



# VBC FERRO ALLOYS LIMITED

(An ISO 9001-2000 Company)



VBCFAL / SEC / 2018

May 31, 2018

**The Bombay Stock Exchange Limited**  
**Floor 25, P J Towers**  
**Dalal Street**  
**MUMBAI – 400 001.**

Dear Sir/Madam,

**Sub: Outcome of the Board Meeting -reg**

**Ref: Scrip Code - 513005**


In compliance with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby inform you that a meeting of the Board of Directors of the Company was held on 30<sup>th</sup> day of May 2018 at the Registered Office of the Company at 6-2-913/914, 3rd Floor, Progressive Towers, Khairatabad, Hyderabad- 500004 and the outcome of the meeting is as follows:

- A) The Board meeting was adjourned to May 31, 2018 at 3pm for further discussions.
- B) The Board Approved the audited Financial Statements-Stand alone for the quarter ended/year ended March 31, 2018.

The financial results for the year ended March 31, 2018 are annexed herewith along with Auditors report and Form A – Statement of impact on Audit Qualifications.

This is for your information and records.

Yours faithfully  
for VBC Ferro Alloys Limited

  
M.V. Ananthakrishna  
Whole-Time Director





# VBC FERRO ALLOYS LIMITED

(An ISO 9001-2000 Company)



AUDITED FINANCIAL RESULTS FOR THE QUARTER AND YEAR ENDED 31ST MARCH 2018

(Rs. in lakhs)

Particulars	Quarter Ended			Year Ended	
	31.03.2018	31.12.2017	31.03.2017	31.03.2018	31.03.2017
	Audited	Audited	Audited	Audited	Audited
<b>Income from Operations</b>					
I Sales / Income from Operations	0.00	0.00	0.00	0.00	0.00
II Other Operating Income	0.00	0.00	0.00	0.00	0.00
III Total Income from Operations (I+II)	0.00	0.00	0.00	0.00	0.00
<b>IV Expenses</b>					
a) Cost of materials consumed	0.00	0.00	912.54	0.00	912.54
b) Changes in inventories of finished goods, work-in-progress	0.00	0.00	0.00	0.00	0.00
c) Employee benefits expense	74.26	27.95	4.93	108.94	11.92
d) Depreciation and amortization expense	18.18	13.09	14.04	58.40	56.18
e) Other expenses	302.62	64.31	15.33	381.34	18.89
<b>Total expenses (IV)</b>	<b>395.06</b>	<b>105.35</b>	<b>946.84</b>	<b>548.68</b>	<b>999.53</b>
<b>Loss from Operations before Other Income, Finance Costs and Exceptional Item (III-IV)</b>	<b>(395.06)</b>	<b>(105.35)</b>	<b>(946.84)</b>	<b>(548.68)</b>	<b>(999.53)</b>
Other income	0.00	0.00	20.06	0.00	31.46
<b>Loss from ordinary activities before Finance Costs and Exceptional Item (V+VI)</b>	<b>(395.06)</b>	<b>(105.35)</b>	<b>(926.78)</b>	<b>(548.68)</b>	<b>(968.07)</b>
VII Finance costs	79.37	78.14	68.14	306.36	273.92
<b>Loss from ordinary activities after Finance Costs but before Exceptional Item (VI+VII)</b>	<b>(474.43)</b>	<b>(183.49)</b>	<b>(994.92)</b>	<b>(855.04)</b>	<b>(1241.99)</b>
IX Exceptional items					
Profit on sale of Fixed assets	0.16	0.00	0.00	807.59	1123.92
FSA Charges for earlier years	2134.75	0.00	0.00	2134.75	0.00
Provision towards interest on cash credit facilities reversed on OTS	0.00	0.00	0.00	0.00	267.37
<b>Loss from ordinary activities before Tax (VIII+IX)</b>	<b>(2609.02)</b>	<b>(183.49)</b>	<b>(994.92)</b>	<b>(2182.20)</b>	<b>149.30</b>
XI Tax expenses	0.00	0.00	0.00	0.00	0.00
<b>XII Profit/(Loss) for the Quarter (X+XI)</b>	<b>(2609.02)</b>	<b>(183.49)</b>	<b>(994.92)</b>	<b>(2182.20)</b>	<b>149.30</b>
XIII Other Comprehensive Income (net of tax)	0.00	0.00	0.00	0.00	0.00
<b>Total Comprehensive Income for the Quarter (XIII+XIV)</b>	<b>(2609.02)</b>	<b>(183.49)</b>	<b>(994.92)</b>	<b>(2182.20)</b>	<b>149.30</b>
(Comprising Profit/(Loss) and other comprehensive income for the period)					
Paid-up equity share capital (Face Value Rs.10/- each)	439.50	439.50	439.50	439.50	439.50
<b>Earnings per equity share (of Rs 10/- each)</b>					
Basic	(59.36)	(4.17)	(22.64)	(49.65)	3.40
Diluted	(59.36)	(4.17)	(22.64)	(49.65)	3.40

*(Handwritten signature)*



# VBC FERRO ALLOYS LIMITED

(An ISO 9001-2000 Company)



Balance Sheet as at 31st march, 2018

Amount in Rs.

