

NOTICE

To the Members of ORIENT ABRASIVES LIMITED :

Notice is hereby given that the 35th 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, August 2, 2006 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, 2006 and the report of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr Tribhuvan Nath Chaturvedi who retires by rotation and being eligible offers himself for re-appointment.
3. To confirm the interim dividend paid on the preference shares for the year ended March 31, 2006.
4. To confirm the interim dividend paid on the preference shares for the period from April 1, 2006 to May 31, 2006 in connection with redemption of the preference shares on June 1, 2006.
5. To declare a final 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 a Special Resolution:
“RESOLVED THAT subject to the provisions of Sections 198, 269, 309 and Schedule XIII and other applicable provisions of the Companies Act, 1956, approval of the members of the Company be and is hereby accorded to the appointment of Mr S G Rajgarhia as Managing Director of the Company for a further term of 5 years w.e.f. October 1, 2006 upon the terms and conditions set out below :
 1. Basic Salary – in the limits of Rs. 100000/- to Rs. 300000/- per month. In the first year it shall be Rs. 1 lac per month. Thereafter the Board of Directors shall fix annual increments every year within the above ceiling. First increment shall be due from April 1, 2007. Other allowances, bonus and perquisites linked with basic salary shall also proportionately increase.
 2. Bonus/Ex-gratia – 20% of basic salary
 3. Perquisites :
 - a) Housing - Rent free furnished accommodation or house rent allowance in lieu thereof, either of which shall be subject to a maximum value of 50% of the basic salary.
 - b) Medical reimbursement – reimbursement of medical expenses incurred by self and dependant family members subject to a ceiling of one month's salary in an year or three months' salary over a period of three years.
 - c) Leave travel allowance – reimbursement of traveling expenses incurred by self and dependent family members once in an year subject to a ceiling of one months' basic salary.
 - d) Payment of club membership fees, credit card subscription and periodic bills and other recreational expenses subject to a ceiling of Rs. 20000/- per month.
 - e) Provision of chauffeur driven car (s) for official and personal purposes; Provision of telephone and internet at home and mobile phone. These facilities, to the extent used for official purposes, as far as can be ascertained, shall not be considered in the computation of limits of remuneration being approved herein.

The total of perquisites listed from 3 (a) to 3 (e) shall not exceed 100 percent of the basic salary mentioned at 1 above.



4. Company's contribution to Provident Fund, Super-annuation Fund, Annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961, gratuity payable at a rate not exceeding half month's salary for each completed year of service and encashment of leave at end of the tenure shall not be included in the above limits of remuneration provided it is within the limits of section I of Part II of Schedule XIII and also shall not be included in the limits of minimum remuneration, if any, becoming payable in the event of loss or inadequacy of profits remuneration herein.
5. Commission – over and above the remuneration mentioned aforesaid, at the rate of 2 % of the net profits or such other percent as the Board of Directors may fix every year, provided that the total remuneration including basic salary, bonus, perquisites and commission shall be within the overall limits laid down in Section 198 and 309 of the Companies Act, 1956.

FURTHER RESOLVED THAT in the event of loss or inadequacy of profit in any financial year during the tenure of Mr. S G Rajgarhia as Managing Director, the remuneration and perquisites as given above or such remuneration as would be permissible under paragraph 1 (B) of Section II in Part II of Schedule XIII, having regard to the effective paid up capital of the Company, shall be paid to him as minimum remuneration for a period of three years from the date of appointment.”

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

“RESOLVED THAT the members of the Company do hereby accord their approval under section 314 (1) and other applicable provision of the Companies Act, 1956, to the appointment of Ms Anisha Mittal, daughter of Mr. S G Rajgarhia, Managing Director of the Company, who holds an office of profit in the Company, for holding and continuing to hold the office or place of profit as Vice President (Corporate) or such other designation the management may assign in due course under a contract of service and at such remuneration as the Board of Directors has fixed or may vary in due course subject to a maximum remuneration not exceeding Rs. 50000 per month inclusive basic salary, other monthly allowances and perquisites and benefits in whatsoever form given.

FURTHER RESOLVED THAT the Board of Directors be and is hereby authorized to vary the terms of appointment including remuneration in due course without approval of the members provided that the total remuneration including all perquisites and allowances accruing from such office of profit shall not exceed Rs. 50000 a month.”

9. 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 Sections 294, 294 AA and all other applicable provisions of the Companies Act, 1956 and subject to the approval of Central Government, the members of the Company do hereby approve the terms and conditions of the Business Organisation Agreement between Orient Abrasives Ltd. and Grindwell Norton Ltd., a copy of which duly initialled by the Chairman for the purpose of identification was placed before this meeting, to the extent they purport to imply an appointment of sole selling agent for the bonded abrasives (grinding wheels) in the present markets of the Company in the entire territory of India for a period from June 1, 2006 to July 31, 2006 or such extended period as the Board of Directors of the Company and the said Party may mutually determine provided however that in any case such period does not go beyond 6 months.

FURTHER RESOLVED THAT the Board of Directors be and is hereby authorized to effect such modifications in the terms and conditions in the purported appointment as may be approved by the Central Government and agreed to by the Board of Directors and the said sole selling agent by implication.”

for ORIENT ABRASIVES LIMITED

Place : New Delhi
Date : May 29, 2006

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 22, 2006 (THURSDAY) TO JUNE 29, 2006 (THURSDAY) - BOTH DAYS INCLUSIVE. DIVIDEND ON EQUITY SHARES, 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 29, 2006 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 21, 2006 IN THE CASE OF THOSE HOLDING IN DEMAT MODE.
3. THE AMOUNT OF DIVIDEND REMAINING UNPAID FOR THE YEARS 2002-03, 2003-04 AND 2004-05, 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.
4. THE COMPANY SUB-DIVIDED THE FACE VALUE OF EQUITY SHARES FROM RS. 10 TO RE. 1 W.E.F. AUGUST 24, 2005. MEMBERS WERE ADVISED THROUGH A CIRCULAR DATED AUGUST 8, 2005 TO SURRENDER THEIR OLD SHARE CERTIFICATES FOR EXCHANGE WITH THE NEW ONES. MEMBERS WHO HAVE NOT ALREADY EXCHANGED THEIR OLD CERTIFICATES WHICH ANYWAY CEASED TO BE VALID FROM THAT DATE, MAY DO SO BY SENDING THE OLD CERTIFICATES TO THE REGISTERED OFFICE OF THE COMPANY. THE OLD CERTIFICATES ARE BEING ASKED FOR TO VERIFY GENUINENESS AND TO PROCURE INDEMNITY IN THE CASE OF LOST SHARE CERTIFICATES.
5. THE MEMBERS ARE REQUESTED TO GET THEIR SHARES DEMATERIALISED. THE COMPANY'S NEW ISIN CODE IS INE569C01020 PURSUANT TO CHANGE IN FACE VALUE.
6. 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.
7. 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.
8. EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956 IN RESPECT OF ITEM NOS. 7 TO 9 IS ANNEXED.

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956 IN RESPECT OF ITEM NO. 7 TO 9.

ITEM NO. 7

Mr. S G Rajgarhia's present term in the office of Managing Director would come to an end on September 30, 2006. The Board of Directors has felt that it is in the interest of the Company to reappoint him for a further period of 5 years w.e.f. October 1, 2006 considering the contribution made by him in the past years in taking the Company to its current position in the industry.

Accordingly a fresh agreement dated May 29, 2006 was entered into between the Company and Mr Rajgarhia subject to members' approval, appointing him as Managing Director for a further term of 5 years. According to Schedule XIII of the Companies Act, 1956, this appointment requires members' approval by way of ordinary resolution. However to provide for minimum remuneration in the event of loss or inadequacy of profits in any year, a special resolution is required to be passed by the members approving payment of remuneration for 3 years. The proposed special resolution combines both the appointment and payment of minimum remuneration. After a period of three years, the Board of Directors may again approach the members for provision of minimum remuneration. However the appointment and payment of remuneration in the case of sufficient profits shall remain intact for 5 years.

The information required to be given as per paragraph 1 (B) (iv) of Section II of Part II of Schedule XIII of the Companies Act, 1956 in the context of above appointment is given below :

I GENERAL INFORMATION

1) Nature of Industry :

The Company's activities can be classified under the engineering industry. It has three business divisions



including the Bonded Abrasives Division which is being sold to a competing corporate entity. The other divisions are the Abrasive Grains Division which manufactures fused and calcined alumina grains and the Refractory Division which manufactures refractory and monolithic products.

2) Commencement of Commercial Production

Commercial production of Abrasive Grains Division commenced in January 1975. The Bonded Abrasives Division commenced production in November 1980 while Refractory Division commenced commercial production in November 1985.

3) The financial performance for the year ended March 31, 2006 :

	(Rs. in lac)
Gross sales and income	18508.93
Operating profit	2958.78
Net profit	1573.81
EPS	2.59

II INFORMATION ABOUT THE APPOINTEE

Mr S G Rajgarhia, aged 59 years, is a successful entrepreneur and an accomplished industrialist having over 35 years of experience. He is a chemical engineer by profession; did his post graduate studies in USA acquiring a Masters degree from Massachusetts Institute of Technology (USA). He has been associated with the Company since inception and has been the Executive/Managing Director for the last more than 33 years.

Mr. Rajgarhia has managed the Company competently over the past years and helped it in becoming a successful business entity in the industry. His vast industrial experience and technical and commercial knowledge of the products helped the Company in enduring the difficult phases posed by industrial recession, financial problems, natural calamities and labour problems. Over the years the total turnover and profit have increased manifold. At present the gross turnover is about Rs. 185 crore and the gross profit for the year 2005-06 was about Rs. 22 crore.

Mr S G Rajgarhia is the Managing Director of the Company. He takes all the key policy decisions in consultation with the senior management team and under the supervision of the Board of Directors of the Company. He manages the affairs of the entire Company and also oversees the major day to day events in the Company. Heads of all the functional divisions and departments report to him on such periodic intervals as instructed.

The remuneration proposed to be paid to him is mentioned elsewhere in this Annual Report. The remuneration paid to him during the financial year 2005-2006 is as under :

	(Rs. in lac)
Total remuneration	38.49

The remuneration being paid by other comparable entities in the industry to their Managing Director is as under. The figures have been drawn from the published annual reports :

<u>Name of Company</u>	<u>Turnover (Rs. crore)</u>	<u>Remuneration (Rs. Lac)</u>
Carborundum Universal Ltd.	356.46	56.69
Vesuvius India Ltd.	195.88	44.06
IFGL Refractories Ltd.	113.87	62.80
Grindwell Norton Ltd.	360.49	108.90

Pecuniary relationship & relationship with managerial persons –

Mr S G Rajgarhia's pecuniary relationship is limited to the remuneration including commission he receives in the capacity of Managing Director and the dividend or other benefits accruing to shareholders to the extent of his shareholding.

He is related to Mrs. Usha Rajgarhia, as husband and to Mrs. Anisha Mittal, as father, both employees of the Company.

III OTHER INFORMATION

The profit of the Company during the financial year 2005-06 is adequate and it is expected that the Company will perform satisfactorily in the coming years making provision of minimum remuneration redundant.

However, there could be events or external factors beyond the control of the Company which would influence Company's profitability. Hence it is necessary to provide for minimum remuneration to adequately compensate the Managing Director in case of any such eventuality.

