

**NOTICE**

To the Members:

Notice is hereby given that the 34<sup>th</sup> Annual General Meeting of the Members of Orient Abrasives Limited will be held at Vishwa Yuvak Kendra, Circular Road, Chanakyapuri, New Delhi – 110 021 on Wednesday, the 20<sup>th</sup> day of July, 2005 at 11.00 A.M. to transact the following business:

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Annual Accounts of the Company for the year ended March 31, 2005 and the report of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr Umesh Kumar Khaitan who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Mr Rama Shanker Bajoria who retires by rotation and being eligible offers himself for reappointment.
4. To declare a dividend on preference shares.
5. To declare a dividend on equity shares.
6. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting and to fix their remuneration.

**SPECIAL BUSINESS**

7. To consider and if thought fit, to pass the following resolution with or without modification as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Article 48 of the Articles of Association of the company, sub-clause d of clause 1 of Section 94, Section 16 and other relevant provisions of the Companies Act, 1956, SEBI (Disclosure and Investor Protection) Guidelines, 2000, the listing agreement with the stock exchanges and such other provisions and laws as may be applicable and subject to such other permissions/consents as may be required, the Board of Directors of the Company be and is hereby authorised to sub-divide the face value of the equity shares from the present Rs. 10 per share to Re. 1 per share so that there shall be issued 10 equity shares of Re. 1 each fully paid up in lieu of one equity shares of Rs. 10 each fully paid up presently held to the members who on the date decided by the Board, are registered holders of the existing shares of Rs.10/- each (Rupees ten only) of the company.

RESOLVED FURTHER THAT the share capital of the Company be restructured so that the authorized, issued, subscribed and paid up share capital of the Company after the sub-division shall be 9,75,00,000 equity shares of Re. 1 each, 5,98,39,600 equity shares of Re. 1 each, 5,98,39,600 equity shares of Re. 1 each and 5,98,19,600 equity shares of Re. 1 each respectively.

RESOLVED FURTHER THAT clause 5 of the Memorandum of Association of the Company be and is hereby altered so as to read as follows :

**Clause 5**

The Authorised Share Capital of the Company shall be Rs. 13,75,00,000/- (Rupees Thirteen Crore Seventy Five Lac only) divided into 9,75,00,000 (nine crore seventy five lac) equity shares of Re. 1 each (Rupee one only) and 4,00,000 (Four Lac only) Preference Shares of Rs. 100/- each (Rupees one hundred only).

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to take all other steps as may be necessary to give effect to the aforesaid resolution and determine all other terms and conditions, if any, for the sub-division of equity shares as the Board may in its absolute discretion deem fit.”

8. To consider and if thought fit, to pass the following resolution with or without modification, as a Special Resolution:

“RESOLVED THAT Article 3 of the Articles of Association of the Company be and is hereby altered so as to read as follows :

**Article 3**

The Authorised Share Capital of the Company is Rs. 13,75,00,000/- (Rupees Thirteen Crore Seventy Five Lac only) divided into 9,75,00,000 (nine crore seventy five lac) equity shares of Re. 1 each (Rupee one only) and 4,00,000 (Four Lac only) Preference Shares of Rs. 100/- each (Rupees one hundred only).

## ORIENT ABRASIVES LIMITED

9. To consider and if thought fit, to pass the following resolutions with or without modification, as Special Resolutions:
- I. "RESOLVED THAT sub Article II of Article 3 be and is hereby altered so as to read follows :  
The Preference shares shall confer on the holders thereof, the right to receive a fixed preferential dividend at such rates as may be fixed from time to time by the preference shareholders at their class meetings on the capital for the time being paid up or credited as paid up thereon and proportionately to such capital paid on the said shares during the period in respect of which a dividend on the said shares is declared and in a winding up to repayment of the capital paid up or credited as paid up thereon, upto the commencement of winding up, in priority to the equity shares of the company, but shall not confer any further or other right on the holders to participate in the profits or assets of the company."
  - II. "RESOLVED THAT a new Article no. 34 A be inserted after the present Article No. 34, to read as follows :  
**Article 34 A**  
Subject to the provisions of section 108 of the Act, the shares of the Company shall be transferred in the form No. 7 B of the Companies (Central Government's) General Rules and Forms, 1956 and in all cases a common share transfer form as aforesaid shall be used."
  - III. " RESOLVED THAT the present Article no. 126 of the Articles of association be deleted and in its place the following new Article no. 126 be substituted :  
**Article 126**  
All dividends unclaimed for a period of 30 days from the date of its declaration shall be transferred to a special account opened in a scheduled bank called 'unpaid dividend account' wherefrom it can be claimed for a further period of 7 years or for such other periods as may be prescribed by the Central Government from time to time from the date of such transfer, whereafter it shall be transferred to the special fund created by the Central Government under section 205 C of the Act."
10. To consider and if thought fit, to pass the following resolution with or without modification as a Special Resolution:  
"RESOLVED THAT pursuant to the provisions of clause 49 of the Listing Agreement with the stock exchanges and relevant provisions of the Companies Act, 1956 and Articles of Association of the Company, the Board of directors of the Company be and is hereby authorized to fix the amount of sitting fees payable to the non executive directors of the Company from time to time subject to the ceilings prescribed by the central government in this regard, for attending the meetings of the Board of Directors or sub-committees thereof."

for ORIENT ABRASIVES LIMITED

Place : New Delhi  
Date : May 25, 2005

Deepak C S  
Company Secretary

### NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST REACH THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. THE REGISTER OF MEMBERS AND SHARE TRANSFER BOOKS OF THE COMPANY WILL REMAIN CLOSED FROM JUNE 16, 2005 (THURSDAY) TO JUNE 23, 2005 (THURSDAY) - BOTH DAYS INCLUSIVE. DIVIDEND, IF DECLARED AT THE ANNUAL GENERAL MEETING SHALL BE PAYABLE TO ALL THOSE MEMBERS WHOSE NAMES APPEAR ON THE REGISTER OF MEMBERS AS ON JUNE 23, 2005 IN THE CASE OF THOSE HOLDING IN PHYSICAL MODE AND TO ALL THOSE WHOSE NAMES APPEAR IN THE LIST TO BE FURNISHED BY THE DEPOSITORIES AS AT THE CLOSING HOURS OF JUNE 15, 2005 IN THE CASE OF THOSE HOLDING IN DEMAT MODE. IN THE CASE OF PREFERENCE SHARES DIVIDEND SHALL BE PAID TO ALL THOSE MEMBERS WHOSE NAMES APPEAR ON THE REGISTER OF MEMBERS AS ON JUNE 23, 2005.
3. THE AMOUNT OF DIVIDEND REMAINING UNPAID FOR THE YEARS 2002-03 AND 2003-04, AND TRANSFERRED TO THE COMPANY'S UNPAID DIVIDEND ACCOUNT, CAN BE CLAIMED FROM THE COMPANY BY THE MEMBERS ENTITLED TO IT FOR A PERIOD OF SEVEN YEARS FROM THE RESPECTIVE DATES OF SUCH

TRANSFER AFTER WHICH IT SHALL BE TRANSFERRED TO THE INVESTOR EDUCATION AND PROTECTION FUND CONSTITUTED UNDER SECTION 205(C) OF THE COMPANIES ACT, 1956. AN AMOUNT OF RS. 3,37,727/- BEING UNCLAIMED DIVIDEND OF 1996-97 WAS TRANSFERRED TO THE FUND LAST YEAR.

4. THE MEMBERS ARE REQUESTED TO GET THEIR SHARES DEMATERIALISED. THE COMPANY'S ISIN CODE IS INE569C01012.
5. MEMBERS CAN AVAIL NOMINATION FACILITY IN RESPECT OF THEIR SHAREHOLDINGS BY APPLYING IN FORM 2 B OF COMPANIES (CENTRAL GOVERNMENT'S GENERAL RULES & FORMS, 1956. THE SAID FORMS CAN BE OBTAINED FROM THE REGISTRAR OF THE COMPANY ON APPLICATION.
6. MEMBERS ARE REQUESTED TO FILL UP THE ECS MANDATE FORM PROVIDED WITH THIS REPORT AND SUBMIT TO THE REGISTRAR AT THE EARLIEST FOR THE PURPOSE OF DIVIDEND CREDIT.
7. EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956 IN RESPECT OF ITEM NOS. 7 TO 10 IS ANNEXED.

**EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956 ITEM NO. 7 TO 10**

**ITEM NO. 7**

In order to further improve the liquidity of the Company's equity shares in the Capital Market and to increase the trading volume on the stock exchanges for the benefit of Company's shareholders and investing public at large it is proposed that the face value of the equity shares be reduced to Re. 1 per share.

Your Board of Directors has also taken into consideration the current capital market trends before deeming it prudent and fit to revise the capital structure. It is expected that the liquidity of the Company's shares would increase following the sub-division as the shares are likely to be available for trading at a much lower price.

At present the authorized, issued & subscribed and paid up share capital of the Company is 97,50,000 equity shares of Re. 10 each, 59,83,960 equity shares of Re. 10 each and 59,81,960 equity shares of Re. 10 each respectively. Consequent to such subdivision, the authorized, issued & subscribed and paid up share capital of the Company after the sub-division shall be 9,75,00,000 equity shares of Re. 1 each, 5,98,39,600 equity shares of Re. 1 each and 5,98,19,600 equity shares of Re. 1 each respectively

The SEBI (Disclosure and Investor Protection) Guidelines, 2000 allows the sub-division provided that the new denomination would not be a decimal of a rupee and that there would be only one denomination for the shares at a time. The proposed sub-division fulfills both the above requirements. Section 94 of the Companies Act, 1956 provides that the sub-division and the consequent alteration in capital clause of the Memorandum of Association may be effected with the consent of members at general meeting by way of ordinary resolution provided that amount paid up and unpaid on the shares of new denomination shall bear the same proportion as to those of the shares of old denomination. Accordingly the shares of new denomination shall be issued as fully paid up shares against the shares of old denomination which are also fully paid up.

The resolution at item no. 7 seeks the approval of members to sub-divide the face value of equity shares and to alter the capital clause of Memorandum of association on the terms and conditions set out in the resolution. Your Directors recommend unanimous approval of this resolution.

Your directors may be deemed to be concerned or interested in the resolution to the extent of equity shares held by them.

**ITEM NO. 8**

The resolution at item no. 8 is aimed at correspondingly altering the articles of association to incorporate the new capital structure of memorandum of association after the proposed sub-division of face value of the equity shares.

Section 31 of the Companies Act requires that any alteration in Articles of Association shall be made only after obtaining consent of the members by way of a special resolution.

The proposed special resolution is for the approval of members to alter the articles of association of the Company as aforesaid. Your Directors recommend unanimous approval of this resolution.

Your directors may be deemed to be concerned or interested in the resolution to the extent of equity shares held by them.

**ITEM NO. 9**

- I. This Resolution is for amending sub-article no. II of Article 3 for providing flexibility regarding the rate of dividend to be paid on the 4,00,000 cumulative preference shares of Rs. 100 each, which has reduced over the years in line with the economic changes. At the time of issue of the preference shares, dividend at the rate of 15% p.a. was payable. Thereafter the rate of dividend has been reduced a few times following the provisions of section 106 of the Companies Act and Article 51 of the Articles of Association of the Company. At present the rate is 7% p.a. which is also proposed to be reduced to 6% p.a. w.e.f. 01/04/2005. It is proposed that this Article may also be altered so as to reflect these changes.
- II. Although a common share transfer form is used in the Company in all cases of transfer pursuant to section 108 of the Companies Act, 1956 and the listing agreement, there is no specific provision regarding the same in the present Articles. The proposed new Article 34 A is for the same.
- III. The present Article No. 126 regarding treatment of unclaimed dividend has become obsolete and redundant with the changes introduced in the Companies Act over the years. The new Article 126 is for making the Articles of the Company in consonance with the said changes. Therefore the present article is proposed to be deleted and in its place the new article is proposed to be inserted.

Section 31 of the Companies Act requires that any alteration in Articles of Association shall be made only after obtaining consent of the members by way of a special resolution.

The proposed special resolutions are for the approval of members to alter the articles of association of the Company as aforesaid. Your Directors recommend unanimous approval of these resolutions.

Your directors may be deemed to be concerned or interested in the resolutions to the extent of equity shares held by them.

**ITEM NO. 10**

The amended clause 49 of the Listing Agreement requires that all fees/compensation to be paid to non-executive directors shall be approved by the members prior to such payment.

At present the non-executive directors of the Company are being paid only sitting fees for the meetings attended by the Board of Directors or sub-committees thereof and they are not compensated in any other form. In the wake of the above amendment it has become imperative to seek approval of the shareholders for payment of sitting fees. Although the revised clause comes into effect from December 31, 2005 only it is unlikely that any other general meeting of shareholders shall be held before that date. Through the above resolution the Board of Directors would be given liberty to fix the sitting fees not exceeding the limits prescribed under the Companies Act. At present the limit prescribed under rule 10 B of Companies (Central Government's) General Rules and Forms, 1956 is Rs. 20000 per meeting. The sitting fees being paid to your non-executive directors at present is Rs. 10000 per Board Meeting and Rs. 5000 per committee meetings.

Your Directors recommend passing of the above resolution with requisite majority.

All your directors except Mr S G Rajgarhia may be deemed to be concerned or interested in the resolution.