As at:	31.03.2018	31.03.2017	31.03.2016
<b>ASSETS</b>			
<b>1.) Non-current assets</b>			
a) Property, plant and equipment	730.68	880.35	1179.64
b) Capital work-in-progress	1,445.24	1260.63	1232.88
c) Financial assets			
i) Investments	15,879.34	15755.89	15766.26
ii) Others			
d) Other non-current assets	10.22	10.22	10.22
<b>2.) Current assets</b>			
a) Inventories	514.75	477.01	1389.56
b) Financial assets			
i) Trade receivables	79.27	79.27	79.27
ii) Cash and cash equivalents	16.34	16.30	19.88
iii) Bank balances other than above	105.79	105.04	105.04
c) Current Tax Assets (net)	9.00	11.34	0
d) Other current assets	844.51	542.45	515.15
<b>Total Assets</b>	<b>19,635.14</b>	<b>19,138.50</b>	<b>20,297.90</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
a) Equity Share capital	439.50	439.50	439.50
b) Other equity	8,334.85	10393.60	10499.36
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
a) Financial liabilities			
i) Borrowings	3,501.21	3265.05	3063.06
ii) Other financial liabilities	4.00	4.00	4.00
b) Provisions	0	0	0
c) Deferred tax liability(Net)	321.80	321.80	321.80
<b>Current liabilities</b>			
a) Financial liabilities			
i) Borrowings	832.34	0.00	850.75
ii) Trade payables	2,235.47	2151.42	2268.78
iii) Other financial liabilities	232.14	240.38	617.63
b) Other current liabilities	3,707.12	2296.27	2206.93
c) Provisions	26.71	26.48	26.09
<b>Total Equity and Liabilities</b>	<b>19,635.14</b>	<b>19,138.50</b>	<b>20,297.90</b>

OFFICE: 6-2-913/914, 3rd Floor, Progressive Towers,  
 Khairatabad, Hyderabad - 500 004, T.S. India.  
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 Mail: vbcsilicon@gmail.com/info@vbcfal.in  
 Web: www.vbcfal.in, CIN: L27101TG1981PLC003223

FACTORY: Rudraram Village, Patancheru Mandal,  
 Sangareddy District, 502 329, Telangana State, India.  
 Tel: +91 8455 221802/4/5/6  
 Mail: vbcsilicon@gmail.com/ info@vbcfal.in



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Notes:

- 1 The above audited financial results of the Company have been reviewed by the Audit Committee and approved by the Board of Directors at their respective meetings held on 30th May, 2018. The statutory auditors of the Company have conducted a "Limited Review" of the above audited financial results for the quarter and year ended March 31, 2018.
- 2 The Company has adopted the Indian Accounting Standards (Ind AS) from 1st April, 2017 and these financial results have been prepared in accordance with the recognition and measurement principles prescribed under Section 133 of the Companies Act, 2013 read with relevant rules issued thereunder and other accounting principles generally accepted in India.
- 3 At the request of the Ferro Alloys Manufactures, the government of Telangana is giving subsidiary of Rs. 1.50 per kwh to run the ferro alloys Industry to Compete with overseas market. Company is taking necessary steps for restarting its manufacturing by refurbishing the plant and machinery. We hope that the company will resume its manufacturing operations shortly. Therefore, books of accounts are prepared under going concern concept.
- 4 The auditors have qualified in their report for the year ended 31st March, 2018 regarding the non provision of Rs 42,42,75,762/- towards load shortfall charged. Company had approached the TSSPDCL /CPDCL with a request to waive the deemed energy charges/load shortfall charges and our request is in consideration. In the hope that we will get a favorable decision the company is not providing any liability.
- 5 The Company operates in only one business segment of manufacturing ferro alloys.

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Sno Particulars	Quarter Ended
	31.03.2018
<b>B. Investor Complaints :</b>	
1 Pending at the beginning of the quarter	Nil
2 Received during the quarter	3
3 Disposed of during the quarter	3
4 Remaining unresolved at the end of the quarter	Nil

Place: Hyderabad

Date: 30.05.2018



For VBC Ferro Alloys Limited

M.V. Ananthakrishna  
Whole Time Director

**OFFICE:** 6-2-913/914, 3rd Floor, Progressive Towers,  
Khairatabad, Hyderabad - 500 004, T.S. India.  
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**Web:** www.vbcfal.in, **CIN:** L27101TG1981PLC003223

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Sangareddy District, 502 329, Telangana State, India.  
**Tel:**+91 8455 221802/4/5/6  
**Mail:** vbcsilicon@gmail.com/ info@vbcfal.in



**INDEPENDENT AUDITORS' REPORT**

**TO**  
**THE MEMBERS OF**  
**VBC FERRO ALLOYS LIMITED,**  
**HYDERABAD.**

**Report on the Standalone Ind AS Financial Statements:**

1. We have audited the accompanying standalone Ind AS financial statements of **M/s VBC Ferro Alloys Limited**, ("the Company"), which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss (including Other Comprehensive income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

**Management's Responsibility for the Standalone Ind AS Financial Statements:**

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes 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 frauds and other irregularities, selection and application of appropriate accounting policies, making judgments and estimates that are reasonable and prudent, and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility:**

3. Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit.
4. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.
5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable



assurance about whether the standalone Ind AS financial statements are free from material misstatement.