IV DISCLOSURES

The remuneration package is already explained in the foregoing paragraphs. The report on Corporate Governance which forms part of this Annual Report also gives various details related to remuneration and contract of service as required.

The Board of Directors recommends that his appointment be unanimously approved by the members. The appointment and the remuneration have been approved by the remuneration committee in its meeting held on May 29, 2006.

No director of the Company except Mr. S G Rajgarhia himself and Mr. R K Rajgarhia is interested or concerned in the resolution.

This may also be treated as an abstract of the terms of the contract between the Company and Mr. S G Rajgarhia and of the memorandum of interest under section 302 of the Companies Act, 1956.

The said contract is open for inspection on all working days during business hours at the registered office of the Company.

ITEM NO. 8

Ms. Anisha Mittal, aged about 31 years, is a commerce graduate with honours with a Masters in Business Administration degree from University of Pittsburgh, USA. She is the daughter of Mr S G Rajgarhia, the Managing Director. She was appointed as Vice President (Corporate) from February 14, 2005 by the Board of Directors.

Before joining the Company she worked with Ernst & Young both in India and in the United States for about 8 years. Ms. Mittal's sincerity, dedication and competence came to be noticed and appreciated by the Board of Directors which in the meeting held on May 29, 2006 decided to increase her remuneration and seek members' approval by way of special resolution as required by section 314 (1) of the Companies Act, 1956 for paying her upto Rs. 50000 a month.

The proposed special resolution for the same. Your directors recommend passing of the resolution with requisite majority.

None of the Directors except Mr S G Rajgarhia is concerned or interested in the resolution.

ITEM NO. 9

It may be recalled that vide a resolution passed through postal ballots on January 27, 2006, the members had kindly consented to a proposal under section 293 (1) (a) of the Companies Act, 1956 to sell the Bonded Abrasives Division of the company to Grindwell Norton Ltd. Subsequently final agreements were entered and it was decided that the Division shall be transferred on August 1, 2006 or on such extended date, as may be mutually decided. As stipulated in certain clauses of the agreement, there is a Business Organization Agreement under which products manufactured by the said Division during an intervening period of June 1, 2006 to July 31, 2006 would be primarily sold to the said Grindwell Norton Ltd. The draft of the said agreement is ready and it is likely to be executed by the parties very shortly. This is the agreement referred to in the resolution. The period of the Agreement may be extended by mutual consent as the Board of Directors of the Company and the said Grindwell Norton Ltd. may mutually determine.

Such an arrangement, however attracts the provisions of sub section 3 of section 294 (AA) of the Companies Act, 1956, and may be construed as an appointment of sole selling agent requiring approval of members through



special resolution and subsequent approval of the Central Government. The members may note that the Company does not intend to appoint any sole selling agent for commercial purposes and just in order that abundant compliance of the legal provisions be made and any potential violation be avoided, approval of members is being sought. The business organization arrangement and the implicit appointment of the sole selling agent is expected to come to an end on July 31, 2006 before this resolution would come up to the members for their consideration. However, to complete the legal formalities, after obtaining members approval, if any, the Company would go on to make an application to the Central Government even though the subject agreement may not be in force by that time.

Your Board of Directors recommends passing of the resolution unanimously.

None of the Directors of the Company is deemed to be concerned or interested in the resolution.

Brief resume of the Directors being re-appointed :

1. Mr Tribhuvan Nath Chaturvedi

Name	:	Mr Tribhuvan Nath Chaturvedi
Date of Birth	:	15/01/1959
Date of Appointment	:	30/07/2001
Expertise in field	:	Mr T N Chaturvedi is a chartered accountant qualified in the year 1987. He is a senior partner of a reputed Chartered Accountants' firm having more than 19 years of experience in institutional finance, corporate restructuring, financial due diligence, auditing, corporate law and taxation. He is on the Board of Directors of several well known listed companies and is also chairman of their audit committees.
His Directorship in other Companies	:	1. Perfectpac Ltd. 2. IVRCL Infrastructures & projects Ltd. 3. Hindustan Dorr – Oliver Ltd. 4. Perfect Softech Pvt. Ltd. 5. Chaturvedi Merchant Bankers Pvt. Ltd. 6. Jubilant Enpro Pvt. Ltd. 7. Surya Global Lighting Ltd. 8. Universal Cylinders Ltd.
His Committee membership in Orient Abrasives Ltd.	:	Chairman – Audit Committee, Remuneration Committee Member – Share Transfer Committee
His Committee membership in other Companies	:	IVRCL Infrastructures & Projects Ltd.- in following Committees : 1. Chairman – Share transfer & Investors Grievances Committee 2. Member - Compensation Committee 3. Member - Audit Committee
His shareholding in the Company	:	NIL

for ORIENT ABRASIVES LIMITED

Place : New Delhi
Date : May 29, 2006

Deepak C S
Company Secretary

DIRECTORS' REPORT

The Members,

Orient Abrasives Limited

Your Directors have pleasure in presenting the 35th Annual Report of the company along with the Audited Statements of accounts for the year ended 31st March, 2006.

FINANCIAL RESULTS

	(Rs.in lacs)	
	<u>2005-06</u>	<u>2004-05</u>
Gross Sales & Income	18508.93	16850.47
Profit before depreciation, Interest and Income-tax	2958.78	3269.20
Less : Depreciation	472.73	381.07
Interest	259.96	186.86
Profit before Income Tax	2226.09	2701.27
Less : Provision for Income Tax	(490.00)	(715.00)
Less : Fringe Benefit Tax	(23.65)	-
Add/(Less) : Deferred Tax Credit/(Liability)	(193.52)	42.05
Add : Income-tax Refund for Earlier Years	54.89	31.92
Net Profit for the year	1573.81	2060.24
Add : Balance brought forward from the previous year	1087.52	786.70
Amount available for appropriation	2661.34	2846.94
Appropriation :		
General Reserve	980.01	1250.00
Dividend :		
Preference Shares	24.00	28.00
Equity shares	418.74	418.74
Corporate Dividend Tax	62.09	62.68
Balance carried forward to Balance Sheet	1176.50	1087.52
	2661.34	2846.94

DIVIDEND

Preference Shares

Your Board of Directors declared an interim dividend @ 6% on the 4,00,000 cumulative preference shares of Rs. 100 each for the financial year 2005-06 and for the two months' period ended on May 31, 2006 of the current year. These interim dividends will be paid on June 1, 2006 and June 3, 2006 respectively pursuant to decision taken at the Board Meeting held on May 29, 2006. The said preference shares would be redeemed in full on June 1, 2006.

Total cash outflow including distribution tax in respect of above interim dividends is Rs. 27.37 lacs and Rs. 4.56 lacs respectively.

The members are requested to pass resolutions confirming these dividend payments.

Equity Shares

In view of the satisfactory performance of the Company in the year under review, your directors are pleased to recommend a final dividend @ 70% i.e. Re. 0.70/- per equity share for the year ended on March 31, 2006.

The total cash out-flow on account of this dividend payment including distribution tax is Rs. 477.47 lacs (Previous Year Rs. 337.42 lac).



SUB-DIVISION OF EQUITY SHARES

Face value of the equity shares of the Company was subdivided from Rs. 10 to Re. 1 w.e.f. August 24, 2005.

REDEMPTION OF PREFERENCE SHARES

The 4,00,000 cumulative preference share of Rs. 100 each aggregating Rs. 4,00,00,000/- would be redeemed on June 1, 2006 pursuant to the decision taken at the Board Meetings held on April 18, 2006 and May 29, 2006. Accumulated dividend @ 6% p.a. down to the date of redemption was also paid along with the redemption amount.

The Board of Directors had been authorized by the Articles of Association of the Company to redeem the preference shares at any time after 3 years but before 20 years from the date of issue of the preference shares. These preference shares had been issued on 31/03/1997 (356300 shares) and 28/05/1997 (43700 shares). The Board of Directors had felt it to be the right time for redemption in view of the healthy financial position of the Company.

SALE OF BONDED ABRASIVES DIVISION

As the members are aware of, during the year under review the Company decided to sell its business of grinding wheels (Bonded Abrasives Division) to an existing Company. In this regard, the approval of members was obtained by a resolution passed through postal ballots on January 27, 2006 and a final agreement was entered between the parties on April 18, 2006, according to which the business is expected to be transferred with effect from August 1, 2006. As per the agreement, the Company shall receive a consideration of Rs. 27.50 crore, subject to adjustment on account of net working capital. The consideration assumes net working capital on June 1, 2006 to be in the range of Rs. 6.50 crores to Rs. 7.50 crores. The consideration shall be reduced by the amount of deficit in the net working capital as on June 1, 2006 from Rs. 6.50 crore and shall further be increased or decreased as the case may be, by the amount of difference in net working capital between the date of transfer and June 1, 2006.

The sale proceeds is proposed to be deployed in augmenting the working capital and also in part financing its future capital expenditure including the installation of a captive thermal power plant with a capacity of 9 MW.

After the sale of the Bonded Abrasives Division, the Company will focus on its core businesses namely Abrasive Grains, where the Company is the largest producer in India and Refractories and Monolithics which promises significant potential for growth.

OPERATIONS REVIEW

Your Company achieved satisfactory results in the first three quarters and maintained the steady progress it had made in the last few years. However in the last quarter, the operations of the Company were adversely affected as a result of temporary closure of the Porbander Division on February 21, 2006 following a directive of the Gujarat Pollution Control Board. The Company appealed to the Hon'ble High Court of Gujarat to grant relief and the Hon'ble Court heard the submissions and kindly allowed resumption of industrial activity. The plant resumed operations on April 6, 2006. On account of the close down the Abrasives Grains Division incurred losses during the period.

The gross turnover of your Company for the year under review was Rs. 185.08 crores as compared to Rs. 168.50 crores for the preceding year. The Gross profit for the year under review was Rs. 22.26 crores and the net profit Rs. 15.74 crores as against Rs. 27.01 crores and Rs. 20.60 crores respectively of the previous year. The Company could not contain the increased manufacturing costs especially on account of power and fuel with a corresponding increase in sale price. This coupled with the problem of Porbander plant resulted in the decrease in profit.

The Refractory Division performed well yet again and increased its turnover to Rs. 108.17 crore from Rs. 92.40 crores in the previous year. There was also an increase in the export turnover with an increase in the number of customers in new geographical markets.

The Bonded Abrasives Division which is being disposed of in the current year, also made a steady progress with an 18% growth in revenues.

The Power Division continues to meet the energy needs of the Abrasives Grains Division. However the price of furnace oil, the fuel used by the Plant, increased by about 45-50% over the last one year. This resulted in a substantial increase in cost of power generation by the division.

The Abrasives Grains Division's revenue reduced from Rs. 79.39 crores to Rs. 77.72 crores during the year under review. The furnace oil factor was the main cause of the abnormal increase in the cost of production of this Division.

FUTURE PROSPECTS

Due to the sharp increase in the cost of furnace oil the Company is installing an additional Power Plant based on alternative fuel . The new plant can use lignite, coal or petroleum coke for power generation. Once fully operational this is expected to yield a substantial annual saving on power costs, thereby reducing the direct manufacturing costs of the Abrasive Grains Division. The installation process of the plant is in full swing and it is likely to be commissioned by the middle of year 2007.