**Brief resume of the Directors being re-appointed :****1. Mr Umesh Kumar Khaitan**

Name	:	Mr Umesh Kumar Khaitan
Date of Birth	:	20/12/1948
Date of Appointment	:	11/02/1997
Expertise in field	:	Mr Umesh Kumar Khaitan is an accomplished Lawyer practicing both in Supreme Court and the High Courts. He has experience of about 35 years in the field of law. He is also on the Board of some other well known companies.
His Directorship in other Companies	:	<ol style="list-style-type: none"><li>1. Indorama Synthetic (India) Ltd.</li><li>2. Sutlej Industries Ltd.</li><li>3. Indo Continental Hotels &amp; Resorts Ltd.</li><li>4. Amrit Agro Industries Ltd.</li><li>5. Aiyer Manis Rubber Estate Ltd.</li><li>6. Nehru Place Hotels Ltd.</li></ol>

7. Hindustan Everest Tools Ltd.
8. Birla Financial Corporation Ltd.
9. Fortis Financial Services Ltd.
10. Noble Grain (I) Pvt. Ltd.
11. Siddharth Soya Products Ltd.
12. RBF Nidhi Ltd.
13. United Holdings Pvt. Ltd.
14. Ashutosh Holdings Pvt. Ltd.
15. Shreeparna Holdings Pvt. Ltd.
16. K & K Feast Makers Pvt. Ltd.
17. AZK Hospitality Pvt. Ltd.

His Committee membership in Orient Abrasives Ltd. : Member – Audit Committee, Remuneration Committee

His Committee membership in other Companies : Indorama Synthetic (India) Ltd. – member in following Committees :

1. Audit Committee
2. Remuneration Committee
3. Shareholders' Grievance Committee
4. Banking and Finance Committee
5. Share Allotment and Transfer Committee
6. Management Committee

His shareholding in the Company NIL

**2. Mr Rama Shanker Bajoria**

Name : Mr Rama Shanker Bajoria

Date of Birth : 17/05/1943

Date of Appointment : 30/07/2001

Expertise in field : Mr Rama Shanker Bajoria is an industrialist with experience of over 40 years. His flagship Company, Farseen Rubber Industries Ltd. is the leading manufacturer of automotive tubes in India. The Company is also an ancillary unit of J K Industries, one of the leading tyre manufacturers in the country.

His Directorship in other Companies : 

1. Farseen Rubber Industries Ltd.
2. Rajputana Investment & Finance Ltd.
3. Brijbhoomi Farm & Const. Pvt. Ltd.
4. Shreedhan Investment & Trading Pvt. Ltd.

His Committee membership in Orient Abrasives Ltd. : Member – Audit Committee, Remuneration Committee and Shareholders' Grievances Committee

His Committee membership in other Companies : NIL

His shareholding in the Company 4400 equity shares of Rs. 10 each

for ORIENT ABRASIVES LIMITED

Place : New Delhi  
Date : May 25, 2005

Deepak C S  
Company Secretary

## DIRECTORS' REPORT

The Members,

### Orient Abrasives Limited

Your Directors have pleasure in presenting the 34<sup>th</sup> Annual Report of the company along with the Audited Statements of accounts for the year ended 31<sup>st</sup> March, 2005.

## FINANCIAL RESULTS

	(Rs.in lacs)	
	<u>2004-05</u>	<u>2003-04</u>
Gross Sales & Income	16850.47	13232.96
Profit before depreciation, Interest and Income-tax	3269.20	2536.56
Less : Depreciation	381.07	300.08
Interest	186.86	233.58
Profit before Income Tax	2701.27	2002.90
Less : Provision for Income Tax	715.00	516.00
Add/(Less) : Deferred Tax Credit/(Liability)	42.05	(14.61)
Add : Income-tax Refund for Earlier Years	31.92	7.71
Net Profit for the year	2060.24	1480.00
Add : Balance brought forward from the previous year	786.70	684.74
Amount available for appropriation	<u>2846.94</u>	<u>2164.74</u>
<b>Appropriation :</b>		
General Reserve	1250.00	1000.00
Dividend :		
Preference Shares	28.00	36.00
Equity shares	418.74	299.10
Corporate Dividend Tax	62.68	42.93
Balance carried forward to Balance Sheet	<u>1087.52</u>	<u>786.71</u>
	<u>2846.94</u>	<u>2164.74</u>

## DIVIDEND

### Preference Shares

Your Board of Directors recommends a dividend @ 7% on the 4,00,000 cumulative preference shares of Rs. 100 each to be paid as final dividend for the year 2004-05 after approval of the members at the ensuing annual general meeting.

The rate of dividend on the preference shares is proposed to be further reduced to 6% p.a. effective from 01/04/2005 with the approval of preference shareholders through a special resolution at their class meeting to be held on June 24, 2005.

### Equity Shares

Considering the improvement in the performance of the Company during the year under review, your Directors are pleased to recommend a dividend @ 70% i.e. Rs. 7/- per equity share for the year ended on 31/03/2005. The Dividend shall be paid in full on all the equity shares including the bonus shares issued on 19/10/2004 in the ratio 1 : 1.

The total cash out-flow on account of this dividend payment including distribution tax is Rs. 477.49 lac (Previous Year Rs. 337.42 lac).

## SUB-DIVISION OF EQUITY SHARES

Your Board of Directors after considering various aspects in detail has deemed it prudent to restructure the equity share capital of the Company by reducing the face value of equity shares from Rs. 10 to Re. 1 per share, thereby

making the total no. of outstanding shares ten times the present number. The concerned resolutions are placed at item nos. 7 and 8 of the notice to the general meeting for consideration and approval of the members.

It is expected that the proposed sub-division shall bring about increased liquidity of the Company's shares. The interest of company's present shareholders and prospective retail investors have been kept in mind by the Board of Directors while taking the above decision.

The record date for deciding eligibility for sub-division shall be fixed after getting the consent of the members.

#### **OPERATIONS REVIEW**

You Company recorded yet another excellent performance during the year under review. It achieved a gross turnover of Rs. 168.50 crore as against Rs. 132.33 crore in the previous year registering a growth of about 27%. The profit before tax and profit after tax increased by 35% and 39% respectively over the previous year.

In the Abrasives Grains Division the production of Fused Aluminium Oxide Grains and Calcined products increased and the total sales of these products increased from Rs. 36.99 crore to Rs. 50.34 crore during the year under review.

In Bonded Abrasive Division, the production and sales increased to 2106 MT and 2076 MT as against 1736 MT and 1779 MT in the previous year.

Refractory Division recorded a very healthy growth during the year under review. Sales of this division increased to Rs. 92.40 crore from Rs. 73.91 crore. Improvement in export turnover from Rs. 3.62 crore to Rs. 11.13 crore also contributed to the good performance of this division.

The capacity of power division was doubled in the year under review after commissioning of another imported reconditioned 4.5 MW DG Set at Porbandar. The power division continues to meet the energy needs for the production of Fused Aluminium Oxide. The company invested about Rs. 17.14 crore for purchase of fixed assets during the year under review which was partly financed by a term loan from HDFC Bank at competitive interest rate. The company has managed to reduce the overall interest cost to Rs. 1.87 crore as against Rs.2.34 crore during last year.

#### **FUTURE PROSPECTS**

The operating results of the first two months in the current year are satisfactory. Major steel plants are in the process of expansion and the Company's products are mainly consumed by steel plants. It is expected that exports will increase further during the year.

Your Directors are hopeful that the good performance of the company shall be maintained in the current year.

#### **FIXED DEPOSIT**

As on the date of this report there is no unclaimed fixed deposit in the Company.

#### **DIRECTORS**

Mr Rama Shanker Bajoria and Mr Umesh Kumar Khaitan retire by rotation at the Annual General Meeting and being eligible offer themselves for re-appointment. A brief resume of the appointees is given in the notice to the Annual General Meeting. Your directors recommend their re-appointment at the ensuing Annual General Meeting.

#### **AUDITORS**

M/s. S.R.Batlboi & Co., Auditors of the Company hold office till the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for reappointment. A certificate under section 224 (1) of the Companies Act, 1956 confirming their eligibility has been obtained from them. Your Directors recommend that they be re-appointed by the members at the 34<sup>th</sup> Annual General Meeting.

#### **AUDITORS REPORT**

The Auditors Report read with notes to the financial statements in schedule 23 is self-explanatory and does not call for any further explanation by the Board.

#### **PARTICULARS OF EMPLOYEES**

The details of employees who drew remuneration either in whole or for a part of the year that attracts disclosure requirements as per Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of employees) rules, 1975 as amended, is annexed and forms an integral part of this report .



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

As required under section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988, the particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo are annexed.

**DIRECTORS RESPONSIBILITY STATEMENT**

In compliance of Section 217(2AA) of the Companies Act, 1956, your Directors confirm:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) that they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period;
- (iii) that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (iv) that they have prepared the annual accounts on a going concern basis ;

**AUDIT COMMITTEE**

The audit committee meets at due intervals to conduct the required business. At present the committee comprises of Mr T N Chaturvedi (Chairman), Mr R S Bajoria and Mr Umesh Kumar Khaitan, all independent directors.

**LISTING ON THE NSE**

At present the Company's equity shares are listed on the Stock Exchange, Mumbai. Although the Company applied for de-listing from the Calcutta Stock Exchange Association Ltd. long back with all necessary documentary and other compliances it has not been done so far even after repeated reminders.

For the convenience of the investors and to provide increased access to Company's equity shares, the Company has applied to the National Stock Exchange of India Ltd. (NSE) for listing which is under their consideration. In this regard although the preliminary eligibility requirements have apparently been met by the Company, final approval for listing shall be granted by the NSE only after a detailed scrutiny of the eligibility norms.

**CORPORATE GOVERNANCE**

The Clause 49 of the listing agreement regarding corporate governance is mandatorily applicable to the Company. The present set of corporate governance practices in the Company are being modified to the extent required to adhere to the revised corporate governance clause which will become applicable from December 31<sup>st</sup> of this year.

The Report on Corporate Governance is being annexed to this Directors' Report. The Corporate Governance Report has been certified by a firm of practising Company Secretaries.

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

Management Discussion and Analysis Report on matters relating to business performance of the Company has been annexed to this Directors' Report.

**ACKNOWLEDGEMENT**

Your Directors sincerely appreciate the dedication and efforts of the employees at all levels of the organisation in contributing to the success of the Company. The Directors are also thankful to the shareholders for the confidence reposed by them on the Company. They also gratefully acknowledge the continued support received from the customers, business associates, various government agencies and the banks.

For and on behalf of the Board of Directors

New Delhi  
May 25, 2005

R K Rajgarhia  
Chairman



## ANNEXURE 'A' TO THE DIRECTORS' REPORT

### CORPORATE GOVERNANCE REPORT

#### 1. A brief statement on Company's philosophy on code of governance

The Company strives to adhere to the highest standards of corporate governance practices. While upholding the principles of transparency, integrity, social accountability and statutory compliance it intends to provide quality service and feedback to its investors, customers, business associates and the statutory agencies.

#### 2. Board of Directors

The Company has a non-executive chairman. The number of non-executive directors is more than half of the total strength of the Board. The total strength of the Board is five out of which three are independent directors.

None of the directors on the Board is a member of more than 10 Committees and Chairman of more than 5 Committees across all the companies in which he is a director. The necessary disclosure regarding committee positions has been made by the Directors.

The names and categories of the directors on the Board, their attendance at Board Meetings during the year and at the last Annual General Meeting, as also the number of directorships and committee memberships held by them in other public companies are given below :

Name	Category	No. of Board meetings attended during 2004-05	Whether attended AGM on 11/08/2004	No. of directorships in other public companies as on 25/05/2005		No. of committee positions held in other public companies as on 25/05/2005	
				Chairman	Member	Chairman	Member
Mr. R K Rajgarhia (Chairman)	Not Independent non-executive	5	Yes	1	4	0	0
Mr. R. S. Bajoria	Independent non-executive	4	Yes	0	2	0	0
Mr. Umesh Kumar Khaitan	Independent non-executive	4	No	0	11	0	6
Mr. T N Chaturvedi	Independent non-executive	5	Yes	0	5	1	0
Mr. S G Rajgarhia	Promoter, not independent executive	5	Yes	0	5	1	3

The dates of Board Meetings held during the year 2004-2005 are 26/05/2004, 11/06/2004, 30/07/2004, 30/10/2004 and 29/01/2005. The gap between Board Meetings did not exceed four months. The information as required under Annexure 1 of clause 49 of the listing agreement, is regularly placed before the Board meetings.

The non-executive directors, except Mr R K Rajgarhia, do not have any material pecuniary relationship with the Company. Mr R K Rajgarhia's pecuniary relationship to the Company is limited to the extent of his shareholding in it and the sitting fees received by him. He may also be deemed to have some pecuniary interest with respect to transactions of sale and purchase of materials with the Companies in which he is a director, brief details of which are disclosed in the notes to the financial statements under the head 'related party disclosures' under Schedule 23 of the Annual Report.

**3. Audit Committee**

The Company had constituted an audit committee pursuant to section 292 A of the Companies Act, 1956 on 16/02/2001 which now comprises of three non-executive independent directors. The broad terms of reference of audit committee are –

- a) to review the un-audited financial results and the internal audit reports
- b) to suggest internal control measures after discussion with the internal auditors
- c) to oversee their implementation
- d) to review the annual financial statements with the management and
- e) to recommend appointment of auditors
- f) and other matters as provided in the clause 49.

The scope and activities of the audit committee include the areas prescribed under clause 49 II (D) of the listing agreement with the Stock Exchanges. The audit committee has been granted powers as prescribed under the clause 49 II (C).

The audit committee comprises of three independent directors. Mr T N Chaturvedi is the Chairman, who is a Chartered Accountant having good financial and accounting knowledge. The other members also have adequate financial and accounting knowledge. Details of meetings attended by the committee members are given below :

Names of members	Category	No. of meetings attended during the year 2004-05
Mr T N Chaturvedi, Chairman	Independent, non-executive	4
Mr Umesh Kumar Khaitan	Independent, non-executive	3
Mr R S Bajoria	Independent, non-executive	3

The dates of meetings were 11/06/2004, 30/07/2004, 30/10/2004 and 29/01/2005. The meetings were also attended by the representatives of Statutory Auditors and Internal Auditors. The Company Secretary acts as the Secretary of the Committee.

