company not acknowledged as debts, since disputed ₹ 249.29 lacs (Previous Year ₹ 249.29 lacs). Amounts already paid under protest ₹ 33.21 lacs (Previous year ₹ 33.21 lacs) have been debited to Advance Account.

42 Related Party Disclosure:-

I List of related parties:-

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

Vidarbha Iron and Steel Corporation Limited (VISCO)- Associates

B Enterprise, 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 And Company Private Limited
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 :

i)	**N.D. Saraf**	**Chairman & Whole Time Director**
ii)	**M.D.Saraf**	**Vice Chairman & Managing Director**
iii)	**Vinod Saraf**	**Managing Director**
iv)	**Anurag Saraf**	**Director**

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

II Transactions with Related Parties during the year ended 31-03-2013 in the ordinary course of business.

(₹ in lacs)

	Particulars	With Associates		With Key Management Personnel		With Enterprise where Significant influence exists	
		2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
i)	**Purchase of Goods**	**939.20**	1,197.88			–	–
ii)	**Rent paid/(received)**					**1.19**	1.32
iii)	**Lease rent**	**21.00**	21.00				
iv)	**Reimbursement of expenses**	–	568.08				
v)	**Power and Electricity charges**					**16.94**	22.30
vi)	**Finance received/(repaid)**					–	(3.38)
vii)	**Directors remuneration**			**62.01**	78.61		
viii)	**Balances outstanding at the year end**						
	a) Unsecured loans taken/(Given)					**3.37**	781.37
	b) Trade Payables	**93.37**	392.23			**164.29**	244.90
	c) Director Remuneration Payable:			–	1.17		

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

As per our report of even date attached,
For SALVE AND CO.
Chartered Accountants
(Regn. No. 109003W)

C.A. S.D. PARANJPE
Partner
Membership No. 41472
Nagpur, 29th MAY, 2013

AMIT G. PANDEY
General Manager(Legal)
& Company Secretary
Nagpur, 29th MAY, 2013

For and on behalf of the Board

M.D. SARAF
Vice Chairman & Managing Director

VINOD SARAF
Managing Director

PRINCIPAL ADDRESS OF THE COMPANY

Registered Office & Works

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E-mail : info@facorsteel.com
Fax : 91-7104-235709

Corporate & Head Office

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Tumsar-441 912
Dist : Bhandara [Maharashtra]
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Gram : FACOR
E-mail : facorho@facorgroup.in
Fax : 91-7183-232271

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Dy. General Manager

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Manager [Administration]

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Dy. General Manager [Finance]

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Shri H. S. Shah
Dy. General Manager

Bhubaneshwar :

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Shri M. V. Rao
Resident Manager

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Shri K. P. Nand Kumar
Dy. Manager [Marketing]

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