

## NOTICE

To the Members of ORIENT ABRASIVES LIMITED :

Notice is hereby given that the 38<sup>th</sup> Annual General Meeting of the Members of Orient Abrasives Limited will be held at Hindi Bhawan, 11, Vishnu Digambar Marg (Near Bal Bhawan), New Delhi-110 002 on Monday, August 3, 2009 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, 2009 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 appoint a Director in place of Mr Prem Prakash Khanna who retires by rotation and being eligible offers himself for re-appointment.
4. To declare final dividend on equity shares.
5. 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

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

“RESOLVED THAT pursuant to the recommendation of the Board of Directors of the company and Article 58 of the Articles of Association of the company, and in accordance with the guidelines issued from time to time by Securities and Exchange Board of India (SEBI), and such provisions of the Companies Act, 1956 as may be applicable and subject to such other permissions/consents as may be required pursuant to any agreement/law, the Board of Directors of the Company be and is hereby authorised to issue bonus shares to the equity shareholders of the company in the ratio of one equity share of Re.1/- each credited as fully paid up for every one fully paid up equity share held by them on the record date to be fixed by the Board, by capitalizing an amount not exceeding Rs. 5,98,19,600/- (Rupees five crore ninety eight lac nineteen thousand six hundred only) standing to the credit of Capital Redemption Reserve Account and General Reserve Account and that accordingly a sum of Rs. 4,00,00,000 from the Capital Redemption Reserve Account and Rs. 1,98,19,600 from the General Reserve Account be transferred to share capital and be set free for distribution as a capital bonus and that accordingly it is hereby declared that a sum of Rs. 5,98,19,600/- (Rupees five crore ninety eight lac nineteen thousand six hundred only) be applied for paying up in full equity shares of Re.1/- each of the company not exceeding 5,98,19,600 (five crore ninety eight lac nineteen thousand six hundred only) to the members who on the date decided by the Board, are registered holders of the then existing shares of Re.1/- each (Rupee one only) of the company.

RESOLVED FURTHER THAT the said equity shares to be issued as fully paid up bonus shares are subject to the Memorandum and Articles of Association of the company and shall rank pari-passu in all respects with the existing issued and subscribed shares of the company.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to take all other steps as may be necessary to give effect to the aforesaid resolution and determine all other terms and conditions of the issue of bonus shares as the Board may in its absolute discretion deem fit.”

7. 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 the Articles of Association of the Company and section 94 of the Companies Act, 1956 and other applicable provisions, if any, the Authorised Share Capital of the Company be and is hereby increased from Rs. 13,75,00,000 (Rupees thirteen crore seventy five lac) to Rs. 16,00,00,000 (Rupees sixteen crore only) by creation of another 2,25,00,000 equity shares of Re. 1/- each.

RESOLVED FURTHER THAT the existing clause 5 of the Memorandum of Association of the Company be and is hereby deleted and in its place the following clause 5 be substituted:

Clause 5. The Authorised Share Capital of the Company shall be Rs. 16,00,00,000/- (rupees sixteen crore only) divided into 12,00,00,000/- (twelve crore) equity shares of Re 1/- each (Rupee one only) and 4,00,000 (Four lac only) Preference Shares of Rs. 100/- each (Rupees one hundred only)

RESOLVED FURTHER that pursuant to the provisions of section 31 of the Companies Act, 1956 and other applicable provisions, if any, the existing clause 3 of the Articles of Association of the Company be and is hereby deleted and in its place the following clause 3 be substituted :

Clause 3. The Authorised Share Capital of the Company shall be such amount and be divided into such shares as may, from time to time, be provided in Clause 5 of the Memorandum of Association of the Company. The Company will have the power to subdivide, consolidate and increase or decrease and with power, from time to time, to issue any shares of the original capital with and subject to any preferential, qualified or special rights, privileges or conditions as may be thought fit and upon the subdivision of shares, to apportion the right to participate in profits in any manner as between the shares resulting from sub-division."