6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial control system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone Ind AS financial statements.
7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

#### **Basis for Qualified Opinion**

8. Non-provision of load shortfall charges for earlier years amounting to Rs 42,60,26,056, pending disposal of company's objections by various administrative authorities as per the directions of Forum for Redressal of Consumer grievances of CPDCL as stated in Note No. 2.28(a) to the standalone Ind AS financial statements has resulted in understatement of the loss for the year.
9. Non-provision of FSA charges for the year 2008-09 totaling to Rs 5,28,19,683, pending resolution of the appeals pending before various judicial authorities as stated in Note No. 2.28(b) to the standalone Ind AS financial statements, has resulted in understatement of the loss for the year.
10. As stated in Note No 2.30 to the standalone Ind AS financial statements, the books of account are maintained under "going concern" concept, though the Ferro Alloys plant of the company did not carry out any production activities during the entire year, due to commercially unviable operations because of high power tariff, besides the entire workmen have been retrenched in earlier years.
11. The company has considered the diminution as temporary in nature as stated in Note No 2.34 to the standalone Ind AS financial statements the value of its investment of Rs 143,06,46,210 in the equity of M/s. Konaseema Gas Power Ltd,



whose net-worth has completely been eroded and not in operation for more than four years.

12. Note No. 2.36 that balances lying in the lenders', sundry creditors, like, suppliers', service providers', employees' and customers' accounts are subject to confirmation.
13. No physical verification of inventories has been carried out during the year. Further the inventory is lying with the company for more than five years. Accordingly, we are unable to express our opinion on the realisability of the amount at which the same are stated in the books of account.

#### Qualified Opinion

14. In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matters described in the Basis for Qualified Opinion paragraphs (08), (09), (10), (11), (12) & (13) above, the aforesaid standalone Ind AS 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 including the Ind AS, of the financial position of the Company as at 31<sup>st</sup> March, 2018, and its financial performance including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

#### Emphasis of Matters

15. We draw attention to the following matters in the Notes to the standalone Ind AS financial statements:
  - a. Note No. 2.03 with marks (#) that 124.589 Lakhs of shares acquired by the company in Konaseema Gas Power Limited, the title in respect of which is in the process of transfer.
  - b. Note No. 2.35 that according to an internal technical assessment, there is no impairment in the carrying cost of cash Generating assets of the Company in terms of Accounting for Impairment of Assets (Ind AS 36) of Companies (Indian Accounting Standard) Rules, 2015.

Our opinion is not modified in respect of these matters.

#### Report on Other Legal and Regulatory Requirements:

16. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure a statement on the matters specified in the paragraph 3 and 4 of the Order, to the extent applicable.
17. As required by Section 143 (3) of the Act, we report that:
  - a) We have sought and, except for the matters described in the Basis for Qualified Opinion paragraphs above, obtained all the information and



explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

- b) Except for the effects of the matter described in the Basis for Qualified Opinion paragraphs above, in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
- c) The Balance Sheet, the Statement of Profit and Loss, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.
- d) Except for the effects of the matter described in the Basis for Qualified Opinion paragraphs above, in our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- e) The matter described in the Basis for Qualified Opinion paragraphs above, in our opinion, may have an adverse effect on the functioning of the Company.
- f) On the basis of the written representations received from the directors as on 31<sup>st</sup> March, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March, 2018 from being appointed as a director in terms of Section 164 (2) of the Act.
- g) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraphs above.
- h) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, we are unable to express any opinion as required under section 143 (3) of the Act 2013, as we could not carry -out any verification or review of its internal financial controls over financial reporting as the company has not carried-out any operations during the period under report.
- i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
  - i. The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements - Refer Note No. 2.28 to the standalone Ind AS financial statements.
  - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable





losses.

- iii. There is a delay of thirty eight days in transferring amount which is required to be transferred during the year to the Investor Education and Protection Fund by the Company.