Today the Company is unable to compete on price with Chinese suppliers on fused alumina products. This situation is expected to change once the new power plant is commissioned which would reduce the manufacturing costs. Thereafter the Company expects to be able to effectively compete with Chinese suppliers. Hence the Company is proposing to increase its manufacturing capacity of fused alumina products from 21,000 tonnes per annum to 36,000 tonnes per annum.

The operating results of the Company for the first two months in the current year are satisfactory. Once the divestment of Bonded Abrasives Division is complete, the Company is expected to improve upon the operating efficiency and return on capital employed considerably as the other two businesses are more profitable and the Company commands a good market share. Your directors are hopeful that the present trend of performance can be sustained by the Company in the years to come.

FIXED DEPOSIT

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

DIRECTORS

Mr Tribhuvan Nath Chaturvedi retires by rotation at the Annual General Meeting and being eligible offers himself for re-appointment. A brief resume of the appointee is given in the notice to the Annual General Meeting. Your directors recommend his re-appointment at the ensuing Annual General Meeting in the overall interest of the Company.

AUDITORS

M/s. S.R. Batliboi & 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 35th Annual General Meeting.

AUDITORS REPORT

Referring to paragraph 9a) of annexure to the Auditor's Report, there was some delay in depositing sales tax in Karnataka where tax was paid @4% on certain items due to ambiguity of provisions when VAT was introduced, whereas the applicable rate was 12.5% which on being clarified by the Department was corrected and balance paid. In case of service tax, the delay was by a day or two, which occurred due to mis-interpretation of the rule by concerned staff of the Company. However your directors are taking precautions and shall ensure that such instances are not repeated in future.

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 Tribhuvan Nath Chaturvedi (Chairman), Mr Rama Shanker Bajoria and Mr Umesh Kumar Khaitan, all independent directors.

LISTING ON THE NSE

The equity shares of the Company got listed and the trading commenced on the National Stock Exchange of India Ltd. (NSE) with effect from December 15, 2005. Besides the NSE, the equity shares are also listed and traded on the Bombay Stock Exchange Ltd. (BSE). The Calcutta Stock Exchange Association Ltd. has not de-listed the Company's equity shares so far for reasons best known to them.

CORPORATE GOVERNANCE

The amended Clause 49 of the listing agreement regarding corporate governance came into effect from January 1, 2006. The Company has made all necessary compliances and has adopted the required practices to fulfil the requirements of the clause.

The Report on Corporate Governance is being annexed to this Directors' Report. The Company has obtained a certificate by a firm of practising company secretaries regarding compliance of various requirements of corporate governance.

CODE OF CONDUCT

The Company has laid down a Code of Conduct for the Directors and Senior Management Personnel as specified. The Code was adopted in the Board Meeting held on December 13, 2005. It is available on the website of the Company www.orientabrasivesltd.com. A declaration by the Managing Director regarding annual affirmation of compliance of the Code by all concerned is annexed to the Report on Corporate Governance.

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 29, 2006

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 believes in employing the highest standards of corporate governance practices and policies by upholding the principles of transparency in transactions, disclosure of information, integrity, social accountability and statutory compliance. The Company also endeavors 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 Board strength. The total Board strength 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 2005-06	Whether attended AGM on 20/07/2005	No. of directorships in other public companies as on 29/05/2006		No. of committee positions held in other public companies as on 29/05/2006	
				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	5	Yes	0	2	0	0
Mr. Umesh Kumar Khaitan	Independent non-executive	4	No	0	10	0	4
Mr. T N Chaturvedi	Independent non-executive	5	Yes	0	4	1	1
Mr. S G Rajgarhia	Promoter, not independent executive	5	Yes	0	4	0	2

The dates of Board Meetings held during the year 2005-2006 are May 25, 2005 July 29, 2005 October 29, 2005 December 13, 2005 and January 31, 2006. 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.

Shareholding of non-executive directors in the Company as on the date of report is :

Name of the Director	No. of shares as on 29/05/2006	Percentage to total
Mr R K Rajgarhia	1440000	2.41
Mr R S Bajoria	44000	0.07

The Company has not issued any convertible instruments.

The Code of Conduct adopted w.e.f. December 13, 2005 is being followed by all concerned. The Code has been put on the Company's website.

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 2005-06
Mr T N Chaturvedi, Chairman	Independent, non-executive	4
Mr Umesh Kumar Khaitan	Independent, non-executive	4
Mr R S Bajoria	Independent, non-executive	4

The dates of meetings were May 25, 2005 July 29, 2005 October 29, 2005 And January 31, 2006 As can be noted, not more than 4 months did elapse between successive meetings. 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 on May 29, 2006 to approve the remuneration to be paid to Mr S G Rajgarhia in connection with his proposed re-appointment as Managing 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.

The remuneration that was being paid to the Managing Director till now is as per the package approved by the members in the 30th Annual General Meeting held on September 26, 2001 which comprises of basic salary, bonus and perquisites and commission @ 1% of the net profit..

- At the ensuing annual general meeting, the Managing Director is proposed to be reappointed on the following remuneration package :

Basic Salary	–	In the range of Rs. 100000/- to Rs. 300000/- per month subject to increments as decided by the Board of directors every year ;
Perquisites	-	like HRA, medical reimbursement, LTA and others subject a ceiling of 100% basic salary a month
Bonus/Ex-gratia	-	20% of basic salary
Commission	-	at such percentages as decided by the Board every year keeping the total remuneration within the limits of Schedule XIII

- The service contract is as per the appointment letter dated May 29, 2006 issued by the Company which on acceptance by Mr Rajgarhia has constituted an agreement between him and the Company which is subject to approval by the members at the Annual general Meeting.
- Since the Managing Director's appointment is governed by members' approval, no notice period or severance fees is applicable in his case.
- There are no other performance linked element of remuneration except the commission.
- The Company has not issued any stock option scheme to its employees or directors.

Details of remuneration paid to the Managing Director during 2005-2006

Executive Directors

Name	Salary (Rs.)	Perquisites (Rs.)	Contribution to PF (Rs.)	Commission (Rs.)
Mr S G Rajgarhia, Managing Director	10,08,000.00	4,70,434.00	1,05,000.0	22,66,000.0

His present appointment comes to an end on 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 2005-2006 as follows :

On June 30, 2005 and on December 13, 2005

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 2005-06 - 62

Total number of investor complaints remaining un-redressed as on March 31, 2006 – Nil

Pending share transfer cases as on 31/03/2006 – 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, 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 Annual General Meetings were held :

Annual General Meeting	Date & Time	Venue	Special Resolutions
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 Exchange
33rd Annual General Meeting	11/08/2004 at 11.00 A M	Vishwa Yuvak Kendra, Circular Road, Chanakyapuri, New Delhi – 110 021	None
34th Annual General Meeting	20/07/2005 at 11.00 A M	Vishwa Yuvak Kendra, Circular Road, Chanakyapuri, New Delhi – 110 021	1. Alteration of Article 3 of Articles of Association 2. Alteration of in Article 3 (II) of Articles of Association 3. Alteration of in Article 34A of Articles of Association 4. Alteration of in Article 126 of Articles of Association 5. Authorisation to Board for payment of sitting fees to non-executive directors.

No special resolution was passed through postal ballot. However an Ordinary Resolution was conducted through postal ballot as described below :

Ordinary Resolution u/s 293 1 (a) & 192A of the Companies Act, 1956 for disposing of Bonded Abrasives Division of the Company to Grindwell Norton Ltd., Mumbai – passed on January 27, 2006.

The postal Ballot process was scrutinized by M/s Jatin Gupta & Associates, New Delhi, a firm of practising Company Secretaries.

7. Disclosures

- 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.
- The Company at present does not have a whistle blower mechanism in place. However it may implement such a mechanism in future.
- The Company has at present not adopted the non mandatory requirements of corporate governance except for certain clauses regarding remuneration committee. However in line with its policy to ever improve the good corporate governance practices it is proposed to adopt all such practices in due course of time.

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

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

9. CEO/CFO Certification

Mr S G Rajgarhia, Managing Director and Mr B L Gupta, Vice President (Finance) have given the above certificate pertaining to financial year 2005-06 to the Board of Directors which was taken note of at the board meeting held on May 29, 2006.

10. General Shareholder information regarding present AGM, financial calendar etc, Names of stock exchanges where listed

Financial Calendar

Financial Year	:	April 1, 2005 to March 31, 2006
AGM	:	August 2, 2006
Book closure dates	:	June 22, 2006 to June 29, 2006
Dividend Payment date	:	On or after August 7, 2006
Quarterly results	:	Last week of July 2006, October 2006 January 2007 and April/June 2007

Listing on Stock Exchanges

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

- I The Bombay Stock Exchange Ltd. (BSE)
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai – 400 001
- II National Stock Exchange of India Ltd. (NSE)
Exchange Plaza
Bandra Curla Complex
Bandra (East)
Mumbai – 400 051
(Listing effective from December 15, 2005)

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 duly paid the listing fees to the BSE and the NSE for the year 2006-2007.

Scrip Code of the Company's Equity Shares

BSE	:	504879
NSE	:	ORIENTABRA EQ
ISIN Code	:	INE569C01020*

* The ISIN changed w.e.f. August 24, 2005 pursuant to subdivision of face value of the equity shares from Rs. 10 to Re. 1. Earlier it was 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 :

BSE

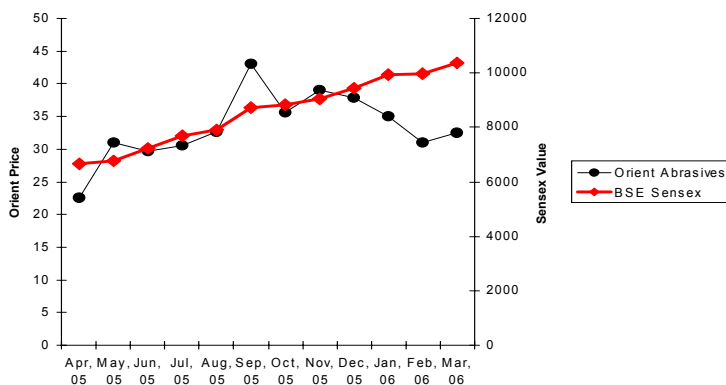
Month	High (Rs.)	Low (Rs.)	Volume	No. of trades	Net value (Rs. lac)
April, 2005	225.00	193.00	80779	1185	169.89
May, 2005	310.00	210.00	412293	4834	1117.78
June, 2005	297.00	256.50	128133	1819	358.53
July, 2005	305.00	256.05	166032	2087	469.71
August, 2005*	327.00	33.30*	1824708	8155	1085.92
September, 2005	43.00	30.80	2210336	9514	821.59
October, 2005	35.65	27.00	1365543	4364	449.18
November, 2005	38.95	28.75	1412986	6025	501.55
December, 2005	37.85	30.00	983685	4340	334.51
January, 2006	35.00	30.50	673691	3095	218.46
February, 2006	31.00	25.30	648088	2548	184.66
March, 2006	32.50	23.00	2219803	6997	601.52

NSE - from December 15, 2005 onwards**

Month	High (Rs.)	Low (Rs.)	Volume	Turn over in Rs. Lac
December, 2005	38.70	30.20	232416	76.37
January, 2006	34.50	30.00	346416	112.30
February, 2006	32.75	25.50	410321	115.61
March, 2006	32.90	23.00	1347405	370.58

* The face value of shares was subdivided from Rs. 10 to Re. 1 w.e.f. August 24, 2005

** On NSE the trading commenced w.e.f. December 15, 2005 because it was newly listed.

Performance in Comparison to BSE Sensex

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

Share transfer is done once in every 10 days. A share transfer committee comprising of Mr S G Rajgarhia (Chairman), an executive director and Mr T N Chaturvedi, 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 and the Company Secretary.