**4. Remuneration Committee**

The remuneration committee was constituted in the year 2002 comprising of Mr T N Chaturvedi (Chairman), Mr Umesh Kumar Khaitan and Mr R S Bajoria, all being independent and non-executive directors. The committee has met only once so far during 2002-2003 to recommend to the Board remuneration payable to Mr P P Khanna, the then Executive Director.

The non-executive directors are paid sitting fees for the Board and Committee meetings attended by them, except for the share transfer committee meetings. The non-executive directors are not paid remuneration in any other form. The sitting fees being paid is Rs. 10000/- per Board meeting and Rs. 5000/- per committee meetings. No sitting fees is paid for attendance at the Share Transfer Committee meeting.

The remuneration being paid to the Managing Director is as per the package approved by the members in the Annual General Meeting, which comprise of basic salary and other perquisites and commission @ 1% of the net profit. The Company has not issued any stock option scheme.

**Details of remuneration during 2004-2005**

**Executive Directors**

Name	Salary (Rs.)	Perquisites (Rs.)	Contribution to PF (Rs.)	Commission (Rs.)
Mr S G Rajgarhia, Managing Director	13,58,500.00	1,74,671.00	97,500.00	27,41,260.00

Period of appointment is as approved by the members at the 30th Annual General Meeting :

i.e, From October 1, 2001 to September 30, 2006

**5. Shareholders' Grievances Committee**

A shareholders grievances committee was constituted on 11/03/2002 to specifically look into the redressal of investor complaints regarding transfer of shares, non-receipt of annual reports, bonus, dividend etc. Two meetings of the Grievances Committee were held during the year 2004-2005 as follows :

On May 26, 2004 and on November 25, 2004

The composition of the committee and the number of meetings attended by the members is as follows :

Name	Category	No. of meetings attended
Mr R K Rajgarhia, Chairman	Not independent, non-executive	2
Mr R S Bajoria	Independent, non-executive	1
Mr S G Rajgarhia	Not independent, Executive	2

Total number of investors' complaints received during the financial year 2004-05 : 100

Total number of investor complaints remaining un-redressed as on March 31, 2005 : 3 (outstanding for less than two weeks, subsequently resolved)

Pending share transfer cases as on 31/03/2005 : NIL

**Name, designation and address of the Compliance Officer :**

Deepak C S  
 Company Secretary  
 Orient Abrasives Limited  
 1307, Chiranjiv Tower  
 43, Nehru Place  
 New Delhi – 110 019  
 Ph. : 011-26449480, 26425446  
 Fax : 011-26443859  
 E-mail : [abl@del3.vsnl.net.in](mailto:abl@del3.vsnl.net.in), [ho@oalindia.com](mailto:ho@oalindia.com)

The Company welcomes the members to make more effective use of the electronic means to communicate with their Company for quicker redressal of their grievances. The Company has appointed a share transfer agent, whose particulars are given elsewhere in this report. The members may address their queries/complaints to the above address/phone/fax/e-mail id or to those of the Registrar.

**6. Annual General Meetings**

Time and location where last three AGMs were held :

Annual General Meeting	Date & Time	Venue	Special Resolutions
31st Annual General Meeting	28/09/2002 at 11.00 A M	Gandhi Memorial Hall, Bahadurshah Zafar Marg, New Delhi – 110 002	1. Appointment of Mr P P Khanna as Executive Director
32nd Annual General Meeting	03/09/2003 at 11.00 A M	Gandhi Memorial Hall, Bahadurshah Zafar Marg, New Delhi – 110 002	1. Delisting from Delhi and Kolkata Stock Exchanges
33rd Annual General Meeting	11/08/2004 at 11.00 A M	Vishwa Yuvak Kendra, Circular Road, Chanakyapuri, New Delhi – 110 021	None

The Company has not conducted any resolution through postal ballot.

**7. Disclosure of related party transactions**

Disclosure on related party transactions i.e. transactions of the Company with its promoters, directors or the management, relatives, bodies corporate in which the directors are interested etc. is appearing under Schedule 23 (Notes to the Financial Statements) of the Annual Accounts.

There are no materially significant related party transactions which have potential conflict with the interest of the Company at large.

Details of non-compliance by the Company, penalties, restrictions/strictures imposed by the Stock Exchanges and the SEBI and any other statutory authority on any matter related to the capital markets, during the last three years is NIL.

**8. Means of communication of financial statements etc., newspapers where published.**

- a) Quarterly Financial statements are normally published in the Business Standard and Veer Arjun/Rashtra Ka Vidhan Delhi Edition.
- b) The results are made available to the individual members through e-mail/courier/fax on specific requests
- c) the results are also sent to the institutional investors/financial analysts on request
- d) The financial results from the quarter ended March 31, 2003 onwards are also available on the SEBI's EDIFAR website – <http://sebidifar.nic.in>
- e) The financial results from the quarter ended December 31, 2004 onwards are also available on the Company's website – <http://www.orientabrasives.com> and <http://www.orientabrasives.co.in>
- e) The Company does not send half year financial reports to the members individually.
- f) Management Discussion and Analysis Report forms an integral part of the Directors' Report.

**9. General Shareholder information regarding present AGM, financial calendar etc, Names of stock exchanges where listed****Financial Calendar**

Financial Year	:	April 1, 2004 to March 31, 2005
AGM	:	July 20, 2005
Book closure dates	:	June 16, 2005 to June 23, 2005
Dividend Payment date	:	On or after July 25, 2005
Quarterly results	:	Last week of July 2005, October 2005 January 2006 and April/June 2006

**Listing on Stock Exchanges**

The Company's equity shares are listed on the following Stock Exchange :

The Stock Exchange, Mumbai  
Phiroze Jeejeebhoy Towers  
Dalal Street  
Mumbai – 400 001

The Company's application for de-listing is yet to be disposed of by the Calcutta Stock Exchange Association Ltd. Hence the shares technically continue to remain listed on the said stock exchange.

The Company has also made an application to the National Stock Exchange of India Ltd. for listing of the equity shares which is under their consideration.

The Company has duly paid the listing fees to the Mumbai Stock Exchange for the year 2005-2006.

**Scip Code on the Mumbai Stock Exchange**

For physical : 4879

For demat : 504879

**ISIN Code : INE569C01012**

**Market Information**

Market Price Data : Monthly High, Low (based on the closing prices) and volume, number of trades and value of total shares traded during each month of the last financial year :

Month	High (Rs.)	Low (Rs.)	Volume	No. of trades	Net value (Rs.)
April, 2004	234.00	205.00	54848	1297	12213541
May, 2004	258.00	202.00	62672	1495	14256361
June, 2004	274.90	202.00	139392	3559	33672357
July, 2004	241.10	208.00	44788	1702	10009266
August, 2004	302.90	240.00	94993	3119	26144323
September, 2004	324.90	140.00*	149401	3398	31379521
October, 2004	187.90	158.60	148707	3048	26002143
November, 2004	209.00	168.00	244988	4836	47673867
December, 2004	225.00	181.00	394648	8094	82729441
January, 2005	228.55	200.15	131119	2122	28469130
February, 2005	229.55	203.00	163385	3264	35309434
March, 2005	222.00	191.05	105591	1845	39093117

\* Ex-bonus price ; the record date for the bonus issue in the ratio 1 : 1 was September 15, 2004.

**Registrar & Share Transfer Agents**

Skyline Financial Services Pvt. Ltd.  
123, Vinoba Puri  
Lajpat Nagar – II  
New Delhi – 110 024

Phone : 011-29847136, 011-29833777

Fax : 011-29848352

E mail : [admin@skylinerta.com](mailto:admin@skylinerta.com)

Share transfer is done once in every 10 days. A share transfer committee comprising of an executive and a non-executive director is in place to approve valid requests for share transfer etc. The authority to authenticate the endorsements has been given to a senior executive of the Company. The confirmation for valid demat requests, prior to appointment of the share transfer agent, was being done by the Company Secretary and now by the share transfer agent.

**Distribution of shareholding**

No. of equity shares held	As on 31/03/2005		As on 31/03/2004	
	Percent of share holders	Percent of shares	Percent of share holders	Percent of shares
1 to 500	91.42	15.20	95.28	19.18
501 to 1000	4.45	4.09	2.15	3.81
1001 to 10000	3.48	11.18	2.07	12.90
over 10000	0.65	69.52	0.50	64.11
	100.00	100.00	100.00	100.00

## ORIENT ABRASIVES LIMITED

### Categories of Shareholders

Category	Number of shareholders		Voting strength %		Number of shares	
	31/03/2005	31/03/2004	31/03/2005	31/03/2004	31/03/2005	31/03/2004
Promoter group (individuals)	14	13	46.09	45.41	2757002	1358072
Promoter group(Companies)	6	6	5.17	4.95	309194	148086
UTI/Mutual Funds	2	1	2.62	0.04	156477	1150
Banks and Financial Institutions	5	5	0.06	2.09	3650	62550
Other domestic companies/Trust	177	159	5.79	8.73	346246	261492
NRIs/FIIs	60	39	2.61	2.38	156031	71052
Indian public	6947	6534	37.66	36.40	2253360	1088578
Total	7211	6713	100.00	100.00	5981960*	2990980

\* Total no. of shares increased during the year due to the bonus issue of equity shares in the ratio 1 : 1.

### Dematerialisation of shares and liquidity

The Company has arrangements with both National Securities Depository Limited (NSDL) and the Central Depository Services (India) Ltd. (CDSIL) Till date 79.34% of the total equity shares have been dematerialised, out of which 35.12% have been rematerialised and the outstanding demat shares as on date is 44.22%.

The Company has not issued any ADRs, GDRs or any other convertible instruments.

### Plant Locations

Abrasives Grains Division : Porbander, Gujarat  
Refractory Division : Bhiwadi, Rajasthan and Salem, Tamil Nadu  
Bonded Abrasives Division : Bhiwadi, Rajasthan

### Address for correspondence

Orient Abrasives Limited  
1307, Chiranjiv Tower  
43, Nehru Place  
New Delhi – 110 019

Phone : 011-26449480, 26425446

Fax : 011-26443859

E-mail : [abl@del3.vsnl.net.in](mailto:abl@del3.vsnl.net.in), [ho@oalindia.com](mailto:ho@oalindia.com)

Website : <http://www.orientabrasives.com> and <http://www.orientabrasives.co.in>

## **CERTIFICATE ON CORPORATE GOVERNANCE**

To the Members of  
**ORIENT ABRASIVES LIMITED**  
New Delhi

We have examined the compliance of conditions of Corporate Governance by **ORIENT ABRASIVES LIMITED** for the year ended March 31, 2005, 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 Management. Our examination was limited to procedure and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders'/Investors' Grievance Committee of the Company.

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

For **MAHIPAL GUPTA & ASSOCIATES**  
COMPANY SECRETARIES

PLACE : NEW DELHI  
DATE : MAY 25, 2005

(MAHIPAL GUPTA)  
PARTNER  
C. P. NO. 2716



**ANNEXURE 'B' TO THE DIRECTORS' REPORT**

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

General Review

The Company was incorporated in the year 1971. The first business unit to be set up by the Company was the Abrasives Grains Division in Porbander, Gujarat for manufacture of fused alumina grains and calcined products, in the year 1974.

Thereafter the Company established the Bonded Abrasives Division and the Refractory Division in 1980 and 1985 respectively at Bhiwadi, Distt. Alwar, Rajasthan.

**BUSINESS DIVISIONS/SEGMENTS**

The Company has identified three major business segments on the basis of products as i) Fused Aluminium Oxide Grains including Calcined Products, ii) Bonded Abrasives and iii) Refractories and Monolithics, manufactured by the following divisions respectively :

**Abrasives Grains Division**

This Division is the first manufacturing unit set up by the Company. The Division manufactures calcined bauxite and fused aluminium oxide abrasive grains. Raw bauxite and calcined alumina are the basic raw materials used for the manufacture of abrasive grains. Raw bauxite is procured from mines owned by the Company and others and calcined alumina is purchased from aluminium companies. A portion of these products are captively consumed by the manufacturing divisions at Bhiwadi and are also sold in the domestic market. Some part of alumina grains are also exported but the quantum of export is negligible as compared to the total turnover.

**Bonded Abrasives Division**

Bonded Abrasives are commonly called grinding wheels since they are generally in the shape of wheels that are used for grinding, finishing, honing, polishing etc. Major user industries for this product are automobiles, bearings, cutting tools, steel etc. At present the entire output is domestically sold. The Company is putting on efforts to enhance domestic market share and to commence some exports.

**Refractory Division**

The unit manufactures various types of continuous casting and slide gate refractories, low cement castables etc. which are exclusively consumed in the steel plants. The division also manufactures monolithics (tundish coating material) at its allied plant at Salem, Tamilnadu. The Refractory Division also exports its products to Egypt, Turkey, Indonesia and some European countries.

**Financials of Segments**

Financials of business segments are given in detail in Schedule 23 (notes to the financial statements) of the Annual Report.

**FINANCIALS AND INTERNAL CONTROL**

The gross turnover of the Company during the year ended March 31, 2005 increased to Rs. 168.50 crore, representing a growth of about 27%. Gross profit and net profit were Rs. 27.01 crore and Rs. 20.60 crore respectively. The Company managed to reduce the interest cost by borrowing funds at lower interest rates.