For C V RAMANA RAO & CO.,  
Chartered Accountants  
Firm Registration. No. 0029173

*Katyayani K*

(Katyayani K)

Partner

Membership No.225030



Place: Visakhapatnam  
Date: 30.05.2018

### Annexure to the Independent Auditor's Report:

The Annexure referred in paragraph (16) in our Independent Auditor's Report of even date to the members of the Company on the standalone Ind AS financial statements for the year ended 31 March 2018, we report that:

- i)
  - a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - b) The fixed assets could not be physically verified by the management during the year in accordance with a phased programme of verification, due to closure of its plant for the entire year. Accordingly, we are unable to report on any material discrepancies between the fixed assets register and the assets physically available.
  - c) We are informed that the title deeds of some of the immovable properties are lodged with the bankers for which confirmation from the bankers could not be verified by us and rest of the title deeds for the rest of the properties could not be verified as the same are not produced for our verification.
- ii) Physical verification of inventory could not be conducted during the year by the management due to closure of the plant for the entire year. As no physical verification of inventories has been carried out during the year under report, we are unable to report regarding the discrepancies between the physical stocks and the book records.
- iii) The Company has not granted any loans, secured or unsecured, to Companies, Firms, Limited liability partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Consequently, clauses 3 (iii) (a), (b) and (c) of the Order are not applicable.
- iv) According to the information and explanation given to us, the company has given two guarantees for loans taken by others from financial institutions in earlier years. During the financial year under report, the company has neither given any loans to the directors or any other persons in whom the director is interested nor given/provided any guarantee/security in connection with any loan taken by directors or such other persons as per the provisions of section 185 of the Companies Act, 2013. There are no investments made by the Company during the year and hence section 186 of the Companies Act, 2013 is not applicable.
- v) The Company has not accepted any deposits. Consequently, the clause 3(v) of the order is not applicable to the Company.



- vi) We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under sub-section (1) of section 148 of the Companies Act, 2013 ('the Act'), and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.
- vii) a) According to the information and explanations given to us and on the basis of examination of the records of the Company, there are non-remittances/ delays in deposit/remittances of amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues during the year by the Company with the appropriate authorities.

According to the information and explanations given to us, the details of undisputed amounts payable in respect of income tax, sales tax, service tax, duty of customs, duty of excise, value added tax or cess and other material statutory dues which were in arrears as at 31<sup>st</sup> March 2018 for a period of more than six months from the date they became payable are as under:

Name of the statute/Authority	Nature of dues	Period to which the amount relates	Amount (In Rupees)
Employee state Insurance Corporation Act 1948	Employer contribution	From 01.04.2012 to 31.03.2015	1,00,000
Employee state Insurance Corporation Act 1948	Employee contribution	From 01.07.2013 to 31.03.2015	26,216
Professional Tax 1975	Employee contribution	From 01.07.2012 to 31.03.2017	4,42,530
Central Sales Tax Act	Central sales tax	For the year 2011-12	5,57,248
Central Sales Tax Act	Central Sales Tax	For the year 2013-14	21,40,003



AP VAT Act, 2000	Value Added Tax	For the year 2013-14	7,89,829
Income Tax Act, 1961	Regular assessment tax	For the financial year 2011-12	5,17,92,344
Income Tax Act, 1961	Dividend Distribution Tax	For the financial year 2011-12	21,38,620 excluding interest
Income Tax Act, 1961	Income tax deducted at source	From 01.04.2012 to 31.08.2017	95,19,634
Service tax Act	Service tax including education cess	From 01.04.2012 to 31.08.2014	7,27,412
Central Excise Act	Excise duty	From 01.05.2013 to 31.08.2014	81,81,486 excluding interest
Greater Hyderabad Municipal Corporation Act	Property Tax	From 01.04.2012 to 31.03.2013	1,99,859

b) As at 31<sup>st</sup> March 2018, there have been no disputed dues, which have not been deposited with the respective authorities in respect of Income tax, Service tax, duty of customs, duty of excise, value added tax except the following:

Name of the statute/Authority	Nature of dues	Period to which the amount relates	Forum where dispute is pending	(*) Amount (In Rupees)
Central Sales Tax Act	Non submission of 'C' and 'F' forms	1996-97	Dy. Commissioner (Appeals)	18,68,890
Central Sales Tax Act	Non submission of 'H' forms	2008-09	Appellate Dy. Commissioner (CT)	11,86,633

(\*) Net of pre deposits made

- viii) In our opinion, the company has not obtained any Term Loans during the financial year under report. Consequently the clause 3(viii) of the order is not applicable.
- ix) The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year under report. Accordingly, paragraph 3 (ix) of the Order is not applicable.
- x) During the course of our examination of the books of account and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.



- xi) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not paid/provided for managerial remuneration during the year. Consequently the clause 3(xi) of the order is not applicable.
- xii) In our opinion, the company is not a Nidhi Company. Consequently the clause 3(xii) of the order is not applicable.
- xiii) According to the information and explanations given to us and on overall examination of the records of the Company, we report that all transactions with related parties are in compliance with the provisions of sections 177 and 188 of the Companies Act, 2013 and the related party disclosures as required by relevant Indian Accounting Standards are disclosed in the standalone Ind AS financial statements.
- xiv) The Company has not made any preferential allotment or private placement of shares or fully/partly convertible debentures during the year under review. Consequently the clause 3(xiv) of the order is not applicable.
- xv) The Company has not entered into any non cash transactions with the directors or persons connected with them during the year under report. Consequently the clause 3(xv) of the order is not applicable.
- xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. Consequently the clause 3(xvi) of the order is not applicable.