Distribution of shareholding

No. of equity shares held	As on 31/03/2006		As on 31/03/2005	
	Percent of share holders	Percent of shares	Percent of share holders	Percent of shares
1 to 5000	94.93	16.76	91.42	15.20
5001 to 10000	2.75	4.12	4.45	4.09
10001 to 100000	1.90	9.27	3.48	11.18
over 100000	0.43	69.84	0.65	64.52
	100.00	100.00	100.00	100.00

*Face Value on 31-03-2005 has been taken as Re. 1 to make the figures comparable.

Categories of Shareholders

Category	Number of shareholders		Voting strength %		Number of shares	
	31/03/2006	31/03/2005	31/03/2006	31/03/2005	31/03/2006*	31/03/2005
Promoter group (individuals)	15	14	46.41	46.09	27767321	2757002
Promoter group(Companies)	7	6	5.20	5.17	3113230	309194
UTI/Mutual Funds	2	2	3.80	2.62	2275600	156477
Banks and Financial Institutions	4	5	0.06	0.06	36500	3650
Other domestic companies/Trust	373	177	4.96	5.79	2968628	346246
NRIs/FIIs	101	60	2.06	2.61	1233723	156031
Indian public	11460	6947	37.44	36.40	22398398	2253360
Total	11962	7211	100.00	100.00	59819600	5981960

* No. of shares as on 31/03/2006 increased to ten times pursuant to subdivision of face value from Rs.10 to Re.1 w.e.f. 24/08/2005.

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 80.89 % of the total equity shares have been dematerialized out of which 35.12% has been rematerialized and the outstanding demat shares as on date is 45.77 %.

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, ho@oalindia.com
Website : <http://www.orientabrasivesltd.com>

DECLARATION REGARDING COMPLIANCE OF CODE OF CONDUCT

I, S G Rajgarhia, Managing Director of Orient Abrasives Limited do hereby declare and confirm that all the Board Members and the Senior Managerial Personnel have affirmed compliance of the Code of Conduct during the period from December 13, 2005 to March 31, 2006.

New Delhi
May 29, 2006

S G Rajgarhia
Managing Director

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, 2006, 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 29, 2006

(MAHIPAL GUPTA)
PROPRIETOR
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 in 1980 and the Refractory Division in 1985 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

The Abrasives Grains Division at Porbander 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 is captively consumed by the manufacturing divisions at Bhiwadi and are also sold in the domestic market. Some part of alumina grains is also exported but the quantum of export is not considerable when compared to the total turnover.

Bonded Abrasives Division

This Division is situated at Bhiwadi, Rajasthan.

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.

However this business is being transferred in the current year to a Company who is already in the business of grinding wheels. The process of transfer is expected to be completed in August, 2006. The Company, despite the best of efforts, has not been able to achieve the desired results from this Division. After disposing of this business, the Company shall be able to concentrate on the other two businesses for better results.

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 exports a fair share of its output to various overseas customers. The major export customers are based in Egypt, Turkey, Indonesia, Pakistan, Kingdom of Saudi Arabia, Sultanate of Oman, Greece, Spain and Austria.

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, 2006 increased to Rs. 185.09 crore, representing a growth of about 10 %. Gross profit and net profit were Rs. 22.26 crore and Rs. 15.74 crore respectively. The Company could not enhance its turnover as expected due to the suspension of production at the Porbander Division for a major part of the last quarter. The Company could also not adequately support the steep increase in the price of furnace oil during the year, a major raw material, by cost control measures in other areas or by increased sale price.

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 has also received ISO 9001 : 2000 certification for the plants at Bhiwadi.

HUMAN RESOURCES

The Company believes in the strength of human resources and that it 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 necessary 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, reducing cost of production, adopting energy saving measures, enhancing quality of output and providing better customer services. The new power plant at Porbander which is under installation uses a cheaper fuel and aims at reducing production costs substantially. The company shall very soon expand its production capacity of fused alumina products and is also expected to generate output at a much lower cost to be able to compete with Chinese suppliers on price with a better quality.

The Company expects to perform well in the coming years in view of the good demand for its products and the proposed power plant project which shall economise production. Besides, the Company would be able to market its fused alumina products at lower price resulting in higher demand.

The refractory business also shall further improve because of the continued increase in demand in the steel industry.

ANNEXURE 'C' TO THE DIRECTORS' REPORT

Statement of the Employees pursuant to Section 217 (2 A) of the Companies Act, 1956

Name/Age(Yrs) (Rs.)	Remuneration Nature of duties of employment	Designation/ Experience (Yrs)	Qualification & Commencement	Date of employment	Last
S G Rajgarhia (59)	38,49,434/-	Managing Director, Overall Management	B Tech. (Hons.), S.M. (MIT) 36 years	01/08/1973	–
S C Sarin (60)	31,55,170/-	President (Refractory)	B Tech (Hons)	15/06/1991	Steel Strips Ltd. (Gen. Manager)

- 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.
- Remuneration as above includes salary, commission, 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 the case of Mr S C Sarin, surrender value of key-man insurance policy assigned also.
- Mr S G Rajgarhia is a related to Mr R K Rajgarhia, Director of the Company. Mr S C Sarin is not related to any director of the Company.
- Employment is non-contractual subject to three months' notice on either side except in the case 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 is constantly trying 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.

	Rs.in lacs	
	<u>2005-06</u>	<u>2004-05</u>
A) Power & Fuel Consumption for Refractories		
1. ELECTRICITY		
Purchased :		
Units (in lacs)	35.85	33.42
Total amount (Rs. in lacs)	154.11	150.05
Rate/Unit (Rs.)	4.30	4.49
Own generation through D.G.Set :		
Units (in lacs)	2.15	2.22
Units per ltr.of Diesel Oil	3.20	3.25
Cost/Units (Rs.)	8.60	7.03
2. LDO/FO/C9 /HSD		
Qty.(Kilo ltr.)	16.36	16.35
Total cost (Rs.in lacs)	332.22	250.29
Average/Kilo ltr.(Rs.)	20308	15310
B) Consumption per Unit of Production for Refractories		
Electricity (Units)	537	564
LDO/FO/C9/Ltr.	231	260
FOREIGN EXCHANGE EARNINGS AND OUTGO		
Earned (Rs.in lacs)	1395.15	1113.20
Used (Rs.in lacs)	716.14	1056.21

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, 2006 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, 2006 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2006 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 31st March, 2006,
 - 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 29, 2006
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 in the previous year in accordance with a planned programme of verifying them 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.
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.
e) As informed, the Company has not taken any loans, secured or unsecured from 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) (f) and (g) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
4. In our opinion and according to the information and explanations given to us, there is an are adequate internal control procedures 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 controls 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 transactions 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 with parties with whom 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 delays in a few cases of deposit of Sales Tax and Service 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 including 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)
Income Tax Act, 1961	Disallowance of certain Expenditure for the financial year 2002-03	2.49	Commissioner of Income Tax, (Appeals), Delhi

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 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 29, 2006
Place : New Delhi

BALANCE SHEET AS AT MARCH 31, 2006

(All amount in Rs. Lacs)

	Schedules	2006	2005
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	998.33	998.33
Reserves and Surplus	2	5,176.50	4,107.51
		6,174.83	5,105.84
Loan Funds			
Secured Loans	3	2,117.53	2,218.59
Unsecured Loans	4	753.07	730.51
		2,870.60	2,949.10
Deferred Tax Liabilities (Net)	5	323.48	129.96
		9,368.91	8,184.90
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	6	6,920.22	6,025.56
Less : Depreciation		3,215.53	2,783.69
Net Block		3,704.69	3,241.87
Capital Work-in-Progress including Capital Advances		848.91	331.89
		4,553.60	3,573.76
Investments	7	0.34	0.34
Current Assets, Loans and Advances			
Inventories	8	2,983.37	2,821.32
Sundry Debtors	9	3,398.45	3,313.81
Cash and Bank Balances	10	385.17	402.21
Other Current Assets	11	26.45	34.16
Loans and Advances	12	710.86	625.22
		7,504.30	7,196.72
Less : Current Liabilities and Provisions			
Current Liabilities	13	2,121.73	2,028.01
Provisions	14	567.60	557.91
		2,689.33	2,585.92
Net Current Assets		4,814.97	4,610.80
		9,368.91	8,184.90
Notes to the Financial Statements	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 29, 2006

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, 2006

(All amount in Rs. Lacs)

	Schedules	2006	2005
INCOME			
Turnover (Gross)	15	18,508.93	16,850.47
Less : Excise duty		2,413.13	2,213.96
Turnover (Net)		16,095.80	14,636.51
Other Income	16	184.11	92.11
		16,279.91	14,728.62
EXPENDITURE			
Goods Purchased for Resale		33.82	50.04
Raw Materials Consumed	17	5,864.46	4,896.45
Personnel Expenses	18	1,613.28	1,483.48
Operating and Other Expenses	19	5,783.60	5,272.51
(Increase) in Inventories	20	(16.43)	(289.70)
Depreciation		472.73	381.07
Financial Expenses	21	302.36	233.50
		14,053.82	12,027.35
Profit before tax (Including profit from discontinuing operation Rs. 264.69, Previous year Rs. 126.75)		2,226.09	2,701.27
Fringe Benefit Tax		(23.65)	–
Provision for Current Tax		(490.00)	(715.00)
Deferred Tax (Charge)/ credit		(193.52)	42.05
Income Tax credit for earlier years (Net)		54.90	31.92
Total Tax (Expense) Including income tax expenses of discontinuing operation Rs. 89.09 (Previous year 46.38)		(652.27)	(641.03)
Profit for the year (Including profit from discontinuing operation Rs. 175.61, Previous year Rs. 80.37)		1,573.82	2,060.24
Balance brought forward from previous year		1,087.52	786.70
Profit available for appropriation		2,661.34	2,846.94
Appropriations :			
Interim Dividend on Preference Shares		24.00	–
Proposed Dividend on Preference Shares		–	28.00
Proposed Dividend on Equity Shares		418.74	418.74
Corporate Dividend Tax		62.09	62.68
Transfer to General Reserve		980.01	1,250.00
Surplus Carried to Balance Sheet		1,176.50	1,087.52
		2,661.34	2,846.94
Earning per Share	22		
Basic and Diluted [Nominal value of shares Re. 1 (Previous year: Rs. 10)]		2.59	3.39
Notes to the Financial Statements	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 29, 2006

S.G.RAJGARHIA
(Managing Director)

T.N.CHATURVEDI
(Director)

R.K.RAJGARHIA
(Chairman)

B.L.GUPTA
(Vice President - Finance)

DEEPAK C.S.
(Company Secretary)