The Company has an adequate internal control system which is commensurate with its size and which adopts the best practices prevalent in the industry. Besides conducting internal audit at regular intervals and implementing the measures suggested from time to time there is a statutory audit committee comprising of independent directors in place to oversee the internal control processes in the Company. The Company also received ISO 9001 : 2000 certification for the plants at Bhiwadi. Pursuant to the corporate governance requirements of the listing agreement there is a whistle blower mechanism also under construction, which will help to further detect irregularities if any in the Company for timely correction.

**HUMAN RESOURCES**

The Company's management believes that human resources is the best form of business capital which needs to be explored and utilised to full potential. At the company, constant efforts are made in developing human resources by providing training and taking care of employee welfare. The Company endeavors to keep the employees' motivation level high by providing congenial work atmosphere and rewarding/remunerating adequately.

There are cordial relations between the management and the employees.

**CONCERNS AND FUTURE OUTLOOK**

Your Company is faced with challenges due to increased global competition especially from China and also from domestic players. The Company is geared up to meet these challenges by increasing operating efficiency, adopting energy saving measures, enhancing quality of output and providing better customer services.

The Company's performance is mainly dependent on the fortunes of steel industry, since a major portion of its output is consumed in steel plants. All the major steel plants are in the process of expansion. Apart from expansion of existing steel plants new plants are also being set up in India which will further raise the consumption of Company's products. In the coming few years barring unforeseen reversal of present market trends, Company is expected to perform very well.

**ANNEXURE 'C' TO THE DIRECTORS' REPORT**

Statement of the Employees pursuant to Section 217 (2 A) of the Companies Act, 1956					
Name/Age(Yrs)	Remuneration (Rs.)	Designation/ Nature of duties	Qualification & Experience (Yrs)	Date of Commencement of employment	Last employment
S G Rajgarhia (58 )	43,71,931/-	Managing Director, Overall Management	B Tech. (Hons.), S.M. (MIT) (35 years)	01/08/1973	–
P P Khanna (65)	63,46,598/-	Executive Director, Overall Management	B Sc., B E AMIE (42 years)	01/07/1973	Hindustan Motors Ltd. (Works Manager)
S K Nanda (61)	27,98,447/-	Vice President, Technical	B Sc.(Chem-Tech.) (37 years)	29/07/1978	Grindwell Norton Ltd. (Research Engineer)

1. Above details are of those employees who were employed throughout the accounting year and were in receipt of remuneration of not less than Rs. 24 lac per annum.
2. Remuneration as above includes salary, contribution to provident fund, leave travel allowance, medical expenses, leave encashment, bonus and actual amount spent on perquisites valued as per income tax rules and in cases except of Mr S G Rajgarhia, maturity amount on key-man insurance paid.
3. Except Mr S G Rajgarhia who is a relative of Mr R K Rajgarhia, director of the Company none of the above persons is a relative of any director of the Company.
4. Employment is non-contractual in all cases subject to three months' notice on either side except of Mr S G Rajgarhia.

## ANNEXURE 'D' TO THE DIRECTORS' REPORT

Information under Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 and forming part of Directors' Report.

### CONSERVATION OF ENERGY

The company has made all efforts to optimize the use of energy and to minimise its wastage. To ensure minimum consumption of energy for a given level of production, operating parameters of production have been standardized. Insulation materials are also being used to avoid energy loss.

### TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

The Company strives to provide its customers with products that incorporate latest available technology. Though indigenously available materials and technology are preferred, efforts are being made, wherever possible, to make use of best contemporary technology.

	<b>Rs.in lacs</b>	
	<b><u>2004-05</u></b>	<b><u>2003-04</u></b>
A) Power & Fuel Consumption for Refractories		
1. ELECTRICITY		
Purchased :		
Units (in lacs)	<b>33.42</b>	31.05
Total amount (Rs. in lacs)	<b>150.05</b>	133.42
Rate/Unit (Rs.)	<b>4.49</b>	4.30
Own generation through D.G.Set :		
Units (in lacs)	<b>2.22</b>	0.85
Units per ltr.of Diesel Oil	<b>3.25</b>	3.50
Cost/Units (Rs.)	<b>7.03</b>	5.39
2. LDO/FO/C9		
Qty.(Kilo ltr.)	<b>16.35</b>	14.83
Total cost (Rs.in lacs)	<b>250.29</b>	214.62
Average/Kilo ltr.(Rs.)	<b>15310</b>	14474
B) Consumption per Unit of Production for Refractories		
Electricity (Units)	<b>564</b>	605
LDO/Ltr.	<b>260</b>	282
<b>FOREIGN EXCHANGE EARNINGS AND OUTGO</b>		
Earned (Rs.in lacs)	<b>1113.20</b>	362.38
Used (Rs.in lacs)	<b>1056.21</b>	414.50

**AUDITORS' REPORT****TO THE MEMBERS OF ORIENT ABRASIVES LIMITED**

- a) We have audited the attached Balance Sheet of ORIENT ABRASIVES LIMITED as at March 31, 2005 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- b) We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- c) As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub- Section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- d) Further to our comments in the Annexure referred to in para (c) above, we report that:
  - (i) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
  - (ii) In our opinion, proper books of account, as required by law, have been kept by the Company so far as appears from our examination of these books;
  - (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-Section (3C) of Section 211 of the Companies Act, 1956;
  - (v) On the basis of written representations received from the Directors as on March 31, 2005 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2005 from being appointed as a Director in terms of Section 274 (1) (g) of the Companies Act, 1956;
  - (vi) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2005,
    - b) in the case of the Profit & Loss Account, of the profit of the Company for the year ended on that date, and
    - c) in the case of Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For S.R. Batliboi & Co.  
Chartered Accountants

Per Anil Gupta  
Partner  
Membership No. 87921

Date : May 25, 2005  
Place : New Delhi

**Annexure referred to in paragraph (c) of our report of even date****Re: Orient Abrasives Limited**

1. a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.  
b) All fixed assets were physically verified by the management during the year in accordance with a planned programme of verifying these once in three years, the frequency of which, in our opinion, is reasonable, having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.  
c) There was no substantial disposal of fixed assets during the year.
2. a) The management has conducted physical verification of inventory at reasonable intervals during the year.  
b) 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 on physical verification.
3. a) As informed, the Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Therefore, the provisions of clause 4(iii) (b), (c) and (d) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.  
b) As informed, the Company has taken loan from a company covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 3.60 lacs and the year-end balance of the loan taken from such party was Rs Nil.  
c) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.  
d) In respect of such loans taken, repayment of the principal amount is as stipulated and payment of interest have been regular.
4. 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. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
5. a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act that need to be entered into the register maintained under Section 301 have been so entered.  
b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lacs have been entered into during the financial year are at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. In respect of deposits accepted, in our opinion and according to the information and explanations given to us, directives issued by the Reserve Bank of India and the provisions of Sections 58A, and 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under, to the extent applicable, have been complied with. We are informed by the management that no order has been passed by the Company Law Board, National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. To the best of our knowledge and as explained to us, the Central Government has not prescribed maintenance of cost records under Clause (d) of sub-Section (1) of Section 209 of the Companies Act, 1956 for the products of the Company.
9. a) *Except for slight delays in a few cases in deposition of income tax, service tax and sales tax dues*, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, sales tax, income tax, wealth tax, service tax, custom duty, excise duty, cess have been regularly deposited with the appropriate authorities.

- b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees state insurance, sales tax, income tax, wealth tax, service tax, customs duty and excise duty, cess and other undisputed statutory dues were outstanding, at the year end for a period of more than six months from the date they became payable.
- c) According to the records of the Company, there are no dues outstanding of income-tax, sales-tax, wealth tax, service tax, custom duty, excise duty, cess on account of dispute other than the following:

Name of the Statute	Nature of dues	Amount (Rs. In lacs)	Forum where dispute is pending
West Bengal Sales Tax Act, 1994	Sales tax and Interest demand for non submission of sales tax declaration forms for the years 1987-88, 1993-94 and 1994-95	22.88	Sales Tax Commissioner (Appeal)
Central Excise Act, 1944	Excise duty demand for the disallowance of modvat on Capital goods for the year 1996-97	4.12	Central Excise and Gold Appellate Tribunal

10. The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
11. Based on our audit procedures and on the basis of information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to banks and financial institution. We have been informed that the Company did not have any outstanding debentures during the year.
12. According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the nature of activities of the Company does not attract any special statute applicable to chit fund and nidhi/ mutual benefit fund/societies. Therefore, provisions of clause 4 (xiii) of the Companies (Auditor Report) Order, 2003 (as amended) are not applicable to the Company.
14. In respect of dealing/trading in units in mutual funds, in our opinion and according to the information and explanations given to us, proper records have been maintained of the transactions and contracts and timely entries have been made therein. There was no stock of such securities as at the close of the year.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
16. Based on the information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
17. According to the information and explanations given to us and on an overall examination of the balance sheet and cash flow statement of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
18. The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956.
19. The Company did not have any outstanding debentures during the year.
20. The Company has not raised any money through a public issue during the year.
21. Based upon the audit procedures performed for the purpose of reporting the true and fair view on the financial statements and the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For S.R. Batliboi & Co.  
Chartered Accountants

Per Anil Gupta  
Partner  
Membership No. 87921

Date : May 25, 2005  
Place : New Delhi

# ORIENT ABRASIVES LIMITED

## BALANCE SHEET AS AT MARCH 31, 2005

(All amount in Rs. Lacs)

	Schedules	2005	2004
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	998.33	699.23
Reserves and Surplus	2	4,107.51	2,855.79
		<b>5,105.84</b>	<b>3,555.02</b>
<b>Loan Funds</b>			
Secured Loans	3	2,212.38	1,178.10
Unsecured Loans	4	730.51	556.23
		<b>2,942.89</b>	<b>1,734.33</b>
<b>Deferred Tax Liabilities (Net)</b>	5	129.96	172.01
		<b>8,178.69</b>	<b>5,461.36</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	6	6,025.56	4,632.90
Less : Depreciation		2,783.69	2,574.69
Net Block		3,241.87	2,058.21
Capital Work-in-Progress including Capital Advances		331.89	224.02
		<b>3,573.76</b>	<b>2,282.23</b>
<b>Investments</b>	7	0.34	0.34
<b>Current Assets, Loans and Advances</b>			
Inventories	8	2,821.32	1,833.24
Sundry Debtors	9	3,313.81	2,767.39
Cash and Bank Balances	10	402.21	302.03
Other Current Assets	11	34.16	88.92
Loans and Advances	12	625.22	362.57
		<b>7,196.72</b>	<b>5,354.15</b>
<b>Less : Current Liabilities and Provisions</b>			
Current Liabilities	13	2,034.22	1,621.72
Provisions	14	557.91	553.64
		<b>2,592.13</b>	<b>2,175.36</b>
<b>Net Current Assets</b>		<b>4,604.59</b>	<b>3,178.79</b>
		<b>8,178.69</b>	<b>5,461.36</b>
<b>Notes to the Financial Statements</b>	23		

The schedules referred to above and Notes to Accounts form an integral part of the Balance Sheet.  
As per our report of even date

For and on behalf of the Board of Directors

for S.R.BATLIBOI & CO  
Chartered Accountants

Per Anil Gupta  
Partner  
Membership No. 87921

Place : New Delhi  
Date : May 25, 2005

S.G.RAJGARHIA  
(Managing Director)

B.L.GUPTA  
(Vice President - Finance)

T.N.CHATURVEDI  
(Director)

DEEPAK C.S.  
(Company Secretary)

R.K.RAJGARHIA  
(Chairman)



**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2005**

(All amount in Rs. Lacs)

	Schedules	2005	2004
<b>INCOME</b>			
Turnover (Gross)	15	<b>16,850.47</b>	13,232.96
Less : Excise duty		<b>2,213.96</b>	1,793.23
Turnover (Net)		<b>14,636.51</b>	11,439.73
Other Income	16	<b>92.11</b>	99.17
		<b>14,728.62</b>	11,538.90
<b>EXPENDITURE</b>			
Goods Purchased for Resale		<b>50.04</b>	4.91
Raw Materials Consumed	17	<b>4,896.45</b>	3,495.25
Personnel Expenses	18	<b>1,483.48</b>	1,288.79
Operating and Other Expenses	19	<b>5,272.51</b>	4,100.96
Decrease / (Increase) in Inventories	20	<b>(289.70)</b>	62.35
Depreciation		<b>381.07</b>	300.08
Financial Expenses	21	<b>233.50</b>	283.66
		<b>12,027.35</b>	9,536.00
<b>Profit before tax for the year</b>		<b>2,701.27</b>	2,002.90
Provision for Current Tax		<b>(715.00)</b>	(516.00)
Deferred Tax (Charge) / Credit		<b>42.05</b>	(14.61)
Income Tax Refund for earlier years (Net)		<b>31.92</b>	7.71
Total Tax Expense		<b>641.03</b>	522.90
<b>Profit for the year</b>		<b>2,060.24</b>	1,480.00
Balance brought forward from previous year		<b>786.70</b>	684.73
<b>Profit available for appropriation</b>		<b>2,846.94</b>	2,164.73
<b>Appropriations :</b>			
Interim Dividend on Preference Shares		-	36.00
Proposed Dividend on Preference Shares		<b>28.00</b>	-
Proposed Dividend on Equity Shares		<b>418.74</b>	299.10
Corporate Dividend Tax		<b>62.68</b>	42.93
Transfer to General Reserve		<b>1,250.00</b>	1,000.00
Surplus Carried to Balance Sheet		<b>1,087.52</b>	786.70
		<b>2,846.94</b>	2,164.73
Earning per Share	22		
Basic and Diluted [Nominal value of shares Rs. 10 (Previous year: Rs. 10)]		<b>33.91</b>	24.06
<b>Notes to the Financial Statements</b>	23		

The schedules referred to above and Notes to Accounts form an integral part of the Profit and Loss Account.  
As per our report of even date