For C V RAMANA RAO & CO  
Chartered Accountants  
Firms' Registration Number: 0029175

  
(Katyayani K)

Partner

Membership Number: 225030



Place: Visakhapatnam  
Date: 30.05.2018



# VBC FERRO ALLOYS LIMITED

(An ISO 9001-2000 Company)



## ANNEXURE III

Statement on Impact of Audit Qualifications (for audit report with modified opinion) submitted along-with Annual Audited Financial Results - (Standalone and Consolidated separately)

Statement on Impact of Audit Qualifications for the Financial Year ended March 31, 2018.

[ Regulation 33 / 52 of the SEBI (LODR) (Amendment) Regulations, 2016]

I.	Sl. No.	Particulars	Audited Figures (as reported before adjusting for qualifications)	Adjusted Figures (audited figures after adjusting for qualifications)
	1.	Turnover / Total income	N A	
	2.	Total Expenditure		
	3.	Net Profit/(Loss)		
	4.	Earnings Per Share		
	5.	Total Assets		
	6.	Total Liabilities		
	7.	Net Worth		
	8.	Any other financial item(s) (as felt appropriate by the management)		

### II. Audit Qualification (each audit qualification separately):

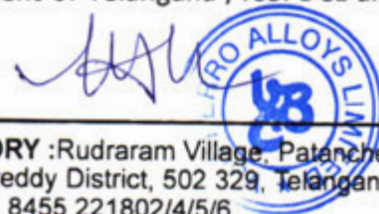
- Details of Audit Qualification:** Non-provision of load shortfall charges for earlier years amounting to Rs 42,60,26,056, pending disposal of company's objections by various administrative authorities as per the directions of Forum for Redressal of Consumer grievances of CPDCL as stated in Note No. 2.28(a) to the standalone Ind AS financial statements has resulted in understatement of the loss for the year.

Type of Audit Qualification : Qualified Opinion / ~~Disclaimer of Opinion~~ / ~~Adverse Opinion~~

Frequency of qualification: Whether appeared first time / repetitive / since how long continuing: From the Financial year 2014-15.

For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:

Company had approached the TSSPDCL /CPDCL with a request to waive the deemed energy charges/load shortfall charges and our request is in consideration. In the hope that we will get a favorable decision from the Government of Telangana /TSSPDCL and



hence, the company is not providing any liability. Especially considering the waiver provided by the Power Distribution Companies situated in AP.

For Audit Qualification(s) where the impact is not quantified by the auditor: NA

- (i) Management's estimation on the impact of audit qualification:
- (ii) If management is unable to estimate the impact, reasons for the same:
- (iii) Auditors' Comments on (i) or (ii) above:

2. **Details of Audit Qualification:** Non-provision of FSA charges for the year 2008-09 totaling to Rs 5,28,19,683, pending resolution of the appeals pending before various judicial authorities as stated in Note No. 2.28(b) to the standalone Ind AS financial statements, has resulted in understatement of the loss for the year.

Type of Audit Qualification : Qualified Opinion / ~~Disclaimer of Opinion~~ / ~~Adverse Opinion~~

Frequency of qualification: Whether appeared first time / repetitive / since how long continuing: Form the Financial Year 2013-14.

For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:

Company approached the TSSPDCL /CPDCL with a request to waive the said charges by considering the orders of Hon'ble Courts. Hope that Company will get a favorable decision from the Government of Telangana/TSSPDCL and hence, the Company is not providing any liability.

For Audit Qualification(s) where the impact is not quantified by the auditor: NA

- a. Management's estimation on the impact of audit qualification:
- b. If management is unable to estimate the impact, reasons for the same:
- c. (iii) Auditors' Comments on (i) or (ii) above:

3. **Details of Audit Qualification:** As stated in Note No 2.30 to the standalone Ind AS financial statements, the books of account are maintained under "going concern" concept, though the Ferro Alloys plant of the company did not carry out any production activities during the entire year, due to commercially unviable operations because of high power tariff, besides the entire workmen have been retrenched in earlier years

Type of Audit Qualification : Qualified Opinion / ~~Disclaimer of Opinion~~ / ~~Adverse Opinion~~



Frequency of qualification: Whether appeared first time / repetitive / since how long continuing: Form the Financial Year 2014-15

For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:

At the request of the Ferro Alloys Manufacturers, the Government of Telangana is giving subsidiary of Rs.1.50 per kWh to run the Ferro Alloys Industry to compete with overseas market. Company is taking necessary steps for restarting its manufacturing by refurbishing the plant and machinery. The Company hopes to resume its manufacturing operations shortly. Therefore, books of accounts are prepared under going concern concept.