CASH FLOW STATEMENT AS AT MARCH 31, 2006

	(All amount in Rs. Lacs)	
	March 31, 2006	2005
A. Cash Flow From Operating Activities		
Profit before tax	2,226.09	2,701.27
Adjustments for :		
Depreciation	472.73	381.07
Loss on disposal of fixed assets (net)	7.81	29.77
Provision for doubtful debts and advances	(0.77)	(6.14)
Dividend Received	(0.40)	(0.22)
Interest Received	(8.81)	(15.76)
Interest Paid	268.77	202.62
Operating profit before working capital changes	2,965.42	3,292.61
Adjustment for :		
(Increase) in Sundry Debtors	(78.28)	(540.50)
(Increase) in Loans & Advances and Other Current Assets	(48.88)	(162.25)
(Increase) in inventories	(162.05)	(988.08)
Increase in current liabilities & provisions	94.21	280.99
Cash generated from operating Activities	2770.42	1,882.77
Direct taxes paid	(484.08)	(738.81)
Net cash from operating activities	2286.34	1,143.96
B. Cash flow from investing activities		
Purchase of fixed assets	(1,476.86)	(1,714.05)
Proceeds from sale of fixed assets	16.48	11.68
Purchase of investments	(240.00)	(110.00)
Sale of investments	240.00	110.00
Dividend Income	0.40	0.22
Interest received	4.97	15.61
Net cash (used in) Investing Activities	(1,455.01)	(1,686.54)
C. Cash flows from Financing Activities		
Proceeds from Long term borrowings	-	484.25
(Repayments) of Long term borrowings	(332.28)	(72.61)
Proceeds from short term borrowings	249.45	796.92
Interest paid	(267.87)	(193.25)
Dividend paid	(434.99)	(329.62)
Tax on dividends paid	(62.68)	(42.93)
Net cash from/(used in) Financing Activities	(848.37)	642.76
Net Increase/(Decrease) in cash and cash equivalents (A+B+C)	(17.04)	100.18
Cash and cash equivalents at the beginning of the year	402.21	302.03
Cash and cash equivalents at the end of the year	385.17	402.21
Components of cash and cash equivalent as at		
cash and cheques on hand	36.13	38.77
Balances with Scheduled Banks :		
on current accounts	217.10	193.75
on cash credit account	68.86	90.31
on deposit accounts	36.90	64.94
on dividend warrant accounts	26.08	14.34
With post office savings bank account	0.10	0.10
	385.17	402.21

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 29, 2006

S.G.RAJGARHIA
(Managing Director)

B.L.GUPTA
(Vice President - Finance)

T.N.CHATURVEDI
(Director)

DEEPAK C.S.
(Company Secretary)

R.K.RAJGARHIA
(Chairman)

SCHEDULES TO THE ACCOUNTS

(All amount in Rs. Lacs)

 2006 2005
SCHEDULE — 1 : SHARE CAPITAL
Authorised

4,00,000 - 6% (Previous year : 7%) Redeemable Cumulative Preference Shares of Rs. 100/- each	400.00	400.00
97,500,000 Equity Shares of Re. 1/- (Previous year 9,750,000 Equity Shares of Rs.10/-) each	975.00	975.00
	<u>1,375.00</u>	<u>1,375.00</u>

Issued & Subscribed

4,00,000 - 6% (Previous year : 7%) Redeemable Cumulative Preference Shares of Rs. 100/- each	400.00	400.00
59,839,600 Equity Shares of Re. 1/- (Previous year 5,983,960 Equity Shares of Rs. 10/-) each	598.40	598.40
	<u>998.40</u>	<u>998.40</u>

Paid up

4,00,000 - 6% (Previous year : 7%) Redeemable Cumulative Preference Shares of Rs. 100/- each fully paid up	400.00	400.00
59,819,600 Equity Shares of Re. 1/- (Previous year 5,981,960 Equity Shares of Rs. 10/-) each fully paid up	598.20	598.20
	<u>998.20</u>	<u>998.20</u>
Add : Shares forfeited	0.13	0.13
	<u>998.33</u>	<u>998.33</u>

Notes:

- i) The Company sub-divided face value of its equity shares from Rs. 10 to Re. 1 on August 24, 2005, consequently issued and subscribed number of equity shares has increased from 59,83,960 to 5,98,39,600 and paid up number of equity shares has increased from 59,81,960 to 5,98,19,600.
- ii) 44,864,700 equity shares of Re. 1/- (Previous year 4,486,470 Equity Shares of Rs. 10/-) each were allotted fully paid by bonus shares by capitalization of Capital Redemption Reserve, Securities Premium and General Reserve.
- iii) The Company issued 356,300 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. The Board has decided to redeem the entire amount of cumulative preference shares in their meeting held on May 29, 2006.

SCHEDULE — 2 : RESERVES AND SURPLUS

Capital Redemption Reserve – Balance as per last account	–	20.00
Less: Utilisation for issue of Bonus Shares	–	<u>20.00</u>
	–	–
Securities Premium Account - Balance as per last account	–	49.09
Less: Utilisation for issue of Bonus Shares	–	<u>49.09</u>
	–	–
General Reserve		
Balance as per last account	3,019.99	2,000.00
Add : Transferred from Profit & Loss Account	980.01	1,250.00
	<u>4,000.00</u>	<u>3,250.00</u>
Less: Utilisation for issue of Bonus Shares	–	230.01
	<u>4,000.00</u>	<u>3,019.99</u>
Profit & Loss Account Balance	<u>1,176.50</u>	<u>1,087.52</u>
	<u>5,176.50</u>	<u>4,107.51</u>

	(All amount in Rs. Lacs)	
	2006	2005
SCHEDULE — 3 : SECURED LOANS		
Term Loans from a Bank*	155.04	484.25
Short Term Loan from a Bank*	–	300.00
Cash Credit Facilities from Banks	1,951.95	1,425.06
Liabilities under Deferred Payment*	–	3.07
Interest accrued and due on Cash Credit Facilities	10.54	6.21
	<u>2,117.53</u>	<u>2,218.59</u>

Notes:

- 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 to be further secured by mortgage by way of deposit of title deeds of the immovable fixed assets of the Porbandar Plant and Bhiwadi Plants of the Company (documents pertaining to Porbandar Plant have since been filed with the Registrar of the Companies). These loans are further secured by the personal guarantee of Managing Director of the Company.
- Short Term Loan from a bank were secured by first charge on entire current assets and movable fixed assets of the Company, both present and future, by way of subservient charge. This loan was further secured by personal guarantee of Managing Director of the Company.
- 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 are further secured by second charge on all immovable properties of the Porbandar Plant of the Company.
- Liabilities under Deferred Payment were to be secured by mortgage of building purchased under Deferred Payment.
- Non fund facility of Rs. 500.00 lacs availed from a bank is to be secured on the documents evidencing the titles to the goods.
- *Loans of Rs. 155.04 (Previous year Rs. 629.62) are repayable within one year.

SCHEDULE — 4 : UNSECURED LOANS

Fixed Deposits from Public*	223.07	219.61
Short Term Loans from:		
- Bodies Corporate	380.00	360.90
- A Bank*	150.00	150.00
	<u>753.07</u>	<u>730.51</u>

Note : *Deposits and short term loans of Rs. 233.66 (Previous year Rs. 200.00) 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	336.79	163.55
Income accrued but taxable on receipt	6.74	11.56
Gross Deferred Tax Liabilities	<u>343.53</u>	<u>175.11</u>

Deferred Tax Assets

Effect of expenditure debited to profit and loss account in the current year but allowable for tax purposes in future years	16.14	40.98
Provision for doubtful debts and advances	3.91	4.17
Gross Deferred Tax Assets	<u>20.05</u>	<u>45.15</u>
Net Deferred Tax Liabilities	<u>323.48</u>	<u>129.96</u>

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
Gross Block									
At 01.04.2005	11.96	20.48	19.49	605.61	5,002.06	123.16	242.80	6,025.56	4,632.90
Additions	1.64	12.80	-	109.44	751.40	12.26	72.30	959.84	1,606.18
Deductions	-	-	-	-	25.93	5.88	33.37	65.18	213.52
At 31.03.2006	13.60	33.28	19.49	715.05	5,727.53	129.54	281.73	6,920.22	6,025.56
Depreciation									
At 01.04.2005	-	4.27	6.49	224.32	2,429.82	62.61	56.18	2,783.69	2,574.69
For the year	-	3.54	7.80	19.83	407.78	9.42	24.36	472.73	381.07
Deductions	-	-	-	-	20.51	5.40	14.98	40.89	172.07
At 31.03.2006	-	7.81	14.29	244.15	2,817.09	66.63	65.56	3,215.53	2,783.69
Net Block									
At 31.03.2006	13.60	25.47	5.20	470.90	2,910.44	62.91	216.17	3,704.69	3,241.87
At 31.03.2005	11.96	16.21	13.00	381.29	2,572.24	60.55	186.62	3,241.87	
Capital Work in Progress									
Plant & Machinery								508.34	281.04
Buildings								145.06	32.91
Capital Advances (unsecured, considered good)								195.51	17.94
								848.91	331.89

Notes:

- Freehold Land, Building and Vehicles of the cost of Rs. 1.64 (Previous year Rs. Nil), Rs. 8.53 (Previous year Rs. 8.53) and Rs. 2.02 (Previous year Rs. 2.02) respectively are yet to be registered in the name of the Company.
- Fixed Assets of the cost of Rs. 25.95 (WDV Rs. 4.83), (Previous year Rs. 146.33 and Rs. 19.80 respectively) have been discarded during the year.
- Addition to Plant & Machinery includes Rs. Nil (Previous year Rs. 12.24) on account of capitalisation of interest.
- Addition to Leasehold Land represents the amount of out of court settlement of old case pertaining to land development charges, with Rajasthan State Industrial and Investments Corporation Limited.

(All amount in Rs. Lacs)

2006 2005

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
	<u>0.34</u>	<u>0.34</u>

Note: 2025077.205 (Previous year 928160.387) units of Rs. 10 each of P32D Prudential ICICI Liquid Plan-Daily Dividend Option were purchased and sold during the year.