For and on behalf of the Board of Directors

for S.R.BATLIBOI & CO  
Chartered Accountants

Per Anil Gupta  
Partner  
Membership No. 87921

Place : New Delhi  
Date : May 25, 2005

S.G.RAJGARHIA  
(Managing Director)

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(Director)

R.K.RAJGARHIA  
(Chairman)

B.L.GUPTA  
(Vice President - Finance)

DEEPAK C.S.  
(Company Secretary)

# ORIENT ABRASIVES LIMITED

## SCHEDULES TO THE ACCOUNTS

(All amount in Rs. Lacs)

2005                      2004

### SCHEDULE — 1 : SHARE CAPITAL

#### Authorised

4,00,000 - 7% (Previous year : 9%) Redeemable Cumulative Preference Shares of Rs. 100/- each	400.00	400.00
97,50,000 Equity Shares of Rs. 10/- each	975.00	975.00
	1,375.00	1,375.00

#### Issued & Subscribed

4,00,000 - 7% (Previous year : 9%) Redeemable Cumulative Preference Shares of Rs. 100/- each	400.00	400.00
59,83,960 (Previous year 29,92,980) Equity Shares of Rs. 10/- each	598.20	299.30
	998.20	699.30

#### Paid up

4,00,000 - 7% (Previous year : 9%) Redeemable Cumulative Preference Shares of Rs. 100/- each	400.00	400.00
59,81,960 (Previous year 29,90,980) Equity Shares of Rs. 10/- each	598.20	299.10
	998.20	699.10
Add : Shares forfeited	0.13	0.13
	998.33	699.23

#### Notes:

- (1) 44,86,470 (including 29,90,980 equity shares issued during the year) equity shares of Rs. 10/- each were allotted fully paid by bonus shares by capitalization of Capital Redemption Reserve, Securities Premium and General Reserve.
- (2) The Company has issued 3,56,300 and 43,700 redeemable cumulative preference shares on 31.03.97 and 28.05.97 respectively. These cumulative preference shares are redeemable at par at any time on or after the expiry of 36 months from the date of allotment but before the expiry of 20 years from the date of such allotment.
- (3) The Board of Directors in its meeting held on May 25, 2005 has recommended reduction in the rate of dividend from 7% to 6% p.a. w.e.f April 1, 2005, which shall be considered in the class meeting of Preference Shareholders to be held on June 24, 2005.

### SCHEDULE — 2 : RESERVES AND SURPLUS

Capital Redemption Reserve – Balance as per last account	20.00	20.00
Less: Utilisation for issue of Bonus Shares	20.00	—
	0.00	20.00
Securities Premium Account - Balance as per last account	49.09	49.09
Less: Utilisation for issue of Bonus Shares	49.09	—
	—	49.09
General Reserve		
Balance as per last account	2,000.00	1,000.00
Add : Transferred from Profit & Loss Account	1,250.00	1,000.00
	3,250.00	2,000.00
Less: Utilisation for issue of Bonus Shares	230.01	—
	3,019.99	2,000.00
Profit & Loss Account Balance	1,087.52	786.70
	4,107.51	2,855.79

(All amount in Rs. Lacs)

2005                      2004

**SCHEDULE — 3 : SECURED LOANS**

Term Loans from a Bank	484.25	–
Short Term Loan from a Bank*	300.00	–
Cash Credit Facilities from Banks	1,425.06	1,125.00
Car Finance Loans from Banks*	–	49.68
Liabilities under Deferred Payment*	3.07	3.42
	<b>2,212.38</b>	<b>1,178.10</b>

**Notes:**

1. a) Term loans from a bank are secured by first charge on the entire movable fixed assets of the Company both present and future, situated at the Porbandar and Bhiwadi Plants of the Company. These loans are further secured by the personal guarantee of Managing Director of the Company.
- b) These loans are further to be secured by mortgage by way of deposit of title deeds of the immovable fixed assets of the Porbandar and Bhiwadi Plants of the Company.
2. Short Term Loan from a Bank is secured by the first charge on entire current assets and movable fixed assets of the Company, both present and future, by way of subservient charge. This loan is further secured by personal guarantee of Managing Director of the Company.
3. Cash credit facilities from banks are secured by hypothecation of stocks of raw materials, finished and semi-finished goods and book debts. These facilities are also secured by personal guarantee of the Managing Director of the Company. Cash Credit facilities from a bank amounting to Rs. 975.06 lacs are further secured by second charge on all immovable properties of the Company.
4. Liabilities under Deferred Payment are to be secured by mortgage of building purchased under Deferred Payment.
5. \*Loans of Rs. 629.62 (Previous year Rs. 29.09) are repayable within one year.

**SCHEDULE — 4 : UNSECURED LOANS**

Fixed Deposits from Public*	219.61	163.50
Life Insurance Corporation of India (LIC)*	–	22.58
Short Term Loans from:		
- Bodies Corporate	360.90	370.15
- A Bank*	150.00	–
	<b>730.51</b>	<b>556.23</b>

Note : \*Loans and deposits of Rs. 200.00 (Previous year Rs. 69.79) are repayable within one year.

**SCHEDULE — 5 : DEFERRED TAX LIABILITIES (NET)**

**Deferred Tax Liabilities**

Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	163.55	202.90
Income accrued but taxable on receipt	11.56	31.00
<b>Gross Deferred Tax Liabilities</b>	<b>175.11</b>	<b>233.90</b>

**Deferred Tax Assets**

Effect of expenditure debited to profit and loss account in the current year but allowable for tax purposes in future years	40.98	55.25
Provision for doubtful debts and advances	4.17	6.64
<b>Gross Deferred Tax Assets</b>	<b>45.15</b>	<b>61.89</b>
<b>Net Deferred Tax Liabilities</b>	<b>129.96</b>	<b>172.01</b>

**SCHEDULE — 6 : FIXED ASSETS**

(All amount in Rs. Lacs)

Particulars	Land-Freehold	Land-Leasehold	Lease Hold Improvement	Buildings	Plant & Machinery Electrical Installation & Fittings	Furniture, Fixtures and Office Equipment	Vehicles	Total	Previous Year
<b>Gross Block</b>									
At 01.04.2004	11.96	20.48	-	510.34	3,776.82	109.61	203.69	4,632.90	4,342.97
Additions	-	-	19.49	95.27	1,405.52	21.91	63.99	1,606.18	385.17
Deductions	-	-	-	-	180.28	8.36	24.88	213.52	95.24
<b>At 31.03.2005</b>	<b>11.96</b>	<b>20.48</b>	<b>19.49</b>	<b>605.61</b>	<b>5,002.06</b>	<b>123.16</b>	<b>242.80</b>	<b>6,025.56</b>	<b>4,632.90</b>
<b>Depreciation</b>									
At 01.04.2004	-	4.05	-	207.21	2,256.67	60.16	46.60	2,574.69	2,348.61
For the year	-	0.22	6.49	17.11	326.96	9.01	21.28	381.07	300.08
Deductions	-	-	-	-	153.81	6.56	11.70	172.07	74.00
<b>At 31.03.2005</b>	<b>-</b>	<b>4.27</b>	<b>6.49</b>	<b>224.32</b>	<b>2,429.82</b>	<b>62.61</b>	<b>56.18</b>	<b>2,783.69</b>	<b>2,574.69</b>
<b>Net Block</b>									
At 31.03.2005	11.96	16.21	13.00	381.29	2,572.24	60.55	186.62	3,241.87	2,058.21
At 31.03.2004	11.96	16.43		303.13	1,520.15	49.45	157.09	2,058.21	1,994.37
Capital Work in Progress									
Plant & Machinery								281.04	71.10
Buildings								32.91	34.31
Capital Advances (unsecured, considered good)								17.94	118.61
								331.89	224.02

**Notes:**

1. Building and Vehicles of the cost of Rs. 8.53 (Previous year Rs. 8.53) and Rs. 2.02 (Previous year Rs. 5.95) respectively are yet to be registered in Company's Name
2. Fixed Assets of the cost of Rs. 146.33 (WDV Rs. 19.80), (Previous year Rs. 24.56 and Rs. 1.19 respectively) have been discarded during the year.
3. Addition to Plant & Machinery includes Rs. 12.24 (Previous year Rs. Nil) on account of capitalisation of interest.

(All amount in Rs. Lacs)  
2005                      2004

**SCHEDULE — 7 : INVESTMENTS**

**Long Term (At Cost)**

Government Securities (Unquoted-non trade)		
7 year National Savings Certificates (Certificates pledged with Sales Tax Authorities Rs. 0.32, Previous year Rs. 0.32)	0.33	0.33
Kisan Vikas Patra	0.01	0.01
	<b>0.34</b>	<b>0.34</b>

Note: 928160.387 units of Rs. 10 each of P32D Prudential ICICI Liquid Plan- Dividend Option were purchased and sold during the year.

**SCHEDULE — 8 : INVENTORIES**

Raw Materials	1,169.46	571.12
Stores and Spares	344.32	244.28
Goods Purchased for Resale	2.54	0.84
Work-in-Progress	631.77	439.59
Finished Goods	671.28	576.23
Waste	1.95	1.18
	<b>2,821.32</b>	<b>1,833.24</b>

**SCHEDULE — 9 : SUNDRY DEBTORS (UNSECURED)**

<b>Debts outstanding for a period exceeding six months</b>		
Considered Good	132.93	226.91
Considered Doubtful	11.97	17.89
<b>Others Debts:</b>		
Considered Good	3,180.88	2,540.48
	<b>3,325.78</b>	<b>2,785.28</b>
Less: Provision for Doubtful Debts	11.97	17.89
	<b>3,313.81</b>	<b>2,767.39</b>

**SCHEDULE — 10 : CASH & BANK BALANCES**

Cash on hand (including cheques in hand Rs. 32.52, Previous year Rs. 84.41)	38.77	90.99
Balances with Scheduled Banks :		
On Current Accounts	193.75	160.12
On Cash Credit Account	90.31	—
On Fixed Deposit Accounts (Receipts pledged with Banks, Excise and Sales Tax Authorities for Rs. 56.00, Previous year Rs. 34.11)	64.94	41.96
On Dividend Warrant Accounts	14.34	8.86
Post Office Savings Bank Account	0.10	0.10
	<b>402.21</b>	<b>302.03</b>

**SCHEDULE — 11 : OTHER CURRENT ASSETS**

Surrender Value of Keyman Insurance Policy	31.58	86.49
Interest Receivable	2.58	2.43
	<b>34.16</b>	<b>88.92</b>

# ORIENT ABRASIVES LIMITED

(All amount in Rs. Lacs)

2005                      2004

## **SCHEDULE — 12 : LOANS & ADVANCES**

### **Unsecured and Considered Good**

Advances recoverable in cash or in kind or for value to be received	488.31	274.68
Advance Tax/Tax deducted at Source (Net of Provision of Tax)	45.27	–
Deposits - Others	91.64	87.89

### **Unsecured and Considered Doubtful**

Advances recoverable in cash or in kind or for value to be received	0.43	0.64
	625.65	363.21
Less : Provision for doubtful advances	0.43	0.64
	625.22	362.57

Notes : Included in Loans & Advances are :

1. Due from an officer of the Company (Maximum amount due at any time during the year Rs. 0.54, Previous year Rs. 0.96)	0.13	0.54
2. Expenses on account of foreign exchange differences on outstanding forward exchange contracts, to be recognised in the Profit and Loss Account of the next year.	–	2.64

## **SCHEDULE — 13 : CURRENT LIABILITIES**

Sundry creditors	1,791.76	1,461.05
Advances & Deposits from Dealers & Others	85.00	64.26
Interest Accrued but not Due on Loans	17.30	7.93
Unpaid Dividend	14.30	8.82
Other Liabilities	125.86	79.66
	2,034.22	1,621.72

**Note :** Included in Sundry creditors are :

Dues to small scale industrial undertakings	228.02	143.99
Dues to other than small scale industrial undertakings	1,563.74	1,317.06
Payable to Managing Director	29.27	23.66

## **SCHEDULE — 14 : PROVISIONS**

For Gratuity	2.28	128.62
For Leave Encashment	46.21	36.53
For Taxation (Net of Advance Tax/Tax Deducted at Source)	–	10.46
For Interim Dividend on Preference Shares	–	36.00
For Proposed Dividend on Preference Shares	28.00	–
For Proposed Dividend on Equity Shares	418.74	299.10
For Corporate Dividend Tax	62.68	42.93
	557.91	553.64

**ORIENT ABRASIVES LIMITED**

(All amount in Rs. Lacs)

For the year ended	For the year ended
31st March, 2005	31st March, 2004

**SCHEDULE — 15 : TURNOVER (GROSS)**

Finished Goods (including sale of goods purchased for resale of Rs. 60.09, Previous year Rs. 5.15)	16,951.95	13,299.35
Waste	144.15	109.53
Miscellaneous	4.87	4.92
	<u>17,100.97</u>	<u>13,413.80</u>
Less : Sales return out of earlier year's sales	24.59	25.55
	<u>17,076.38</u>	<u>13,388.25</u>
Less : Trade Discount, Claims, Rebates etc.	225.91	155.29
	<u>16,850.47</u>	<u>13,232.96</u>

**SCHEDULE — 16 : OTHER INCOME**

Surrender value of Keyman Insurance Policy	13.70	15.76
Service Revenue	28.85	45.50
Rent	0.36	0.50
Provision for Doubtful Debts and Advances Adjusted	6.14	12.19
Dividend on Current Investments (other than trade)	0.22	—
Miscellaneous income	42.84	25.22
	<u>92.11</u>	<u>99.17</u>

**SCHEDULE — 17 : RAW MATERIALS CONSUMED**

Inventories as at March 31, 2004	571.12	529.17
Add : Purchases*	5,735.74	3,786.21
	<u>6,306.86</u>	<u>4,315.38</u>
Less : Sales **	240.95	249.01
Less : Inventories as at March 31, 2005	1,169.46	571.12
	<u>4,896.45</u>	<u>3,495.25</u>

\* including direct expenses relating to raising of Bauxite at Company's own mines amounting to Rs. 337.99 (Previous year Rs. 279.07)

\*\* including profit on sale of raw materials Rs. 70.06 (Previous year Rs. 4.86)

**SCHEDULE — 18 : PERSONNEL EXPENSES**

Salaries, Wages and Bonus*	1,276.09	1,039.23
Contribution to Gratuity Fund**	33.66	90.38
Contribution to Provident and Other Funds	86.74	81.02
Workmen and Staff Welfare Expenses	86.99	78.16
	<u>1,483.48</u>	<u>1,288.79</u>

\* including Rs. 68.61 (Previous year Rs. Nil) being the surrender value of keyman insurance policies taken from LIC and transferred to some senior executives on maturity.

