



# FACOR STEELS LTD

Regd. Off. : 46 A&B, MIDC Industrial Estate, Hingna Road, Nagpur - 440028

## NOTICE TO MEMBERS

Notice is hereby given that an EXTRA ORDINARY GENERAL MEETING of the members of Facor Steels Limited will be held at the Registered Office of the Company situated at 46 A&B, MIDC Industrial Estate, Hingna Road, Nagpur - 440028 on Thursday, 14<sup>th</sup> March, 2013 at 1.00 p.m., to transact the following business:

### Special Business:

1. To consider, and if thought fit, to pass the following resolution which will be proposed as a Special Resolution.  
"RESOLVED THAT pursuant to Sections 16, 94 and other applicable provisions, if any, of the Companies Act, 1956, and the authority conferred upon the Company by Article 6 of the Articles of Association of the Company, The Authorised Share Capital of the Company be increased from Rs.50,00,00,000/- (Rupees Fifty Crores only) divided into 25,00,00,000/- (Twenty Five Crores) equity shares of Re 1/- (Rupee one) each and 25,00,000 (Twenty Five Lakhs) 5% Redeemable Cumulative Preference Shares of Rs.100/- (Rupees Hundred) each to Rs. 60,00,00,000/- (Rupees Sixty Crores only) divided into 25,00,00,000 (Twenty Five Crores) equity shares of Re.1/- (Rupee one) each and 35,00,000 (Thirty Five Lakhs) 5% Redeemable Cumulative Preference Shares of Rs.100/- (Rupees Hundred) each by creation of 10,00,000 (Ten lakhs) 5% Redeemable Cumulative Preference Shares of Rs.100/- (Rupees hundred) each with the rights, privileges and conditions attaching thereto as provided from time to time by the Articles of Association of the Company and that accordingly the existing Clause V of the Memorandum of Association of the Company be and is hereby deleted and substituted by the following, viz:-

### Clause V :

"V: The Authorised Share Capital of the Company is Rs. 60,00,00,000/- (Rupees Sixty Crores) divided into 25,00,00,000 (Twenty Five Crores) equity shares of Re. 1/- (Rupee One) each; and 35,00,000 (Thirty Five Lakhs) - 5% Redeemable Cumulative Preference Shares of Rs. 100/- (Rupees Hundred) each with the rights, privileges and conditions attaching thereto as provided from time to time by the Articles of Association of the Company, with power to increase or reduce the Share Capital and to divide the shares in the Capital for the time being into Equity Share Capital and Preference Share Capital and to attach thereto respectively such preferential, qualified or special rights, privileges or conditions as may be permissible at law and /or determined by or in accordance with the Articles of Association of the Company and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the Articles of Association of the Company."

2. To consider, and if thought fit, to pass the following resolution which will be proposed as a Special Resolution.
  - A. "RESOLVED that on the above Resolution No.1 being duly passed and becoming effective and pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the existing Article 5 of the Articles of Association of the Company be and is hereby deleted and substituted by the following, viz:- Article 5:  
"Article 5: The Authorised Share Capital of the Company is Rs. 60,00,00,000/- (Rupees Sixty Crores) divided into 25,00,00,000 (Twenty Five Crores) equity shares of Re. 1/- (Rupee One) each; and 35,00,000 (Thirty Five Lakhs) - 5% Redeemable Cumulative Preference Shares of Rs. 100/- (Rupees Hundred) each with power to increase or reduce the Share Capital and to divide the shares in the Capital for the time being into Equity Share Capital and Preference Share Capital and to attach thereto respectively such preferential, qualified or special rights, privileges and conditions as may be permissible at law and /or determined by or in accordance with the Articles of Association of the Company and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may for the time being be permitted by the provisions of the Act or provided by the said Articles."
  - B. 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 confer upon the holders thereof the right out of the profits of the Company resolved under the Articles of Association to a fixed Cumulative Preferential dividend at the rate of 5% per annum (free of income tax but subject to deduction of taxes at the prescribed rates) on the capital for the time being paid thereon including in a winding up, to repayment of such capital and all arrears of such fixed dividend accrued upto commencement of the winding up (whether earned or declared or not), 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 thereof 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 in the manner provided in item (ii) hereof 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.
      - (iii) Notwithstanding anything contained above, the Board of Directors shall be at liberty, to agree to any variation of any of the terms and conditions in respect of the redemption of the Preference Shares as they may deem fit in the best

- interests of the Company, taking into consideration the circumstances prevailing on the respective dates of redemption thereof as aforesaid.
- (iv) The Company shall be at liberty to create and issue, from time to time, further Preference Shares ranking pari passu in all respects with the said Preference Shares."