SCHEDULE — 8 : INVENTORIES

Raw Materials	1,211.75	1,169.46
Stores and Spares	447.65	344.32
Goods Purchased for Resale	0.30	2.54
Work-in-Progress	643.83	631.77
Finished Goods	676.78	671.28
Waste	3.06	1.95
	<u>2,983.37</u>	<u>2,821.32</u>

SCHEDULE — 9 : SUNDRY DEBTORS (UNSECURED)
Debts outstanding for a period exceeding six months

Considered Good	168.50	132.93
Considered Doubtful	5.61	11.97

Others Debts:

Considered Good	3,229.95	3,180.88
-----------------	----------	----------

3,404.06 3,325.78

Less: Provision for Doubtful Debts 5.61 11.97

3,398.45 3,313.81

Included in Sundry Debtors are:

Due from Foreign debtors, not covered by Foreign Exchange Contracts 389.82 256.33

SCHEDULE — 10 : CASH & BANK BALANCES

Cash on hand (including cheques in hand Rs. 28.79 Previous year Rs. 32.52)	36.13	38.77
Balances with Scheduled Banks :		
On Current Accounts	217.10	193.75
On Cash Credit Account	68.86	90.31
On Fixed Deposit Accounts (Receipts pledged with Banks, Excise and Sales Tax Authorities for Rs. 25.51 Previous year Rs. 56.00)	36.90	64.94
On Dividend Warrant Accounts	26.08	14.34
Post Office Savings Bank Account	0.10	0.10
	<u>385.17</u>	<u>402.21</u>

SCHEDULE — 11 : OTHER CURRENT ASSETS

Surrender Value of Keyman Insurance Policy	20.02	31.58
Interest Receivable	6.43	2.58
	<u>26.45</u>	<u>34.16</u>

(All amount in Rs. Lacs)

2006 2005

SCHEDULE — 12 : LOANS & ADVANCES (Unsecured)
Considered Good

Advances recoverable in cash or in kind or for value to be received	537.82	488.31
Advance Tax/Tax deducted at Source (Net of Provision for Tax)	76.06	45.27
Deposits - Others	96.98	91.64

Considered Doubtful

Advances recoverable in cash or in kind or for value to be received	6.01	0.43
	716.87	625.65
Less : Provision for doubtful advances	6.01	0.43
	710.86	625.22

Notes : Included in Loans & Advances are :

i. Due from an officer of the Company	—	0.13
ii. Maximum amount due at any time during the year	0.13	0.54
iii. Due from Foreign parties, not covered by Foreign Exchange Contracts	1.24	—

SCHEDULE — 13 : CURRENT LIABILITIES

Sundry Creditors	1,923.01	1,791.76
Advances & Deposits from Dealers & Others	84.48	85.00
Interest Accrued but not Due on Loans	7.67	11.09
Unpaid Dividend (Statutory liabilities as referred in Section 205C of the Companies Act, 1956)	26.05	14.30
Other Liabilities	80.52	125.86
	2,121.73	2,028.01

Note : Included in Sundry creditors are :

i) Dues to small scale industrial undertakings (to the extent such parties identified from the available information/documents)	277.95	228.02
ii) Dues to other than small scale industrial undertakings	1,645.06	1,563.74
iii) Payable to Managing Director	24.36	29.37
iv) Payable to Foreign parties, not covered by Foreign Exchange Contracts	49.03	23.69

SCHEDULE — 14 : PROVISIONS

For Gratuity	—	2.28
For Leave Encashment	57.30	46.21
For Fringe Benefit Tax	5.47	—
For Interim Dividend on Preference Shares	24.00	—
For Proposed Dividend on Preference Shares	—	28.00
For Proposed Dividend on Equity Shares	418.74	418.74
For Corporate Dividend Tax	62.09	62.68
	567.60	557.91

(All amount in Rs. Lacs)

For the year ended 31st March, 2006 For the year ended 31st March, 2005

SCHEDULE — 15 : TURNOVER (GROSS)

Finished Goods (including sale of goods purchased for resale of Rs. 39.53, Previous year Rs. 60.09)	18,574.11	16,951.95
Waste	155.55	144.15
Miscellaneous	22.93	4.87
	18,752.59	17,100.97
Less : Sales return out of earlier year's sales	12.03	24.59
	18,740.56	17,076.38
Less : Turnover and Special Discounts, Claims, Rebates etc.	231.63	225.91
	18,508.93	16,850.47

SCHEDULE — 16 : OTHER INCOME

Surrender value of Keyman Insurance Policies	5.38	13.70
Service Revenue	41.46	28.85
Rent	0.28	0.36
Provision for doubtful debts and advances adjusted (net)	0.76	6.14
Dividend on Current Investments (other than trade)	0.40	0.22
Sales Tax Refunds	87.07	4.37
Miscellaneous income	48.76	38.47
	184.11	92.11

SCHEDULE — 17 : RAW MATERIALS CONSUMED

Inventories as at March 31, 2006	1,169.46	571.12
Add : Purchases*	6,128.78	5,735.74
	7,298.24	6,306.86
Less : Sales **	222.03	240.95
Less : Inventories as at March 31, 2006	1,211.75	1,169.46
	5,864.46	4,896.45

* including direct expenses relating to raising of Bauxite at Company's own mines amounting to Rs. 293.18 (Previous year Rs. 337.99)

** including profit on sale of raw materials Rs. 107.05 (Previous year Rs. 70.06)

SCHEDULE — 18 : PERSONNEL EXPENSES

Salaries, Wages and Bonus*	1,382.53	1,276.09
Contribution to Gratuity Fund	29.28	33.66
Contribution to Provident and Other Funds**	101.55	86.74
Workmen and Staff Welfare Expenses	99.92	86.99
	1,613.28	1,483.48

* including Rs. 16.94 (Previous year Rs. 68.61) being the surrender value of keyman insurance policies taken from LIC and transferred to some senior executives on maturity/before maturity.

** including Rs. 7.46 (Previous year Rs. Nil) for earlier years, but demand for the same has received during the year.

(All amount in Rs. Lacs)

For the year ended
31st March, 2006

For the year ended
31st March, 2005

SCHEDULE — 19 : OPERATING AND OTHER EXPENSES

Consumption of Stores and Spares	1,259.49	1,225.00
Power and Fuel	2,578.70	2,254.34
Packing Expenses	359.33	317.13
Rent	16.44	24.89
Excise Duty on Stocks and Others	(1.40)	19.66
Rates & Taxes*	52.26	35.90
Insurance	44.19	50.81
Managerial Remuneration (Refer Note No. 11.1 in Schedule 23)	38.49	43.71
Legal and Professional Fees	52.70	28.32
Vehicle Running & Maintenance	51.08	41.81
Repairs and Maintenance		
- Plant & Machinery (excluding Stores & Spares Consumed)	143.20	127.24
- Buildings	57.16	55.13
- Others	8.33	13.13
Freight & Forwarding Charges (Net)	416.86	368.37
Commission on Sales	332.69	303.74
Cash Discount on Sales	32.02	36.60
Other Selling Expenses	21.58	16.52
Travelling & Conveyance	119.81	106.82
Communication Costs	59.47	56.79
Printing and Stationery	28.16	25.04
Directors' Sitting Fees	2.65	1.85
Auditor's Remuneration		
- Audit Fee	8.00	8.98
- Quarterely Reviews	5.79	4.10
- Certification etc.	0.11	0.33
- Out-of-Pocket Expenses	0.98	0.91
Exchange Difference (Net)	5.06	1.72
Donations and Contributions	2.15	4.86
Debts and Other Balances Written off (Net)	24.02	9.55
Loss on Disposal of Fixed Assets (Net)	7.81	29.77
Miscellaneous Expenses	56.47	59.49
	5,783.60	5,272.51

* including Rs. 12.19 (Previous Year Rs. Nil) for earlier years, but demands for the same have received during the year

SCHEDULE — 20 : (INCREASE) IN INVENTORIES

Inventories as at March 31, 2006		
- Goods Purchased for Resale	0.30	2.54
- Work-in-progress	643.83	631.77
- Finished goods	676.78	671.28
- Waste	3.06	1.95
	1,323.97	1,307.54
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
	1,307.54	1,017.84
	(16.43)	(289.70)

	(All amount in Rs. Lacs)	
	For the year ended 31st March, 2006	For the year ended 31st March, 2005
SCHEDULE — 21 : FINANCIAL EXPENSES		
Interest		
on term loans	47.69	45.24
to a director	1.51	–
to banks & others*	210.77	141.62
Bank charges	42.39	46.64
	<u>302.36</u>	<u>233.50</u>

* Net of Interest Received Rs. 8.81, Previous year Rs. 15.76 (Gross, Tax Deducted at Source Rs. 0.99, Previous year Rs. 0.73)

SCHEDULE — 22 : EARNINGS PER SHARE (EPS)

Net profit as per Profit and Loss Account	1,573.82	2,060.24
Less : Dividend on Preference Shares (including Corporate Dividend Tax)	<u>27.37</u>	<u>31.93</u>
Net Profit available for equity shareholders	<u>1,546.45</u>	<u>2,028.31</u>
Opening number of Equity Shares for calculating Basic and Diluted EPS	5,98,19,600	29,90,980
Bonus Shares issued during the year	–	29,90,980
Closing number of Equity Shares for calculating Basic and Diluted EPS	5,98,19,600	59,81,960
Number of Equity Shares considered for calculating Basic and Diluted EPS (Previous year's figures have been revised due to subdivision of face value of equity shares during the year)	5,98,19,600	5,98,19,600
Basic and Diluted Earnings per Share	2.59	3.39

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 are consistent with those used in the previous year.

(b) 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.

(c) Depreciation

Depreciation on leasehold land and 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.

(d) Impairment

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.

(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 sale 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 and 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 Life Insurance Corporation of India (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 of current, fringe benefit and deferred taxes. Current income tax and fringe benefit tax are 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, bonus elements in rights issue to existing shareholders, share split, and reverse share split (consolidation of shares) subdivision of face value of equity 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, 2006 and March 31, 2005 and certain assets and liability information regarding business segments at March 31, 2006 and March 31, 2005.

Particulars	Fused Aluminum Oxide Grains Including Calcined Products		Bonded Abrasives (Discontinuing Operation)		Refractories & Monolithics		Consolidated Total	
	2006	2005	2006	2005	2006	2005	2006	2005
REVENUE								
External sales	4,937.65	5,194.05	2853.63	2,509.38	10,717.65	9,147.04	18,508.93	16,850.47
Inter-segment sales*	2,811.27	2,726.44	–	0	44.42	24.24	2,855.69	2,750.68
Other Income	22.75	18.88	104.43	1.19	54.95	69.12	182.13	89.19
Total revenue	7,771.67	7,939.37	2,958.06	2,510.57	10,817.02	9,240.40	21,546.75	19,690.34
RESULT	629.68	1,366.53	270.63	132.68	1,751.21	1,630.29	2,651.52	3,129.50
Unallocated Corporate Expenses (Net)							(165.46)	(241.36)
Operating Profit							2,486.06	2,888.14
Interest Expense							(259.96)	(186.87)
Taxes							(652.28)	(641.03)
Profit from Ordinary Activities							1,573.82	2,060.24
Segment Assets	5,487.86	4,815.74	1,245.47	1,361.17	5,111.99	4,351.39	11,845.32	10,528.30
Unallocated Corporate Assets							212.91	242.52
Total Assets							12,058.23	10,770.82
Segment Liabilities	666.31	816.45	372.63	346.81	979.19	748.34	2,018.13	1,911.60
Unallocated Corporate Liabilities							3,865.28	3,753.38
Total Liabilities							5,883.41	5,664.98
Other Information								
Capital Expenditure	1,279.07	1,275.93	22.68	26.66	165.08	377.10	1,466.83	1,679.69
Unallocated Capital Expenditure							10.02	34.36
Depreciation	317.19	235.88	33.73	34.02	108.21	97.45	459.13	367.35
Unallocated Corporate Depreciation							13.60	13.72

* 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:

	2006	2005
Domestic Market	17,061.93	15,693.08
Overseas Markets	1,447.00	1,157.39
Total	18,508.93	16,850.47

The following table shows the carrying amount of debtors by geographical markets

	2006	2005
Domestic Market	3,014.24	3,069.45
Overseas Markets	389.82	256.33
Total	3,404.06	3,325.78

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
- | | Relationship |
|---------------------------------|--------------------------|
| 1. Mr. S.G.Rajgarhia | Managing Director |
| 2. Mrs. Usha Rajgarhia | Wife |
| 3. Mr. R.K.Rajgarhia | Brother |
| 4. Mrs. Prabha Rajgarhia | Wife |
| 5. Mr. N.K.Rajgarhia | Brother |
| 6. Mrs. Rajkumari Rajgarhia | Wife |
| 7. Mr. S.K.Rajgarhia | Brother |
| 8. Mrs. Sulabha Rajgarhia | Wife |
| 9. Mr. P.K.Rajgarhia | Brother |
| 10. Mrs. Madhushree Rajgarhia | Wife |
| 11. Mrs. Sunita Bagla | Sister |
| 12. Ms Anisha Mittal | Daughter |
| 13. Mr. Ashwin Mittal | Son-in-Law |
| 14. Ms Bhawna Rajgarhia | Daughter |
| 15. Mr. P.P.Khanna | Key management personnel |
| 16. Mrs. Phabha Khanna | Wife |
| 17. S G Rajgarhia (HUF) | HUF |
| 18. R.K. Rajgarhia & Sons (HUF) | HUF |
| 19. RKR Foundation | Trust |
- 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. Rajgarhia Leasing & Financial Services Pvt. Ltd
 12. Biswaroop Estates Pvt. Ltd.
 13. AJR Fiscal Pvt. Ltd.
 14. Essvee Fiscal Pvt. Ltd.
 15. Delhi Pulp Industries Pvt. Ltd.
 16. Faridabad Paper Mills Ltd.