\*\* including Rs. Nil (Previous year Rs. 61.08) for earlier years, but determined by LIC during that year.



(All amount in Rs. Lacs)

For the year ended 31st March, 2005 For the year ended 31st March, 2004

**SCHEDULE — 19 : OPERATING AND OTHER EXPENSES**

Consumption of Stores and Spares	1,225.00	898.76
Power and Fuel	2,254.34	1,788.45
Packing Expenses	317.13	234.83
Rent	24.89	21.12
Excise Duty on Stocks and Others	19.66	(14.85)
Rates & Taxes	35.90	27.52
Insurance	50.81	52.44
Managerial Remuneration (Refer Note No. 10.1 in Schedule 23)	43.71	47.72
Legal and Professional Fees	28.32	30.49
Vehicle Running & Maintenance	41.81	33.01
Repairs and Maintenance		
- Plant & Machinery (excluding Stores & Spares Consumed)	127.24	97.51
- Buildings	55.13	55.60
- Others	13.13	6.51
Freight & Forwarding Charges (Net)	368.37	248.18
Commission on Sales	303.74	273.06
Cash Discount on Sales	36.60	32.78
Other Selling Expenses	16.52	16.99
Travelling & Conveyance	106.82	85.98
Communication Costs	56.79	50.95
Printing and Stationery	25.04	21.99
Directors' Sitting Fees	1.85	0.77
Auditor's Remuneration		
- Audit Fee	8.98	8.80
- Quarterely Reviews	4.10	3.24
- Certification etc.	0.33	1.73
- Out-of-Pocket Expenses	0.91	0.90
Exchange Difference (Net)	1.72	19.02
Donations and Contributions (including Rs. 1.00 to Chief Minister Relief Fund)	4.86	2.22
Debts and Other Balances Written off (Net)	9.55	6.32
Loss on Disposal of Fixed Assets (Net)	29.77	4.83
Miscellaneous Expenses	59.49	44.09
	<b>5,272.51</b>	<b>4,100.96</b>

**SCHEDULE — 20 : DECREASE / (INCREASE) IN INVENTORIES**

Inventories as at March 31, 2005		
- Goods Purchased for Resale	2.54	0.84
- Work-in-progress	631.77	439.59
- Finished goods	671.28	576.23
- Waste	1.95	1.18
	<b>1,307.54</b>	<b>1,017.84</b>
Inventories as at March 31, 2004		
- Goods Purchased for Resale	0.84	0.33
- Work-in-progress	439.59	412.04
- Finished goods	576.23	662.82
- Waste	1.18	5.00
	<b>1,017.84</b>	<b>1,080.19</b>
	<b>(289.70)</b>	<b>62.35</b>

(All amount in Rs. Lacs)

For the year ended      For the year ended  
31st March, 2005      31st March, 2004

**SCHEDULE — 21 : FINANCIAL EXPENSES**

Interest		
on term loans	45.24	22.31
to Banks & others*	141.62	211.27
Bank charges	46.64	50.08
	<b>233.50</b>	<b>283.66</b>

\* Net of Interest Received Rs. 15.76, Previous year Rs. 4.25 (Gross, Tax Deducted at Source Rs. 0.73, Previous year Rs. 0.86)

**SCHEDULE — 22 : EARNINGS PER SHARE (EPS)**

Net profit as per Profit and Loss Account	2,060.24	1,480.00
<b>Less</b> : Dividend on Preference Shares (including Corporate Dividend Tax )	31.93	40.61
Net Profit available for equity shareholders	<b>2,028.31</b>	<b>1,439.39</b>
Opening number of Equity Shares for calculating Basic and Diluted EPS	29,90,980	29,90,980
Bonus Shares issued during the year	29,90,980	—
Closing number of Equity Shares for calculating Basic and Diluted EPS	59,81,960	29,90,980
Number of Equity Shares considered for calculating Basic and Diluted EPS (Previous year's figures have been revised due to issue of bonus shares during the year)	<b>59,81,960</b>	<b>59,81,960</b>
<b>Basic and Diluted Earnings per Share</b>	<b>33.91</b>	<b>24.06</b>

**SCHEDULE — 23 : NOTES TO THE FINANCIAL STATEMENTS**

(All amount in Rs. lacs, unless otherwise stated)

**1. Nature of Operations**

The Company is engaged in the production and selling of Fused Aluminum Oxide Grains, Calcined Products, Bonded Abrasives, Refractories, Monolithics and Ceramic Paper. The Company has manufacturing facilities at Porbandar (Gujarat), Bhiwadi (Rajasthan) and Salem (Tamil Nadu).

**2. Statement of Significant Accounting Policies**

**(a) Basis of preparation**

- (i) The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis.
  - (ii) Claims lodged by customers and income/expenditure on account of minimum performance guarantee of certain refractory products are accounted for upto the date of finalisation of accounts to the extent ascertained.
- The accounting policies have been consistently applied by the Company and except for the change in accounting policy discussed more fully below, are consistent with those used in the Previous year.

**(b) Change in Accounting Policy**

The Company had, till the previous year, been recording the values of some finished goods internally consumed in the financial books. Pursuant to limited revision of Accounting Standard '9' issued by Institute of Chartered Accountants of India, the Company, has during the year, decided not to include such sales in the turnover of the Company. As a result of above change, the turnover and raw material consumption is lower by Rs. 2750.68 lacs each. Accordingly, the turnover and raw materials consumption of last year have also been revised by reducing the same by Rs 1856.40 lacs each. This change has, however, no impact on the operating results of the Company.

**(c) Fixed Assets**

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any directly attributable cost of bringing the asset to its working condition for its intended use. Expenditure for additions, modifications improvements and renewals are capitalized and expenditure for maintenance and repairs are charged to the Profit and Loss Account. Financing costs relating to acquisition of fixed assets are also included to the extent they relate to the period till such assets are ready to be put to use.

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

**(d) Depreciation**

Depreciation on Leasehold Land is provided over the lease period. Depreciation on leasehold improvements is provided over the unexpired period or estimated useful life whichever is lower. Depreciation on all other fixed assets is provided on Straight Line Method as per rates computed based on estimated useful life of the assets, which are equal to the corresponding rates prescribed in Schedule XIV to the Companies Act, 1956.

Depreciation on additions due to insurance spares and modifications is provided retrospectively from the date the related/mother assets are put to use.

**(e) Inventories**

Inventories are valued as follows:

Raw materials, Goods purchased for resale, stores and spares	Lower of cost and net realisable value. Cost is determined on weighted average basis. Materials and other items held for use in the production of inventories are written down below cost only if the finished products in which they will be incorporated are expected to be sold below cost.
Work-in-progress and finished goods	Lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty, wherever applicable.
Waste	Net realizable value

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and to make the sale.

**(f) Revenue recognition**

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

**Sale of Goods**

Revenues from sales of goods are recognized upon passage of titles to the customers, which generally coincide with delivery.

**Interest**

Revenue is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

**Export Benefits**

Export Benefits under Duty Exemption Advance Licence Scheme are accounted for in the year of actual purchase of raw materials under the above scheme. However, Export Benefits under Duty Exemption Pass Book Schemes (DEPB) are accrued for in the year of export.

**(g) Foreign currency transactions**

**(i) Initial Recognition**

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

## (ii) Conversion

Foreign currency monetary items are reported using the closing rate.

## (iii) Exchange Differences

Exchange differences arising on the settlement of monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise, except those relating to acquisition of fixed assets from outside India which are adjusted to the carrying amount of fixed assets.

## (iv) Forward Exchange Contracts not intended for trading or speculation purposes

The premium or discount arising at the inception of forward exchange contracts is amortized as expense or income over the life of the contract. Exchange differences on such contracts are recognized in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expense for that year.

**(h) Retirement and other benefits**

- i) Provident Fund is charged to the Profit & Loss Account of the year when the contribution to the provident fund is due.
- ii) The Company has created an approved Gratuity Fund, which has taken a group gratuity cum insurance policies with LIC, for future payment of gratuity to the employees. The Company accounts for gratuity liability based on actuarial valuation carried out at the year end by LIC.
- (iii) Liability for leave encashment is accrued and provided for on the basis of an actuarial valuation made at the end of each financial year. The leaves are also en-cashable during the tenure of the employment. .

**(i) Income taxes**

Tax expense comprises both current and deferred taxes. Current income tax is measured at the amount expected to be paid to the income tax authorities in accordance with Income Tax Act, 1961. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realised against future taxable profits. Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

**(j) Segment Reporting Policies**

*Identification of segments :*

Business Segment:

The Company's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which major operating divisions of the Company operate.

*Allocation of common costs :*

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

*Unallocated items :*

General corporate income and expense items, are not allocated to any business segment.

**(k) Earnings Per Share**

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the year. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the year are adjusted for events of bonus issues,

## ORIENT ABRASIVES LIMITED

bonus elements in Rights Issue to existing shareholders, Share Split, and Reverse Share Split (Consolidation of Shares)

For the purpose of calculating diluted earnings per share, net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

### (I) Provisions

A provision is recognized when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which estimate can be made. Provisions except those disclosed elsewhere in the Notes to Financial Statements, are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimate.

### 3. Segment Information

#### *Business Segments :*

The Company operates in primarily three segments i.e. Fused Aluminum Oxide Grains including Calcined Products, Bonded Abrasives and Refractories & Monolithics.

#### **Segment Information**

##### **Primary Segment – reporting (by Business Segment)**

The following table presents revenue and profit information regarding business segments for the years ended March 31, 2005 and March 31, 2004 and certain assets and liability information regarding business segments at March 31, 2005 and March 31, 2004.

Particulars	Fused Aluminum Oxide Grains Including Calcined Products		Bonded Abrasives		Refractories & Monolithics		Consolidated Total	
	2005	2004	2005	2004	2005	2004	2005	2004
<b>REVENUE</b>								
External sales	5,194.05	3,799.73	2,509.38	2,128.34	9,147.04	7,304.89	16,850.47	13,232.96
Inter-segment sales*	2,726.44	1,837.55	0	0	24.24	18.85	2,750.68	1,856.40
Other Income	18.88	1.40	1.19	12.51	69.12	67.62	89.19	81.53
Total revenue	7,939.37	5,638.68	2,510.57	2,140.85	9,240.40	7,391.36	19,690.34	15,170.89
<b>RESULT</b>	1,366.53	747.16	132.68	209.38	1,630.29	1,418.65	3,129.50	2,375.19
Unallocated Corporate Expenses (Net)							(241.36)	(138.71)
Operating Profit							2,888.14	2,236.48
Interest Expense							(186.87)	(233.58)
Taxes							(641.03)	(522.90)
Profit from Ordinary Activities							2,060.24	1,480.00
Segment Assets	4,815.74	2,807.59	1,361.17	1,182.77	4,351.39	3,460.80	10,528.30	7,451.16
Unallocated Corporate Assets							242.52	185.56
Total Assets							10,770.82	7,636.72
Segment Liabilities	816.45	691.50	346.81	298.25	748.34	661.32	1,911.60	1,651.07
Unallocated Corporate Liabilities							3,753.38	2,430.63
Total Liabilities							5,664.98	4,081.70
<b>Other Information</b>								
Capital Expenditure	1,275.93	380.71	26.66	20.26	377.10	156.30	1,679.69	557.27
Unallocated Capital Expenditure							34.36	36.22
Depreciation	235.88	175.92	34.02	35.02	97.45	82.82	367.35	293.76
Unallocated Corporate Depreciation							13.72	6.32

\* At prevailing market prices

**Secondary Segment Reporting (by Geographical Segments)**

The following is the distribution of the Company's consolidated sales by geographical market, regardless of where the goods were produced:

	2005	2004
Domestic Market	<b>15,693.08</b>	12,859.34
Overseas Market	<b>1,157.39</b>	373.62
<b>Total</b>	<b>16,850.47</b>	13,232.96

**Note:** The Company has common fixed assets for producing goods for Domestic Market as well as Overseas Market. Hence, separate figures for fixed assets/ additions have not been furnished.