3. To consider, and if thought fit, to pass the following resolution which will be proposed as a Special Resolution.  
"RESOLVED that pursuant to the provisions of Section 81(1) and (1A) and other applicable provisions, if any, of the Companies Act, 1956 and Article 8 of the Articles of Association of the Company and subject to such approvals, permissions and sanctions, as may be necessary, including of Securities and Exchange Board of India (SEBI), Stock Exchanges where the shares of the Company are listed and other appropriate authorities as may be necessary, the Board of Directors of the Company be and is hereby authorised to increase the Subscribed Capital of the Company by further issue and allotment of 7,78,000 (Seven Lakhs Seventy Eight thousand) 5% Redeemable Cumulative Preference Shares of the face value of Rs.100/- each (the said Preference Shares) as fully paid up to the following entities of promoter group of the company as and by way of conversion of the deposits/loans made/given by them to the Company aggregating to Rs. 7,78,00,000/- (Seven Crores Seventy Eight Lakhs) , either in whole or in part as may be mutually agreed to by and between such entities and the Company.:

PROMOTER GROUP ENTITY	AMOUNT OF DEPOSIT/ LOAN TO BE CONVERTED (RS)
1 R.B. Shreeram & Company Pvt. Ltd	6,79,00,000
2 Suchitra Investments & Leasing Ltd.	99,00,000
TOTAL	7,78,00,000

RESOLVED FURTHER that upon conversion of the deposits /loans into the said Preference Shares such deposits/loans shall be deemed to have been fully repaid to the extent of corresponding face value of such shares as on the date of allotment of the said Preference Shares to above mentioned entities.

RESOLVED FURTHER that the said Preference Shares to be allotted to the above mentioned entities shall be subject to the relevant provisions applicable to them of the Memorandum and Articles of Association of the Company.

**NOTES:**

- 1) An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of the item of Notice is annexed hereto.
- 2) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING, IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
- 3) The instrument of proxy duly stamped and executed should be deposited at the Registered Office of the Company at least 48 hours before the time fixed for commencement of the meeting.
- 4) All documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company on all working days between 11.00 a.m. and 1.00 p.m. up to the date of Extra-Ordinary General Meeting.

By Order of the Board  
For Facor Steels Limited

Registered Office:  
46 A & B, MIDC, Industrial Estate,  
Hingna Road,  
Nagpur -440 028  
Dated : 25<sup>th</sup> January, 2013

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

**ANNEXURE TO NOTICE**

Explanatory Statement under section 173 of the Companies Act, 1956

Item No. 1 to 3

Presently the Authorised Share Capital of the Company is Rs. 50 Crores divided into 25,00,00,000 Equity Shares of Re. 1/- each and 25,00,000 5% Redeemable Cumulative Preference Shares of Rs. 100/- each.

During the last two financial year Promoters have converted loan worth Rs.25 Crores, which they had given for financial requirements and expansion plans of the company, into 5% Redeemable Cumulative Preference Shares (Preference Shares). The conversion of loan into Preference Shares was done with an objective of improving the net-worth of the company from erosion beyond 50% level. However, inspite of best efforts of the company and its management the company could not recover from the losses and erosion of net worth continued during the current financial year also. The losses posted by the company are mainly attributable to the external economic conditions that prevailed through out the year. Rising input and power cost, sluggish demand for company's products, intense competition and slowdown in the GDP growth rate of Indian economy, all adversely affected the company's performance during the year.

Inspite of all the best efforts the net-worth of your company is likely to get eroded beyond 50% level by the end of this financial year. i.e. by 31st March, 2013. Corrective steps to arrest the losses and revive the operations of the plant are being taken by your company at all levels. In order to reduce losses your company on 7th of January, 2013 declared a consensus lock-out in its mini steel plant. 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.

Efforts are also being made to restructure the Debts and business model of the company in such a way that operations of the company can be revived and company can be brought back into profit track. However, the same would take some time and looking into the threat of erosion of net-worth of the company beyond 100% level by the end of this financial year, the promoter group entities have once again given their consent for converting interest bearing Inter-Corporate Deposit (ICD) worth Rs.7.78 Crores into 5% Redeemable Cumulative

Preference Shares (Preference Shares). The position of ICD held by Promoter Group entities in the company is as follows.