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	
	2006	2005	2006	2005	2006	2005	2006	2005
Sales to :								
Unifrax India Ltd.					0.14	5.81	0.14	5.81
Perfectpac Ltd.					0.00	0.77	0.00	0.77
Orient Steel & Industries Ltd.					0.68	1.59	0.68	1.59
Oriented Coated Pvt. Ltd.					5.55	–	5.55	–
Pyramid Abrasives Pvt. Ltd.					2.99	–	2.99	–
Others					0.04	0.15	0.04	0.15
Total Sales					9.40	8.32	9.40	8.32
Purchase of raw materials, stores and spares from :								
Unifrax India Ltd.					22.57	15.44	22.57	15.44
Perfectpac Ltd.					55.46	60.06	55.46	60.06
Others						1.91		1.91
Total Purchase					78.03	77.41	78.03	77.41
Commission Paid to Hindustan General Industries Ltd.					17.65	8.99	17.65	8.99
Rent paid to :								
Prabha Khanna			0.00	3.71			0.00	3.71
Bhawna Rajgarhia			5.04	4.92			5.04	4.92
Usha Rajgarhia			1.80	1.80			1.80	1.80
Madhushree Properties Pvt. Ltd.					1.80	1.80	1.80	1.80
Total Rent Paid			6.84	10.43	1.80	1.80	8.64	12.23
Guarantee given by S G Rajgarhia			685.00	1,700.00			685.00	1,700.00
Guarantee given by S G Rajgarhia released			450.0				450.00	
Interest Paid to :								
HGI Finance & Leasing Ltd.					6.38	12.58	6.38	12.58
Rovo Marketing Pvt. Ltd.					11.91	13.29	11.91	13.29
Hindustan General Industries Ltd.					4.17	0.89	4.17	0.89
P P Khanna			2.13	2.02			2.13	2.02
Prabha Khanna			2.13	2.01			2.13	2.01
S G Rajgarhia			1.51				1.51	–
Others			0.45			2.23	0.45	2.23
Total Interest Paid			6.22	4.03	27.16	28.99	33.38	33.02
Dividend paid to :								
S G Rajgarhia	68.25	55.33					68.25	55.33
S G Rajgarhia (HUF)			26.90	17.48			26.90	17.48
Usha Rajgarhia			20.48	15.27			20.48	15.27
Anisha Mittal			48.51	37.48			48.51	37.48
Bhavna Rajgarhia			23.70	19.90			23.70	19.90
Rovo Marketing Pvt. Ltd.					3.06	4.52	3.06	4.52
Faridabad Paper Mills Ltd.					6.31	4.51	6.31	4.51
Rajgarhia Leasing & Financial Services. Pvt. Ltd.					4.13	2.56	4.13	2.56
Delhi Pulp Industries Pvt. Ltd.					10.08	7.20	10.08	7.20
Others			25.53	19.68	1.49	1.09	27.02	20.77
Total Dividend Paid	68.25	55.33	145.12	109.81	25.07	19.88	238.44	185.02
Salary to :								
S G Rajgarhia			38.49	42.36			38.49	42.36
P P Khanna			20.37	63.47			20.37	63.47
Others			2.78	1.57			2.78	1.57
Total Salary			61.74	107.40			61.74	107.40
Sitting Fees to R K Rajgarhia			0.60	0.45			0.60	0.45

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	
	2006	2005	2006	2005	2006	2005	2006	2005
Loan taken from :								
HGI Finance & Leasing Ltd.						55.00		55.00
Rovo Marketing Pvt. Ltd.					8.00	315.60	8.00	315.60
Hindustan General Ind. Ltd.						45.00		45.00
S. G. Ragharhia			98.00				98.00	
Others						4.00		4.00
Total Loans Taken			98.00		8.00	419.60	106.00	419.60
Fixed Deposits Received from :								
P.P.Khanna			10.00	20.00			10.00	20.00
Mrs. Prabha Khanna			10.00	20.00			10.00	20.00
Ashwin Mittal			4.17				4.17	-
Total Fixed Deposits Received			24.17	40.00			24.17	40.00
Fixed Deposits Repaid:								
P.P.Khanna			10.00				10.00	
Mrs. Prabha Khanna			10.00				10.00	
Total Fixed Deposits Repaid			20.00				20.00	
Loans repaid to :								
HGI Finance & Leasing Ltd.					15.00	200.00	15.00	200.00
Hindustan General Industries Ltd.					20.00		20.00	
Rovo Marketing Pvt. Ltd.					218.90	228.50	218.90	228.50
S. G. Rajgarhia			98.00				98.00	
Others						10.35		10.35
Total Loans Repaid			98.00		253.90	438.85	351.90	438.85
Balance outstanding as at year end								
Receivable from :								
Unifrax India Ltd.					1.00	6.83	1.00	6.83
Orient Steel & Industries Ltd.						5.84		5.84
Orient Coated Pvt. Ltd.					5.55		5.55	
Pyramid Abrasives Pvt. Ltd.					1.34		1.34	
Total Receivable					7.89	12.67	7.89	12.67
Payable to :								
S G Rajgarhia			24.36	29.37			24.36	29.37
Usha Rajgarhia			0.32	0.39			0.32	0.39
Bhawna Rajgarhia			0.29	0.42			0.29	0.42
Anisha Mittal			0.19				0.19	
HGI Finance & Leasing Ltd.					55.00	70.00	55.00	70.00
Hindustan General Industries Ltd.					29.95	45.00	29.95	45.00
Rovo Marketing Pvt. Ltd.					0.00	210.90	0.00	210.90
Perfect Pack Ltd.					15.75	21.54	15.75	21.54
Unifax India Ltd.					4.44	0.00	4.44	0.00
P.P.Khanna			1.84	2.49			1.84	2.49
Others			0.09	0.20	0.35	1.93	0.44	2.13
Total Payable			27.09	32.87	105.49	349.37	132.58	382.14
Fixed Deposits Repayable								
P.P.Khanna			20.00	20.00			20.00	20.00
Mrs. Prabha Khanna			20.00	20.00			20.00	20.00
Ashwin Mittal			4.17	-			4.17	-
Total Fixed Deposits Repayable			44.17	40.00			44.17	40.00
-Outstanding Guarantees Given			4,075.00	3,840.00			4,075.00	3,840.00

Notes:

- 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.
- *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.

	2006	2005
5. Estimated amount of Contracts remaining to be executed on capital account and not provided for (Net of Capital advances Rs 195.51, Previous year Rs 17.94)	2225.61	49.07
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.	-	213.80
ii) Show Cause Notice of Rs.Nil (Previous year Rs. 23.95) and Demand of Rs. Nil (Previous year Rs. 6.62) raised by Excise Authorities being disputed by the Company. The Company has deposited a sum of Rs. Nil (Previous year Rs. 2.50) against the above demand. *	Nil	30.57
iv) Power claim matters decided in favour of the Company by the District Court (Civil Court, Senior Division, Porbandar) but Pashim Gujarat Vidyut Company Limited has gone into further appeal before Hon,ble High Court of Gujarat.**.	338.02	338.02
v) Demands raised by Sales Tax Authorities, being disputed by the Company. The Company has deposited a sum of Rs. Nil (Previous year Rs. 10.04) against the above demands, which is appearing under Loans and Advances. *	22.87	32.91
vi) Other Claim against the Company not acknowledged as debt	-	26.50
viii) Cases pending with Labour Courts(Amount)		(unascertainable)
*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 case already decided in favour of the Company by the District Court (Civil Court, Senior Division, Porbandar) and based on discussions with the solicitors, the management believes that the Company has a strong chance and hence no provision thereagainst is considered necessary.		
7. The Small scale industrial undertakings to whom the Company owes sums and which are outstanding for more than 30 days are Aashutosh Minerals, Anand Minerals supply, Ashiya Engineering Works, Ashok Engineering Works, Barunda minerals P Ltd., Daruka Enterprises, Duggar Polymers, Gajanan minerals P Ltd., Gajjar Bros, Hansors Bros, Harji Kara Hansora & Co., Matangi Plastic Industries, Om minerals & Chemicals, Paragon Engineers, PLT Industries, Prag Engg, Shree Anand Plastic Pack, Shree Bhardwaj Engg Work, Shree Gajjar Engg, Shree Krishna auto Engg Work, Silverline Plast Packs P Ltd., Swastik Engg, Vijay Industries, Zinc-O-India, Balaji Poly Packs, Panchjanya Plastics, Ashoka Gears Bhiwadi, Chandra Prabhu Industries, Exclusive Food Products, Forace Polymers P Ltd, Haass Hydraulic Engineers, Mukesh Printers, Perfect Pac Ltd., ASB Industries P Ltd., Bajaj Chemical Ind., Baljit Engg. P Ltd., Diamond Board International P Ltd., ITE Engineering P Ltd., Patel Industries, Perfect Gears Ind., Precision Engineers, Raj Rubber Industries, Rubber Tech, Shree Balaji Refractories Co and, Perfect Pac Ltd.		
8. a) The Company in the Meeting of the Board of Directors held on December 13, 2005 and duly approved by the Shareholders through Postal Ballots and further approved by the Board of Directors in the meeting held on April 18, 2006 decided to transfer the Grinding Wheel Division located at Bhiwadi, in the state of Rajasthan, to a party. The same is also a separate reporting segment in accordance with Accounting Standard "17" Segment Reporting issued by ICAI. The disposal is consistent with the Company's strategy to focus and to divest unrelated activities. The Company expects to complete all the sales formalities by the end of July 31, 2006.		
b) Based on an agreement with the party, the Company will get Rs.2750.00 on sale and transfer of Grinding Wheel Division as a going concern and by way of Slump Sale, subject to adjustment based on the value of the Net Working Capital as of June 1, 2006. The said consideration amount is higher than the carrying value of Grinding Wheel Division appearing in the books as at March 31, 2006 and hence no provision for impairment is required to be made.		
c) The revenue and expenses in respect of the operating activities attributable to above discontinuing operation for the year ended March 31, 2006 and 2005 are as follows. Comparative information for Grinding Wheel Division as at March 31, 2005 is also included in accordance with the Accounting Standard 24 on Discontinuing Operations.		