**4. Related Party Disclosures**

Names of Related Parties

A. Individuals holding 20% or more voting rights and his relatives

1. Mr. S.G.Rajgarhia (Managing Director)

B. Key Management personnel and their relatives

1. Mr. S.G.Rajgarhia	Relationship Managing Director
2. Mrs. Usha Rajgarhia	Wife
3. Mr. R.K.Rajgarhia	Brother
4. Mr. N.K.Rajgarhia	Brother
5. Mrs. Rajkumari Rajgarhia	Wife
6. Mr. S.K.Rajgarhia	Brother
7. Mrs. Sulabha Rajgarhia	Wife
8. Mr. P.K.Rajgarhia	Brother
9. Mrs. Sunita Bagla	Sister
10. Ms Anisha Mittal	Daughter
11. Ms Bhawna Rajgarhia	Daughter
12. Mr. P.P.Khanna	
(from 1.4.2003 to 28.1.2004)	Executive Director
(from 29.1.2004 to 31.3.2005 )	Key management personnel
13. Mrs. Prabha Khanna	Wife
14. S G Rajgarhia (HUF)	HUF
15. R.K.Rajgarhia & Sons (HUF)	HUF

C. The Enterprises controlled by the above persons

1. Perfectpac Ltd.
2. Unifrax India Ltd.
3. Pyramid Abrasives Pvt. Ltd.
4. Orient Coated Pvt. Ltd.
5. APM Industries Ltd.
6. Orient Steel & Industries Ltd.
7. Hindustan General Industries Ltd.
8. HGI Finance & Leasing Ltd.
9. Rovo Marketing Pvt. Ltd.
10. Madhushree Properties Pvt. Ltd.
11. Bagpat Finance Pvt. Ltd.
12. Rajgarhia Leasing & Financial Services Pvt. Ltd.
13. Biswaroop Estates Pvt. Ltd.
14. AJR Fiscal Pvt. Ltd.
15. Essvee Fiscal Pvt. Ltd.
16. Delhi Pulp Industries Pvt. Ltd.
17. Faridabad Paper Mills Ltd.

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Particulars	A. An Individual with substantial interest		B. Key Management Personnel & their relatives		C. Enterprises owned or significantly influenced by key management personnel or their relatives		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
Sales to :								
Unifrax India Ltd.					5.81	1.69	5.81	1.69
Perfectpac Ltd.					0.77	1.10	0.77	1.10
Orient Steel & Industries Ltd.					1.59	0.56	1.59	0.56
Others					0.15	0.06	0.15	0.06
<b>Total Sales</b>		0.00		0.00	<b>8.32</b>	3.41	<b>8.32</b>	3.41
<b>Rent Received</b>		0.00		0.00	<b>0.00</b>	0.50	<b>0.00</b>	0.50
Purchase of raw materials, stores and spares from :								
Unifrax India Ltd.					15.44	16.25	15.44	16.25
Perfectpac Ltd.					60.06	58.24	60.06	58.24
Others					1.91	0.00	1.91	0.00
<b>Total Purchase</b>		0.00		0.00	<b>77.41</b>	74.49	<b>77.41</b>	74.49
<b>Commission Paid to Hindustan General Industries Ltd.</b>								
		0.00		0.00	8.99	14.74	8.99	14.74
Rent paid to :								
Prabha Khanna			3.71	3.60			3.71	3.60
Bhawna Rajgarhia			4.92	1.27			4.92	1.27
Usha Rajgarhia			1.80	0.56			1.80	0.56
Madhushree Properties Pvt. Ltd.					1.80	1.80	1.80	1.80
<b>Total Rent Paid</b>		0.00	<b>10.43</b>	5.43	<b>1.80</b>	1.80	<b>12.23</b>	7.23
<b>Guarantee given by S G Rajgarhia</b>		0.00	<b>1,700.00</b>	500.00		0.00	<b>1,700.00</b>	500.00
<b>Guarantee given by S G Rajgarhia released</b>								
		0.00	<b>0.00</b>	1,100.00		0.00	<b>0.00</b>	1,100.00
Interest Paid to :								
HGI Finance & Leasing Ltd.					12.58	26.01	12.58	26.01
Rovo Marketing Pvt. Ltd.					13.29	17.43	13.29	17.43
Hindustan General Industries Ltd.					0.89	5.79	0.89	5.79
P.P. Khanna			2.02	0.00			2.02	0.00
Mrs. Prabha Khanna			2.01	0.00			2.01	0.00
Others					2.23	0.59	2.23	0.59
<b>Total Interest Paid</b>		0.00	<b>4.03</b>	0.00	<b>28.99</b>	49.82	<b>33.02</b>	49.82
Dividend paid to :								
S G Rajgarhia	55.33	37.78					55.33	37.78
S G Rajgarhia (HUF)			17.48	12.32			17.48	12.32
Usha Rajgarhia			15.27	8.65			15.27	8.65
Anisha Mittal			37.48	23.24			37.48	23.24
Bhawna Rajgarhia			19.90	14.67			19.90	14.67
Rovo Marketing Pvt. Ltd.					4.52	6.02	4.52	6.02
Faridabad Paper Mills Ltd.					4.51	0.00	4.51	0.00
Rajgarhia Leasing & Financial Services. Pvt. Ltd.					2.56	0.00	2.56	0.00
Delhi Pulp Industries Pvt. Ltd.					7.20	3.60	7.20	3.60
Others			19.68	11.81	1.09	2.39	20.77	14.19
<b>Total Dividend Paid</b>	<b>55.33</b>	37.78	<b>109.81</b>	70.69	<b>19.88</b>	12.01	<b>185.02</b>	120.47



## ORIENT ABRASIVES LIMITED

Particulars	A. An Individual with substantial interest		B. Key Management Personnel & their relatives		C. Enterprises owned or significantly influenced by key management personnel or their relatives		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
Salary to :								
S G Rajgarhia			42.36	32.52			42.36	32.52
P P Khanna			63.47	12.79			63.47	12.79
Others			1.57	1.36			1.57	1.36
<b>Total Salary</b>		0.00	107.40	46.67	0.00	0.00	107.40	46.67
<b>Sitting Fees to R K Rajgarhia</b>		0.00	0.45	0.25		0.00	0.45	0.25
Loan taken from :								
HGI Finance & Leasing Ltd.					55.00	40.00	55.00	40.00
Rovo Marketing Pvt. Ltd.					315.60	248.33	315.60	248.33
Hindustan General Industries Ltd.					45.00	10.00	45.00	10.00
Others					4.00	8.60	4.00	8.60
<b>Total Loans Taken</b>		0.00	0.00	0.00	419.60	306.93	419.60	306.93
Fixed Deposits Received from :								
P.P.Khanna			20.00	-			20.00	-
Mrs. Prabha Khanna			20.00	-			20.00	-
<b>Total Fixed Deposits Received</b>			40.00	-			40.00	-
Loans repaid to :								
HGI Finance & Leasing Ltd.					200.00	0.00	200.00	0.00
Hindustan General Industries Ltd.					0.00	60.00	0.00	60.00
Rovo Marketing Pvt. Ltd.					228.50	303.53	228.50	303.53
Others					10.35	3.75	10.35	3.75
<b>Total Loans Repaid</b>		0.00	0.00	0.00	438.85	367.28	438.85	367.28
Balance outstanding as at year end								
Receivable from :								
Unifrax India Ltd.					6.83	0.45	6.83	0.45
Orient Steel & Industries Ltd.					5.84	7.60	5.84	7.60
<b>Total Receivable</b>		0.00	0.00	0.00	12.67	8.05	12.67	8.05
Payable to :								
S G Rajgarhia			29.37	23.66			29.37	23.66
Usha Rajgarhia			0.39	0.07			0.39	0.07
Bhawna Rajgarhia			0.42	0.00			0.42	0.00
HGI Finance & Leasing Ltd.					70.00	215.00	70.00	215.00
Hindustan General Industries Ltd.					45.00	0.00	45.00	0.00
Rovo Marketing Pvt. Ltd.					210.90	123.80	210.90	123.80
Perfect Pack Ltd.					21.54	17.85	21.54	17.85
P.P.Khanna			2.49	0.00			2.49	0.00
Others			0.20	0.00	1.58	6.35	1.78	6.35
<b>Total Payable</b>		0.00	32.87	23.73	349.02	363.00	381.89	386.73
Fixed Deposits Repayable -								
P.P.Khanna			20.00	0.00			20.00	0.00
Mrs. P.P.Khanna			20.00	0.00			20.00	0.00
<b>Total Fixed Deposits Repayable</b>			40.00	0.00			40.00	0.00
<b>-Outstanding Guarantees Given</b>		0.00	3,840.00	2,140.00			3,840.00	2,140.00

**Notes:**

1. No amount has been provided as doubtful debts or advances/written off or written back in the year in respect of debts due from above related parties.
2. \*Excluding Contribution to Gratuity, provision for leave encashment, being the figures those are actuarially determined for the Company as a whole and therefore, are not separately available.



## ORIENT ABRASIVES LIMITED

	<b>2005</b>	2004
5. Estimated amount of Contracts remaining to be executed on capital account and not provided for (Net of Capital advances Rs 17.94, Previous year Rs 118.61)	49.07	483.67
6. Contingent liabilities (not provided for) in respect of:		
i) Differential amount of Customs Duty payable by the Company in case of nonfulfilment of export obligation against the import of capital goods made at concessional rate of duty.*	<b>213.80</b>	–
ii) Bills / Cheques / Letters of Credit discounted with Banks (since realized Rs. 27.13, Previous year Rs. 96.02)	<b>47.16</b>	113.41
iii) Show Cause Notice of Rs. 23.95 (Previous year Rs. Nil) and Demand of Rs. 6.62 (Previous year Rs. 6.62) raised by Excise Authorities being disputed by the Company. The Company has deposited a sum of Rs. 2.50 (Previous year Rs. 2.50) against the above demand which is appearing under Loans and advances. **.	<b>30.57</b>	6.62
iv) Gujarat Electricity Board (GEB) has raised claim on the Company, being disputed by the Company. However, the Company has also raised claim of Rs. 414.30 on GEB***.	<b>338.02</b>	338.02
v) Demands raised by Sales Tax Authorities, being disputed by the Company. The Company has deposited a sum of Rs. 10.04 (Previous year Rs. 20.51) against the above demands, which is appearing under Loans and Advances. **	<b>32.91</b>	43.38
vi) Other Claim against the Company not acknowledged as debt ****	<b>26.50</b>	26.50
vii) Cases pending with Labour Courts		(Amount (unascertainable))
* Based on the past Sales performance and the future sales plan, management is quite hopeful to meet out this obligation by executing the required volume of exports in the future.		
** In view of the large number of cases pending at various forums /courts, it is not practicable to give detail of each case. Based on the discussions with the solicitors, the management believes that the Company has a strong chance of success in the cases and hence no provision thereagainst is considered necessary.		
*** In view of the counter claim of the Company and based on the discussions with the solicitors, the management believes that the Company has a strong chance of success in the case and hence no provision thereagainst is considered necessary.		
**** Since the Company has met the contractual terms and conditions, management believes that the claim filed / demand raised by a party has no ground and no provision needs to be made thereagainst.		
7. The Small scale industrial undertakings to whom the Company owes sums and which are outstanding for more than 30 days are Anand Minerals supply, Swastik Engineering, Daruka Enterprises, Vijay Industries, Ashiya Engineering Works, Duggar Polymers, Harji Kara Hansora & Sons, Gajjar Brothers, Ashok Engineering Works, Hansors Brothers, Shree Gajjar Engineering, Paragon Engineers, Shree Bharadwaj Engineering Works, Shree Anand Plastic Packaging Industries, Parag Engineering, PLT Industries, Matangi Plastic Industries, Ashoka Gears, Baja Chemical Industries, Baljeet Engineering Pvt. Ltd., Chandra Prabhu Industries, Diamond Boart International Pvt Ltd. Forace Polymers Pvt Ltd., Garg Sales Co. Pvt. Ltd., Haass Hydraulic Engineers, ITE Engineering Pvt Ltd., K.S.Engineering Co., Laxmi Narayan Girdhari Lal, Mukesh Printers, Perfect Gear Industries, Perfect Pac Ltd., Presion Engineers, Raj Rubber Industries, Rubber Tech, ITE Engineers Pvt Ltd., and Patel Industries.		
8. a) Provision for Income Tax has been made after taking into consideration the benefits available under Section 801A of the Income Tax Act, 1961 in respect of Power Plant installed at Porbandar for captive consumption.		
b) Provision for Current Tax includes Rs. 1.75 lacs (Previous year Rs. 1.00) for Wealth Tax.		