For Audit Qualification(s) where the impact is not quantified by the auditor: NA

- a. Management's estimation on the impact of audit qualification:
- b. If management is unable to estimate the impact, reasons for the same:
- c. (iii) Auditors' Comments on (i) or (ii) above:

**4. Details of Audit Qualification:** The company has considered the diminution as temporary in nature as stated in Note No 2.34 to the standalone Ind AS financial statements the value of its investment of Rs 143,06,46,210 in the equity of M/s. Konaseema Gas Power Ltd, whose net-worth has completely been eroded and not in operation for more than four years.

Type of Audit Qualification : Qualified Opinion / ~~Disclaimer of Opinion~~ / ~~Adverse Opinion~~

Frequency of qualification: Whether appeared first time / repetitive / since how long continuing: Form the Financial Year 2015-16

For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:

KPGL is not operating its power generation plant due to lack of natural gas. As informed by KGPL, the government of India is taking active steps to revive the power sector units including Gas based power generating units. Therefore, there is hope that KGPL restarts its manufacturing operations during this financial year.

For Audit Qualification(s) where the impact is not quantified by the auditor: NA

- a. Management's estimation on the impact of audit qualification:
- b. If management is unable to estimate the impact, reasons for the same:
- c. (iii) Auditors' Comments on (i) or (ii) above:




**5. Details of Audit Qualification:** Note No. 2.36 that balances lying in the lenders', sundry creditors, like, suppliers', service providers', employees' and customers' accounts are subject to confirmation.

Type of Audit Qualification: Qualified Opinion / ~~Disclaimer of Opinion~~ / ~~Adverse Opinion~~

- a. Frequency of qualification: Whether appeared first time / repetitive / since how long continuing: 2017-18.
- b. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:

Company is yet to receive responses.

For Audit Qualification(s) where the impact is not quantified by the auditor: NA

- a. Management's estimation on the impact of audit qualification:
- b. If management is unable to estimate the impact, reasons for the same:
- c. (iii) Auditors' Comments on (i) or (ii) above:

**6. Details of Audit Qualification:** No physical verification of inventories has been carried out during the year. Further the inventory is lying with the company for more than five years. Accordingly, we are unable to express our opinion on the realisability of the amount at which the same are stated in the books of account.

Type of Audit Qualification : Qualified Opinion / ~~Disclaimer of Opinion~~ / ~~Adverse Opinion~~

Frequency of qualification: Whether appeared first time / repetitive / since how long continuing: Coming from 2016-17.

For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:

Company is having internal control procedures to monitor the balance of inventories and is taking steps to verify stocks periodically.

For Audit Qualification(s) where the impact is not quantified by the auditor: NA

- a. Management's estimation on the impact of audit qualification:
- b. If management is unable to estimate the impact, reasons for the same:
- c. (iii) Auditors' Comments on (i) or (ii) above:

**7. Details of Audit Qualification:** Note No. 2.03 with marks (#) that 124.589 Lakhs of shares acquired by the company in Konaseema Gas Power Limited, the title in respect of which is in the process of transfer.



Type of Matters of Emphasis : ~~Qualified Opinion / Disclaimer of Opinion / Adverse Opinion~~

Frequency of qualification: Whether appeared first time / repetitive / since how long continuing:  
Coming from 2004-05

For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:

Company made its request to KGPL to give effect of transfer by getting approval of its lenders.

For Audit Qualification(s) where the impact is not quantified by the auditor: NA

- a. Management's estimation on the impact of audit qualification:
- b. If management is unable to estimate the impact, reasons for the same:
- c. (iii) Auditors' Comments on (i) or (ii) above:

III. Signatories:

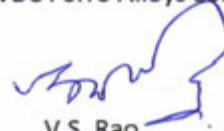
For VBC Ferro Alloys Limited



M.v. Anantha Krishna  
Whole Time Director



For VBC Ferro Alloys Limited



V.S. Rao  
Chairman of Audit committee



For VBC Ferro Alloys Limited



R.Dharmender  
Chief financial Officer



Place: Hyderabad

Date: 30.05.2018

Refer our Audit report dated May 30, 2018 on financial results of the company

For C.V. RAMANA RAO & CO.,

CHARTERED ACCOUNTANTS

Firm Regn no. 0029175

  
(KATYAYANI K)  
Partner  
Membership No. 225030

## **5. First time adoption of Ind -AS**

### **5.1 Transition to Ind AS**

These are the company's first financial statements prepared in accordance with Ind AS. For the purpose of transition to Ind AS, the Company has followed the guidance prescribed in Ind AS 101 - *First Time adoption of Indian Accounting Standard*. The transition to Ind AS has resulted in changes in the presentation of the financial statements, disclosures in the notes thereto and accounting policies and principles.

The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended 31 March 2018, the comparative information presented in these financial statements for the year ended 31 March 2017 and in the preparation of an opening Ind AS balance sheet as at 1 April 2016 (date of transition). In preparing its opening Ind AS balance sheet, the company has adjusted the amounts reported previously in financial statements prepared in accordance with the accounting standards notified under Companies (Accounting Standards) Rules, 2006 (as amended) and other relevant provisions of the Act (previous GAAP or Indian GAAP). An explanation of how the transition from previous GAAP to Ind AS has affected the company's financial position, financial performance and cash flows is set out in note 5.2. Exemptions availed on first time adoption of Ind AS in accordance with Ind AS 101 have been set out in note 5.1.1.