PROMOTER GROUP ENTITY	ICD AMOUNT (RS)
1 R.B.Shreeram & Company Private Limited	6,79,00,000.00
2 Suchitra Investments & Leasing Limited	99,20,181.00
3 Dass Papers Pvt. Ltd.	3,17,052.00
TOTAL	7,81,37,233.00

Out of the above entities, the company has received consent of M/s R.B.Shreeram & Company Pvt. Ltd. for conversion of its entire ICD amount of Rs.6.79 Crores into Preference Shares and M/s Suchitra Investments & Leasing Company Ltd. has given its consent for conversion of ICD worth Rs.99 lakhs to be converted into Preference Shares. Hence, to give effect to the conversion of the interest bearing ICD's into Preference Shares, as aforesaid, the Company proposes to issue and allot 7,78,000 (Seven Lakhs Seventy Eight Thousand) 5% Redeemable Cumulative Preference Shares of Rs.100/- (One hundred) each fully paid-up to the above mentioned promoter group entities as per Resolution at Item No.3 of this Notice. The present Authorised Share Capital of the Company is Rs.50 Crores divided into Equity and Preference Shares as set out in the Resolution at Item No.1 of the Notice. In order to enable the Company to issue the above mentioned Preference Shares to the said entities of the Promoter Group as aforesaid, the respective Capital Clause of the Memorandum of Association as well as Article 5 of the Articles of Association of the Company, needs to be amended as stated in the relevant resolution at Items nos.1 and 2 of the Notice. Any alteration in the Capital clause of the Memorandum & Articles of Association of the Company requires approval from the members by way of Special Resolution as mentioned in Items nos. 1 & 2 of the notice. After obtaining the approval for the issue of new Preference Shares, the resolution contained in Item no. 3 of the Notice is proposed to be passed for the allotment of the appropriate number of new Preference Shares to promoter group entities, which have agreed to convert their deposits worth Rs.7.78 Crores into the 5% Redeemable Cumulative Preference Shares, as provided in this resolution. It is in these circumstances the resolutions are proposed to be passed and commended for your acceptance.

None of the Directors except Mr. N. D. Saraf, Mr. M. D. Saraf, Mr. Anurag Saraf and Mr. Vinod Saraf who are also Directors/ members of the above mentioned promoter group entities are concerned or interested in this resolution.

By Order of the Board  
For Facor Steels Limited

Registered Office :  
46 A & B, MIDC, Industrial Estate,  
Hingna Road,  
Nagpur -440 028  
Dated: 25<sup>th</sup> January, 2013

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

## PROXY FORM

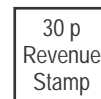
I/We .....  
of..... in the District of.....  
being a Member/Members of FACOR Steels Limited hereby appoint .....  
.....  
of..... in the District of.....  
or failing him.....  
of..... in the District of.....  
or failing him.....  
of..... in the District of.....

as my/our proxy to vote for me/us and on my/our behalf at the Extra Ordinary General Meeting of the company to be held at 46 A & B, MIDC Industrial Estate, Hingna Road, Nagpur-440 028 (Maharashtra) on Thursday, the 14<sup>th</sup> March, 2013 at 1.00 p.m. and at any adjournment thereof.

Signed this ..... day of .....2013

Ledger Folio Nos. / Client ID No. \_\_\_\_\_

No. of Shares held - \_\_\_\_\_



Shareholder's Signature

### NOTES :

- If a member is unable to attend the Meeting, he may sign this form and send it to the Secretary, Facor Steels Limited, Nagpur- 440 028 (Maharashtra), so as to reach him not less 48 hours before the time of holding the meeting.
- This form should be signed across the stamp as per the specimen signature registered with the Company.

# BOOK POST

To,

*If undelivered please return to :*



## FACOR STEELS LTD

46 A&B, MIDC Industrial Estate,  
Hingna Road, Nagpur - 440028  
Tel. No. : 07104 - 235701-08  
Fax No. : 07104 - 235709  
Email : [info@facorsteel.com](mailto:info@facorsteel.com)  
Web Site : [www.facorsteel.com](http://www.facorsteel.com)