March 31, 2005      March 31, 2004

9. The Breakup of expenses relating to raising of Raw Bauxite at Company's own mines is as under :

**Personnel Expenses**

Salaries, Wages and Bonus	264.36	207.77
Contribution to Provident and other funds	1.27	1.19
Workmen and Staff Welfare Expenses	3.63	3.25

**Operating and Other Expenses**

Consumption of Stores and Spares	1.34	0.88
Rent	0.56	0.54
Rates & Taxes	0.90	0.93
Royalty on Raw Bauxite	41.41	42.12
Insurance	0.17	0.23
Legal and Professional Fees	0.21	0.28
Vehicle Running & Maintenance	13.10	14.66

**Repairs and Maintenance**

- Plant & Machinery (excluding Stores & Spares Consumed)	0.01	0.01
- Buildings	0.36	0.36
- Others	0.14	0.00
Travelling & Conveyance	2.03	1.85
Printing and Stationery	0.46	0.36
Donations and Contributions	0.56	0.00
Bank charges	0.02	0.02
Miscellaneous Expenses	7.46	4.62

<b>TOTAL</b>	<b>337.99</b>	<b>279.07</b>
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10. Supplementary Statutory Information

10.1 Directors' Remuneration

	2005	2004
Salaries	13.58	19.37
Commission	27.41	20.41
Contribution to Provident fund	0.97	1.58
Perquisites	1.75	6.36
	<b>43.71*</b>	<b>47.72*</b>

\*Excluding contribution to Gratuity Fund / Provision for Leave Encashment and perquisite value of Rs. 0.57 (Previous year Rs 1.03)

10.2 Computation of Net Profit in accordance with Section 349 of the Companies Act, 1956 for calculation of commission payable to director

Profit as per Profit and Loss Account	2,701.27	2,002.90
<i>Add:</i>		
Directors' Remuneration	44.28	48.75
Director Fee	1.85	0.77
<i>Less:</i>		
Provision for Doubtful Debts and Advances	(6.14)	(12.09)
Net profit as per Section 349 of the Companies Act, 1956	2,741.26	2,040.33
Commission to Managing Director @ 1% of the net profits as calculated above	27.41	20.41

10.3 Earnings in foreign currency

Exports at F.O.B. Value	1,113.20	362.38
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# ORIENT ABRASIVES LIMITED

March 31, 2005      March 31, 2004

## 10.4 Expenditure in foreign currency (on accrual basis)

Travelling	14.35	7.06
Interest	26.49	46.25
Others	68.46	17.27
	109.30	70.58

## 10.5 Value of imports calculated on CIF basis

Raw Materials	420.71	319.70
Stores and Spares	184.62	20.91
Capital Goods	341.58	3.31
	946.91	343.92

## 11.0 Additional information pursuant to the provisions of paragraphs 3, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956

### 11.1 Licensed Capacity, Installed Capacity and Actual Production

Class of Goods	Unit	Licensed	Capacity	Installed	Capacity*	Actual	Production
		2005	2004	2005	2004	2005	2004
Fused Aluminum Oxide Grains	MT	NA	NA	15,750	15,750	16,626	13,837
Calcined Products	MT	NA	NA	54,000	54,000	56,409	45,633
Bonded Abrasives	MT	NA	NA	3,600	2,000	2,106	1,736
Refractories	MT	NA	NA	9,000	5,400	6,324	5,254
Monolithics	MT	NA	NA	17,200	13,600	18,084	15,703
Ceramic Paper	Pcs	NA	NA	10,000	10,000	1,905	18,021
Slide Gate System	Set	NA	NA			3	-
Spares of Slide Gate System	Pcs	NA	NA			1,210	-
Waste	MT	NA	NA			7,761	6,893

\* As Certified by the Management

#### Notes :

1. Production of Fused Aluminum Oxide Grains 5579 MT for captive consumption (Previous year 4464 MT).
2. Production of Calcined Products includes 28936 MT for captive consumption (Previous year 21673 MT).
3. Production of Monolithics includes 1333 MT for captive consumption (Previous year 880 MT) & 256 MT received after job work (Previous year 1498 MT).
4. Production of slide gate system includes 3 Set (Previous year Nil) received after job work.
5. Production of spares of slide gate system includes 22 Pcs. for captive consumption (Previous year Nil) and 1210 Pcs. (Previous year Nil) received after job work.
6. Production of waste includes 59 MT used for captive consumption (Previous year 1 MT).

### 11.2 Sales & Stocks of Finished Goods

#### Sales

Class of Goods	Unit	Quantity		Value (Rs)	
		2005	2004	2005	2004
Fused Aluminum Oxide Grains	MT	10,951	9,800	3,382.46	2,529.42
Calcined Products	MT	28,313	23,617	1,671.05	1,170.15
Bonded Abrasives	MT	2,076	1,779	2491.00	2,123.56
Refractories	MT	6,319	5,153	6,521.92	5,129.24
Monolithics	MT	16,743	14,629	2,561.41	2,143.49
Ceramic Paper	Pcs	1,905	18,021	2.81	17.50
Slide Gate System	Set	3	-	5.37	-
Spares of Slide Gate System	Pcs	1,188	-	5.33	-
Waste	MT	7,744	7,082	144.15	109.53
Miscellaneous				4.87	4.92
				16,790.37	13,227.81

**Stocks**

Class of Goods	Unit	Quantity		Value (Rs)	
		2005	2004	2005	2004
<b>Opening Stock</b>					
Fused Aluminum Oxide Grains	MT	1,078	1505	229.34	330.99
Calcined Products	MT	1,657	1314	67.54	62.18
Bonded Abrasives	MT	122	165	104.82	139.25
Refractories	MT	216	154	152.42	120.37
Monolithics	MT	214	74	22.11	10.03
Ceramic Paper	Pcs	0	0	0	0
Waste	MT	98	287	1.18	5.00
				<b>577.41</b>	<b>667.82</b>
<b>Closing Stock</b>					
Fused Aluminum Oxide Grains	MT	1,174	1078	277.63	229.34
Calcined Products	MT	817	1657	74.35	67.54
Bonded Abrasives	MT	152	122	132.30	104.82
Refractories	MT	207	216	161.71	152.42
Monolithics	MT	187	214	25.29	22.11
Ceramic Paper	Pcs	0	0	0	0
Waste	MT	56	98	1.95	1.18
				<b>673.23</b>	<b>577.41</b>

**Notes :**

1. Turnover of Bonded Abrasives is the balancing quantity which includes free replacements, samples, breakages, claims, shortages, excesses etc., the quantum of which has not been separately determined.
2. The quantitative figures in respect of Bonded Abrasives and Refractories in Excise Records are available in numbers and the same have been converted into tonnage by the Management.
3. Differences in quantitative tally in respect of Refractories and Monolithics are on account of samples, free replacements, damages etc.

**11.3 Consumption of Raw Materials**

Class of Goods	Unit	Quantity		Value (Rs)	
		2005	2004	2005	2004
Raw Bauxite	MT	91,403	70,549	629.70	439.93
Calcined Alumina	MT	9,120	7,111	2,134.88	1,219.82
Others*				2,131.87	1,835.50
				<b>4,896.45</b>	<b>3,495.25</b>

\* In view of large number of items, it is not practicable to furnish quantitative information in respect of raw material consumption shown in others.

Note: Raw materials consumed is net of DEPB benefits amounting to Rs 80.97 (Previous year Rs. 17.41)

# ORIENT ABRASIVES LIMITED

## 11.4 Imported and Indigenous Raw Materials, Stores and Spares Consumed

	% of total consumption		Value	
	2005	2004	2005	2004
<b>Raw Materials</b>				
Indigenous	<b>92.22</b>	88.38	<b>4,515.66</b>	3,089.00
Imported	<b>7.78</b>	11.62	<b>380.79</b>	406.25
	<b>100.00</b>	100.00	<b>4,896.45</b>	3,495.25
<b>Stores and Spares</b>				
Indigenous	<b>96.90</b>	97.44	<b>1,187.01</b>	875.83
Imported	<b>3.10</b>	2.56	<b>37.99</b>	22.93
	<b>100.00</b>	100.00	<b>1,225.00</b>	898.76

## 11.5 Details of Goods Purchased for Resale

	Value	
	2005	2004
Opening Stock	<b>0.84</b>	0.33
Purchases	<b>50.04</b>	4.91
	<b>50.88</b>	5.24
Sales	<b>60.09</b>	5.15
Closing stock	<b>2.54</b>	0.84

In view of large number of items, it is not practicable to furnish quantitative information in respect of Goods purchased for resale.

## 12.0 Previous year Comparatives

Previous year's figures have been regrouped where necessary to conform to this year's classification.

As per our report of even date

for S.R.BATLIBOI & CO  
Chartered Accountants

Per Anil Gupta  
Partner  
Membership No. 87921

Place : New Delhi  
Date : May 25, 2005

For and on behalf of the Board of Directors

S.G.RAJGARHIA  
(Managing Director)

T.N.CHATURVEDI  
(Director)

R.K.RAJGARHIA  
(Chairman)

B.L.GUPTA  
(Vice President - Finance)

DEEPAK C.S.  
(Company Secretary)

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**I. Registration Details**

Registration No.	5854	State Code	55
Balance Sheet Date	31	03	2005

**II. Capital Raised during the year (Amount in Rs. Thousands)**

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	29910	Private Placement	NIL

**III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousand)**

Total Liabilities	817869	Total Assets	817869
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**Sources of Funds**

Paid-up Capital	99833	Reserves & Surplus (including Deferred Tax Liability)	423747
Secured Loans	221238	Unsecured Loans	73051

**Application of Funds**

Net Fixed Assets	357376	Investments	34
Net Current Assets	460459	Misc. Expenditure	NIL

**IV. Performance of Company (Amount in Rs. Thousands)**

Turnover (Including other Income)	1472862	Total Expenditure	1202735
Profit Before Tax	270127	Profit After Tax	206024
Earning per Share in Rs	33.91	Dividend Rate %	70

**V. Generic Names of Three Principal Products of Company (As per monetary terms)**

Item Code No. (ITC Code)	28182002
Product Description	Fused Aluminium Oxide Grains
Item Code No. (ITC Code)	69022023
Product Description	Slide Gate Refractory
Item Code No. (ITC Code)	68042201
Product Description	Grinding Wheels

S.G.RAJGARHIA  
(Managing Director)

T.N.CHATURVEDI  
(Director)

R.K.RAJGARHIA  
(Chairman)

Place : New Delhi  
Date : May 25, 2005

B.L.GUPTA  
(Vice President - Finance)

DEEPAK C.S.  
(Company Secretary)

**CASH FLOW STATEMENT AS AT MARCH 31, 2005**

	(All amount in Rs. Lacs)	
	2005	2004
<b>A. Cash Flow From Operating Activities</b>		
<b>Net Profit before taxation</b>	<b>2,701.27</b>	2,002.90
Adjustments for :		
Depreciation	<b>381.07</b>	300.08
Loss on disposal of fixed assets (net)	<b>29.77</b>	4.83
Provision for doubtful debts and advances	<b>(6.14)</b>	(12.09)
Dividend Income	<b>(0.22)</b>	-
Interest income	<b>(15.76)</b>	(4.25)
Interest expense	<b>202.62</b>	237.83
<b>Operating profit before working capital changes</b>	<b>3,292.61</b>	2,529.30
Movements in working capital:		
(Increase) in sundry debtors	<b>(540.50)</b>	(546.68)
(Increase) in Loans & Advances and Other Current Assets	<b>(162.25)</b>	(119.62)
(Increase) in inventories	<b>(988.08)</b>	(45.42)
Increase in current liabilities & provisions	<b>280.99</b>	305.16
<b>Cash generated from operations</b>	<b>1,882.77</b>	2,122.74
Direct taxes paid (net of refunds)	<b>(738.81)</b>	(471.00)
<b>Net cash from operating activities</b>	<b>1,143.96</b>	1,651.74
<b>B. Cash flow from investing activities</b>		
Purchase of fixed assets	<b>(1,714.05)</b>	(593.50)
Proceeds from sale of fixed assets	<b>11.68</b>	16.41
Dividend Income	<b>0.22</b>	-
Interest received	<b>15.61</b>	4.94
<b>Net cash (used in) investing activities</b>	<b>(1,686.54)</b>	(572.15)
<b>C. Cash flows from financing activities</b>		
Proceeds from Long term borrowings	<b>484.25</b>	-
(Repayments) of Long term borrowings	<b>(72.61)</b>	(214.95)
Proceeds / (Repayment) of short Term borrowings	<b>796.92</b>	(373.98)
Interest paid	<b>(193.25)</b>	(238.91)
Dividend paid	<b>(329.62)</b>	(193.32)
Tax on dividends paid	<b>(42.93)</b>	(25.31)
<b>Net cash from/(used in) financing activities</b>	<b>642.76</b>	(1,046.47)
<b>Net increase in cash and cash equivalents (A+B+C)</b>	<b>100.18</b>	33.12
Cash and cash equivalents at the beginning of the year	<b>302.03</b>	268.91
<b>Cash and cash equivalents at the end of the year</b>	<b>402.21</b>	302.03
<b>Components of cash and cash equivalent as at</b>		
cash and cheques on hand	<b>38.77</b>	90.99
With banks - on current accounts	<b>193.75</b>	160.12
- on cash credit account	<b>90.31</b>	-
- on deposit accounts	<b>64.94</b>	41.96
- on dividend warrant accounts	<b>14.34</b>	8.86
With post office savings bank account	<b>0.10</b>	0.10

Notes

- a) The cash flow statement has been prepared under "Indirect method" as set out in Accounting Standard-3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India.  
b) Negative figures have been shown in brackets.

As per our report of even date

For and on behalf of the Board of Directors

for S.R.BATLIBOI & CO  
Chartered Accountants

Per Anil Gupta  
Partner  
Membership No. 87921

Place : New Delhi  
Date : May 25, 2005

S.G.RAJGARHIA  
(Managing Director)

B.L.GUPTA  
(Vice President) (Finance)

T.N.CHATURVEDI  
(Director)

DEEPAK C.S.  
(Company Secretary)

R.K.RAJGARHIA  
(Chairman)

## MANAGEMENT

### BOARD OF DIRECTORS

(as on 25<sup>th</sup> May, 2005)

Mr R K Rajgarhia, Chairman  
Mr R S Bajoria  
Mr T N Chaturvedi  
Mr Umesh Kumar Khaitan  
Mr S G Rajgarhia, Managing Director

### BANKERS

UCO Bank  
HDFC Bank

### AUDITORS

S. R. Batliboi & Co.

### REGISTERED OFFICE

1307, Chiranjiv Tower  
43, Nehru Place  
New Delhi-110 019

### REGISTRAR & TRANSFER AGENT

Skyline Financial Services Pvt. Ltd.  
123, Vinobapuri  
Lajpat Nagar II  
New Delhi – 110 024  
Ph. : 011-29847136, 29833777  
Fax. : 011-29848352  
E mail : [admin@skylinerta.com](mailto:admin@skylinerta.com)

### WORKS

*Abrasives Grains & Power Division :*  
GIDC Industrial Area,  
Porbandar  
Gujarat-360 577

*Bonded Abrasives Divisions:*  
SP-148A, RIICO Industrial Area,  
Bhiwadi, Dist. Alwar (Rajasthan)

*Refractories Division :*  
SP-148B, RIICO Industrial Area,  
Bhiwadi, Dist Alwar(Rajasthan)  
13/1B, Mullathopu  
Mamangam Post  
Salem  
Tamil Nadu-636 302

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