Particulars	March 31, 2006	March 31, 2005
Turnover (net of excise duty)	2,438.59	2147.29
Other Income	104.43	5.56
Operating Expenses	2,272.39	2020.17
Pre-tax profit from Operating Activities	270.63	132.68
Interest Expenses	5.93	5.93
Profit before tax	264.70	126.75
Income tax expenses	89.09	46.38
Profit from Operating activities after tax	175.61	80.37

c) The net cash flows attributable to the Grinding Wheel Division are as follows:

Particulars	March 31, 2006	March 31, 2005
Operating activities	428.10	(11.09)
Investing activities	(18.36)	(25.29)
Financing activities	(6.47)	(19.47)
Total Cash Inflows/ (Outflows)	403.27	(55.85)

9. 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. 2.00 (Previous year Rs. 1.75) for Wealth Tax.

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

	March 31, 2006	March 31, 2005
Personnel Expenses		
Salaries, Wages and Bonus	218.74	264.36
Contribution to Provident and other funds	1.48	1.27
Workmen and Staff Welfare Expenses	1.44	3.63
Operating and Other Expenses		
Consumption of Stores and Spares	1.38	1.34
Rent	0.71	0.56
Rates & Taxes	5.76	0.90
Royalty on Raw Bauxite (On dispatch to factory)	15.88	41.41
Insurance	0.08	0.17
Legal and Professional Fees	24.07	0.21
Vehicle Running & Maintenance	9.76	13.10
Repairs and Maintenance :		
- Plant & Machinery (excluding Stores & Spares Consumed)	0.01	0.01
- Buildings	0.36	0.36
- Others	0.19	0.14
Travelling & Conveyance	2.36	2.03
Printing and Stationery	0.81	0.46
Donations and Contributions	0.10	0.56
Bank Charges	0.03	0.02
Miscellaneous Expenses	10.02	7.46
TOTAL	293.18	337.99

11. Supplementary Statutory Information

11.1 Directors' Remuneration	2006	2005
Salaries	14.63	13.58
Commission	22.66	27.41
Contribution to Provident fund	1.05	0.97
Perquisites	0.15	1.75
	38.49*	43.71*

*Excluding contribution to Gratuity Fund / Provision for Leave Encashment and perquisite value of facilities provided to him Rs. Nil (Previous year Rs 0.57)

	March 31, 2006	March 31, 2005
11.2 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	2,226.09	2,701.27
<i>Add:</i>		
Directors' Remuneration	38.49	44.28
Director Fee	2.65	1.85
<i>Less:</i>		
Provision for Doubtful Debts and Advances adjusted (net)	(0.77)	(6.14)
Net profit as per Section 349 of the Companies Act, 1956	2,266.46	2,741.26
Commission to Managing Director @ 1% of the net profits as calculated above	22.66	27.41
11.3 Earnings in foreign currency		
Exports at F.O.B. Value	1,395.15	1,113.20
11.4 Expenditure in foreign currency (on accrual basis)		
Travelling	11.23	14.35
Interest	-	26.49
Legal and professional fees (net of taxes)	22.05	1.25
Others	71.74	67.21
	105.02	109.30
11.5 Value of imports calculated on CIF basis		
Raw Materials	574.57	420.71
Stores and Spares	32.62	184.62
Capital Goods	3.93	341.58
	611.12	946.91

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

12.1 Licensed Capacity, Installed Capacity and Actual Production

Class of Goods	Unit	Licensed	Capacity	Installed	Capacity*	Actual	Production
		2006	2005	2006	2005	2006	2005
Fused Aluminum Oxide Grains	MT	NA	NA	21,000	18,000	17,698	16,626
Calcined Products	MT	NA	NA	74,250	54,000	44,534	56,409
Bonded Abrasives	MT	NA	NA	3,600	3,600	2,276	2,106
Refractories	MT	NA	NA	9,000	9,000	7,088	6,324
Monolithics	MT	NA	NA	17,200	17,200	19,010	18,084
Ceramic Paper	Pcs	NA	NA	10,000	10,000	13,522	1,905
Slide Gate System	Set	NA	NA			-	3
Spares of Slide Gate System	Pcs	NA	NA			-	1,210
Waste	MT	NA	NA			5,782	7,761

* As Certified by the Management

Notes :

1. Production of Fused Aluminum Oxide Grains 5770 MT for captive consumption (Previous year 5579 MT).
2. Production of Calcined Products includes 27583MT for captive consumption (Previous year 28936 MT).
3. Production of Monolithics includes 1441MT for captive consumption (Previous year 1333 MT) & Nil MT received after job work (Previous year 256 MT).
4. Production of slide gate system includes Nil (Previous year 3 set) received after job work.
5. Production of spares of slide gate system includes Nil for captive consumption (Previous year 22 Pcs.) and Nil (Previous year 1210 Pcs.) received after job work.
6. Production of waste includes 111 MT used for captive consumption (Previous year 59 MT).

12.2 Sales & Stocks of Finished Goods
Sales

Class of Goods	Unit	Quantity		Value (Rs)	
		2006	2005	2006	2005
Fused Aluminum Oxide Grains	MT	12,381	10,951	3,548.33	3,382.46
Calcined Products	MT	17,033	28,313	1,199.81	1,671.05
Bonded Abrasives	MT	2,360	2,076	2,842.80	2491.00
Refractories	MT	6,893	6,319	7,887.10	6,521.92
Monolithics	MT	17,381	16,743	2,797.20	2,561.41
Ceramic Paper	Pcs	13,522	1,905	15.67	2.81
Slide Gate System	Set	–	3	–	5.37
Spares of Slide Gate System	Pcs	–	1,188	–	5.33
Waste	MT	5,620	7,744	155.55	144.15
Miscellaneous				22.93	4.87
				18469.39	16,790.37

Stocks

Class of Goods	Unit	Quantity		Value (Rs)	
		2006	2005	2006	2005
Opening Stock					
Fused Aluminum Oxide Grains	MT	1,174	1,078	277.63	229.34
Calcined Products	MT	817	1,657	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
				673.23	577.41
Closing Stock					
Fused Aluminum Oxide Grains	MT	721	1,174	192.15	277.63
Calcined Products	MT	735	817	67.16	74.35
Bonded Abrasives	MT	68	152	63.80	132.30
Refractories	MT	370	207	313.56	161.71
Monolithics	MT	277	187	40.11	25.29
Ceramic Paper	Pcs	0	0	0	0
Waste	MT	107	56	3.06	1.95
				679.84	673.23

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.

12.3 Consumption of Raw Materials

Class of Goods	Unit	Quantity		Value (Rs)	
		2006	2005	2006	2005
Raw Bauxite	MT	69,899	91,403	518.65	629.70
Calcined Alumina	MT	9,347	9,120	2,445.70	2,134.88
Others*				2,900.11	2,131.87
				5,864.46	4,896.45

* 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 75.21 (Previous year Rs. 80.97)

12.4 Imported and Indigenous Raw Materials, Stores and Spares Consumed

	% of total consumption		Value	
	2006	2005	2006	2005
Raw Materials				
Indigenous	90.51	92.22	5,307.65	4,515.66
Imported	9.49	7.78	556.81	380.79
	100.00	100.00	5,864.46	4,896.45
Stores and Spares				
Indigenous	97.09	96.90	1,222.88	1,187.01
Imported	2.91	3.10	36.61	37.99
	100.00	100.00	1,259.49	1,225.00

12.5 Details of Goods Purchased for Resale

	Value	
	2006	2005
Opening Stock	2.54	0.84
Purchases	33.82	50.04
	36.86	50.88
Sales	39.54	60.10
Closing stock	0.30	2.54

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

13.0 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 29, 2006

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	2006

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

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

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

Total Liabilities	936891	Total Assets	936891
Sources of Funds			
Paid-up Capital	99833	Reserves & Surplus (including Deferred Tax Liability)	549998
Secured Loans	211753	Unsecured Loans	75307
Application of Funds			
Net Fixed Assets	455360	Investments	34
Net Current Assets	481497	Misc. Expenditure	NIL

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

Turnover (Including other Income)	1627991	Total Expenditure	1405382
Profit Before Tax	222609	Profit After Tax	157382
Earning per Share in Rs	2.59	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 29, 2006

B.L.GUPTA
(Vice President - Finance)

DEEPAK C.S.
(Company Secretary)

35th
Annual Report
2005-06



ORIENT ABRASIVES LIMITED

ORIENT ABRASIVES LIMITED

Regd. Office : 1307, Chiranjiv Tower, 43, Nehru Place, New Delhi - 110 019

PROXY FORM

I/We of
..... in the district of
..... being member/s of the
above named company hereby appoint
of in the district of
or failing him of in the
district of as my/our proxy to attend and vote for me/us and on my/our behalf
at the Thirty Fifth Annual General Meeting of the Company to be held on Wednesday, the 2nd day of August, 2006
at 11.00 A.M. and at any adjournment thereof.

Signed this day of

Signature

Folio No. / DP ID No. and Client ID No.*

No. of shares held

Affix
Revenue
Stamp

Note : The Proxy must be returned so as to reach the Registered Office of the Company not less than 48 hours before the
time fixed for holding the aforesaid meeting.

* Applicable in case of Shares held in electronic mode.

- Tear Here -

ORIENT ABRASIVES LIMITED

Regd. Office : 1307, Chiranjiv Tower, 43, Nehru Place, New Delhi - 110 019

ATTENDANCE SLIP

Please complete this attendance slip and hand it over at the entrance of the Hall.

I hereby record my presence at the Thirty Fifth Annual General Meeting of the Company held at Vishwa Yuvak Kendra,
Circular Road, Chanakyapuri, New Delhi – 110 021 on Wednesday, the 2nd day of August, 2006 at 11.00 A.M.

Full Name of the Member (in Block Letters)

Full Name of Proxy, if applicable

Folio No. / DP ID No. and Client ID No.*

No. of Shares held

* Applicable in case of Shares held in electronic mode.

Signature of Member/Proxy

**PLEASE NOTE NO GIFT / GIFT COUPONS SHALL BE
DISTRIBUTED AT THE ANNUAL GENERAL MEETING**

BOOK POST

If undelivered please return to:

ORIENT ABRASIVES LIMITED

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

MANAGEMENT

BOARD OF DIRECTORS

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

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)

Salem Division :
 13/1B, Mullathopu
 Mamangam Post
 Salem
 Tamil Nadu-636 302

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ORIENT ABRASIVES LIMITED

To

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

FORM FOR ECS MANDATE/ BANK MANDATE

(Not to be filled by shareholders holding in dematerialised form)

I/We, do hereby authorise Orient Abrasives Limited to :

Credit my dividend directly to my Bank account as per details furnished below by Electronic Clearing Service (ECS)
– ECS Mandate *

Print the details of my Bank Account as furnished below, on my dividend warrant which will be mailed to me
– Bank Mandate *

(* Strike out whichever is not applicable)

Folio No.

A. Bank Name	
B. Branch	
C. Bank Address	
D. Bank Account Number	
E. Account Type (Savings/Current)	
9 Digit Code number of the bank & branch as appearing on the MICR cheque (for ECS Mandate only). Please attach photocopy of the cheque	
STD Code & telephone number of Shareholder (optional)	

I/we shall not hold the Company responsible if the ECS mandate could not be implemented for reasons beyond the control of the Company.

Signature of shareholder (s)
(as per specimen lodged with the Company)

Note :

Kindly note that ECS Facility is currently available to shareholders located

You may contact the Company's share 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

for any clarifications you may need on the ECS/Bank Mandate.