#### **5.1.1 Exemptions availed on first time adoption of Ind AS 101**

##### **(i) Deemed cost**

###### **a. Property, Plant & Equipment**

The company may elect to continue with the carrying value for all of its property, plant and equipment as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition as per paras D5 and D6 of Ind AS 101. Accordingly, the company has opted this exemption for all of its property, plant and equipment.

###### **b. Investments in Associates**

The company may elect to continue with the carrying value for all of its investments in associates as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition as per para D15 of Ind AS 101. Accordingly, the company has opted this exemption for all of its investments in associates.

##### **(ii) Designation of previously recognised financial instruments**

Under Ind AS 109, at initial recognition of a financial asset, an entity may make an irrevocable election to present subsequent changes in the fair value of an investment in an equity instrument in other comprehensive income. Ind AS 101 allows such designation of previously recognized financial assets, as 'fair value through other comprehensive income' on the basis of the facts and circumstances that existed at the date of transition to Ind AS.

Accordingly, the Company has designated its investments in certain equity instruments at fair value through other comprehensive income on the basis of the facts and circumstances that existed at the date of transition to Ind AS.

### **(iii) Fair value measurement of financial instruments at initial recognition**

Under Ind AS 109, at initial recognition of financial instruments, an entity shall measure a financial instrument at its fair value i.e the transaction price. Ind AS 101 allows to apply such requirements prospectively to transactions entered into on or after the date of transition to Ind AS.

Accordingly, the company has opted this exemption . Therefore, transactions that occurred prior to the date of transition to Ind AS have not been retrospectively restated.

### **(iv) Estimates**

The estimates as at 1st April 2016 and at 31st March 2017 are consistent with those made for the same dates in accordance with Indian GAAP (after adjustments to reflect any differences in accounting policies) apart from the following items where application of Indian GAAP did not require estimation:

- ▶ Unquoted equity instruments measured at FVTOCI.
- ▶ Debt instruments measured at fair value.
- ▶ Impairment of financial assets based on expected credit loss model

The estimates used by the company to present these amounts in accordance with Ind AS reflect conditions at 1st April 2016, the date of transition to Ind AS and as of 31st March 2017.

**(A) Effect of Ind As adoption on the Balance sheet as at 31st March, 2017 and 1st April, 2016**

(Amount in `)

Particulars		As at 31.03.2017			As at 01.04.2016		
		As per Previous GAAP	Ind AS Adjustments	As per Ind AS	As per Previous GAAP	Ind AS Adjustments	As per Ind AS
<b>ASSETS</b>							
<b>Non-Current Assets</b>							
Property, Plant and Equipment		88034668	0	88034668	117963952	0	117963952
Capital Work in Progress		126062527	0	126062527	123288421	0	123288421
Financial Assets							
Investments	a	1549683380	25905680	1575589060	1549911380	26714210	1576625590
Other Non-current assets		44950210	0	44950210	44951211	0	44951211
<b>Current Assets</b>							
Inventories		47701440	0	47701440	138955422	0	138955422
Financial Assets							
Trade Receivables		7927444	0	7927444	7927444	0	7927444
Cash and cash equivalents		1630169	0	1630169	1988247	0	1988247
Other Bank balances		10503717	0	10503717	10503717	0	10503717
Current Tax Assets (net)		1134000	0	1134000			
Other Current assets		10317480	0	10317480	7586160	0	7586160
<b>Total Assets</b>		<b>1887945035</b>	<b>25905680</b>	<b>1913850715</b>	<b>2003075954</b>	<b>26714210</b>	<b>2029790164</b>
<b>EQUITY AND LIABILITIES</b>							
<b>Equity</b>							
Equity Share Capital		43949875	0	43949875	43949875	0	43949875
Other Equity	d	1013454433	25905680	1039360113	1021827110	28108837	1049935947
<b>Total Equity</b>		<b>1057404308</b>	<b>25905680</b>	<b>1083309988</b>	<b>1065776985</b>	<b>28108837</b>	<b>1093885822</b>

<b>Non-Current Liabilities</b>							
Financial Liabilities							
Borrowings		326505624	0	326505624	306306466	0	306306466
Other financial liabilities		400000	0	400000	400000	0	400000
Deferred tax liabilities (Net)		32180457	0	32180457	32180457	0	32180457
<b>Current Liabilities</b>							
Financial Liabilities							
Borrowings		0		0	85074532	0	85074532
Trade Payables		215141607	0	215141607	226877981	0	226877981
Other financial liabilities		24038084		24038084	61763224		61763224
Other current liabilities		227488029	0	227488029	219948383	(1394627)	218553756
Provisions		4786926	0	4786926	4747926	0	4747926
<b>Total Equity and Liabilities</b>		<b>1887945035</b>	<b>25905680</b>	<b>1913850715</b>	<b>2003075954</b>	<b>26714210</b>	<b>2029790164</b>

**(B) Reconciliation of total equity as at 31st March, 2017 and 1st April, 2016**

Particulars	As at 31st March 2017	As at 1st April 2016
Total equity as per previous GAAP	1013454433	1021827110
<b>Adjustments:</b>		
Fair value measurement of equity instruments	25905680	26714210
Other Ind AS adjustments	0	1394627
<b>Total adjustment to Equity</b>	<b>25905680</b>	<b>28108837</b>
<b>Total equity as per Ind AS</b>	<b>1039360113</b>	<b>1049935947</b>

**(C) Effect of Ind AS adoption on the statement of profit and loss for the year ended 31st March, 2017**

(in Rupees)				
Particulars		As per Previous GAAP	Ind AS Adjustments	As per Ind AS
Revenue from Operations		0	0	0
Other Income	b	142275182	(26447488)	115827694
<b>Total Income</b>		<b>142275182</b>	<b>(26447488)</b>	<b>115827694</b>
<b>Expenses</b>				
Cost of materials consumed		91253982	0	91253982
Changes in inventories of finished goods		0	0	0
Employee benefit expenses		1191584	0	1191584
Finance cost		27391603	0	27391603
Depreciation		5617717	0	5617717
Other expenses		1889177	(609064)	1280113
<b>Total Expenses</b>		<b>127344062</b>	<b>(609064)</b>	<b>126734998</b>
<b>Profit (Loss) before tax</b>		<b>14931120</b>	<b>(25838424)</b>	<b>(10907304)</b>
<b>Tax Expenses</b>				
Current Tax		0	0	0
Deferred Tax		0	0	0
<b>Profit (Loss) for the period</b>		<b>14931120</b>	<b>(25838424)</b>	<b>(10907304)</b>
<b>Other Comprehensive Income</b>				
(i) Gains/(Losses) on restatement of Equity Instruments through OCI		0	405000	405000
(ii) Gains/(Losses) on sale of Equity Instruments through OCI			(73530)	(73530)
Income tax effect on above		0		0
<b>Total Comprehensive Income for the period</b>		<b>14931120</b>	<b>(25506954)</b>	<b>(10575834)</b>

**(D) Reconciliation of Total comprehensive income for the year ended 31st March, 2017**

Particulars	For the year ending 31.03.2017
<b>Net Profit after tax as per previous GAAP</b>	14931120
Adjustment of Revaluation Reserve	(23303797)
Derecognition of equity instruments measured at FVTOCI	(1140000)
Other Ind AS adjustments	(1394627)
<b>Net Profit after tax as per Ind AS</b>	<b>(10907304)</b>
Gains/(losses) on restatement of equity instruments measured at FVTOCI	405000
(ii) Gains/(Losses) on sale of Equity Instruments through OCI	(73530)
<b>Total Comprehensive income as per Ind AS</b>	<b>(10575834)</b>

## Notes to the reconciliations:

### a) Fair value of investments

Under previous GAAP, long-term investments in equity were measured at cost less diminution in value other than temporary in nature. Under Ind AS, these investments have been classified as fair value through other comprehensive income (FVTOCI). On the date of transition to Ind AS, these investments are measured at their fair value which is lower than carrying value as per previous GAAP, resulting in an increase in the carrying amount by Rs 267.14 Lakhs as at 1st April, 2016 and increase by Rs 259.06 Lakhs as at 31st March, 2017. These changes do not affect profit before tax or total profit for the year ended 31st March, 2017 because the investments have been classified as fair value through other comprehensive income.

### b) Other income

The company has adopted cost model to measure its Property, Plant and equipment as at 1st April 2016 (Date of transition). So the revaluation reserve is transferred to retained earnings as on the date of transition. The revaluation reserve credited to profit and loss account on sale of land under previous GAAP has been adjusted in accordance with Ind AS.

The profit on sale of investments, which are measured at FVTOCI has been adjusted through OCI.

### c) Other comprehensive income

Under the previous GAAP, the Company did not present total comprehensive income and other comprehensive income. Hence, it has reconciled the previous GAAP profit to profit as per Ind AS. Further, the previous GAAP profit is reconciled to other comprehensive income and total comprehensive income as per Ind AS.

### d) Other Equity

Adjustments to retained earnings and other comprehensive income has been made in accordance with Ind AS, for the above mentioned items.

**For and on behalf of the Board**

As per our report of even date annexed  
**FOR C V RAMANA RAO & CO.,**  
CHARTERED ACCOUNTANTS  
Firm Registration Number: 002917 S

**M.V.ANANTHAKRISHNA**  
Whole Time Director

**V.S.RAO**  
Director

**R.DHARMENDER**  
CFO

**( KATYAYANI K)**  
Partner  
Membership Number: 225030

Place : Hyderabad  
Date : 30.05.2018

Place : Visakhapatnam  
Date : 30.05.2018