8. 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 Section 198, 269, 309, 314 and other applicable provisions of the Companies Act, 1956, read with Schedule XIII of the Companies Act, 1956, the approval of the members of the Company be and is hereby accorded to the appointment of Mr Prem Prakash Khanna as a whole-time director of the Company by the Board of Directors, designated as Executive Director, for a period of 3 years w.e.f. May 2, 2009 upon the following terms and conditions

- (i) Basic Salary – in the range of Rs. 165000/- to Rs. 250000/- per month. In the first year, i.e, from 02/05/2009 to 31/03/2010, Rs. 1,65,000 pm will be paid. Thereafter the Board of Directors shall fix annual increments every year within the above scale. First increment shall become due from April 1, 2010. Other allowances, bonus, perquisites etc. shall also increase accordingly.
- (ii) Bonus/Ex-gratia : As may be payable to the senior executives of the Company but not exceeding 20% of the basic salary.
- (iii) A lump-sum payment not exceeding Rs. 10,00,000 per annum as may be approved by the Board, which is payable in every financial year once during the term of Mr P P Khanna. The first of such payments will be made during the financial year 2009-10.
- (iv) 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) Supply of water, gas and electricity – free of charge subject to a ceiling of 10% of the basic salary;
  - c) Medical reimbursement – Medical expenses incurred for self and family, subject to a ceiling of one month's salary in an year or three months' salary over a period of three years. He is also entitled to a medical insurance cover for Rs. 2 lac at present which may be increased in due course, under a group mediclaim policy taken by the Company and the proportionate premium on the same may also be taken as a perquisite ;
  - d) Leave travel concession/allowance – Reimbursement of travelling expenses of self and dependent family members once in an year incurred in accordance with the rules of the Company ;
  - e) Subscription to newspapers and other magazines at home ;
  - f) Car with driver and telephone – free use of Company's car(s) with driver and free telephone/internet facility at residence for official as well as personal use. The car and telephone used for official purposes shall not be included in the computation of remuneration ;
  - g) Company's contribution to Provident Fund to the extent not taxable under the Income-tax Act, gratuity according to the Company's rules and encashment of leave at the end of the tenure shall not be included in the limits for the remuneration or perquisites.

The total of perquisites listed at (iv) shall not exceed the amount of basic salary payable as above.

FURTHER RESOLVED THAT in the event of loss or inadequacy of profit in any financial year of the Company during the term of office of Mr P P Khanna as Executive Director, the remuneration payable to him shall be paid to him as minimum remuneration provided that the total remuneration by way of salary, ex-gratia, perquisites and other

allowances shall not exceed the limits prescribed from time to time in paragraph 1 (B) of Section II in Part II of Schedule XIII of the Companies Act, 1956.”

9. 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, subject to the approval of the Central Government, do hereby accord its approval under section 314 (1B) and other applicable provision of the Companies Act, 1956, and the Rules made thereunder, to the appointment and remuneration 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 Sr. Vice President (Corporate) or such other designation the management may assign in due course on the following terms and conditions of appointment and remuneration:

#### **Validity of Appointment**

The appointment will be valid for a period of 3 years from 04/08/2009 to 03/08/2012 ;

#### **Remuneration**

- (i) Basic Salary – in the range of Rs. 90000/- to Rs. 150000/- per month. In the first year, i.e, from 04/08/2009 to 31/03/2010, Rs. 90,000 pm will be paid. Thereafter the Board of Directors shall fix annual increments every year within the above ceiling. First increment shall become due from April 1, 2010. Other allowances, bonus, perquisites etc. shall also increase accordingly. The Board of Directors will ensure that the increment in salary shall not be more than that what shall be given to the similarly placed employees in the Company.
- (ii) Bonus/Ex-gratia : As may be payable to the senior executives of the Company but not exceeding 20% of the basic salary.
- (iii) A lump-sum payment not exceeding Rs. 2,00,000 per annum as may be approved by the Board, which is payable in every financial year once during the term of appointment of Ms Anisha Mittal. The first of such payments will be made during the financial year 2009-10, anytime after 04/08/2009. It will be ensured that the said lump-sum payment does not exceed such amount paid to the similarly placed employees. No such payment will be made if such payment is not made to similarly placed employees in any financial year.
- (iv) Perquisites :
  - a) Housing – House rent allowance subject to a maximum value of 40% of the basic salary ;
  - b) Medical reimbursement – Medical expenses incurred for self and family, subject to a ceiling of one month's salary in an year or three months' salary over a period of three years. She is also entitled to a medical insurance cover for Rs. 2 lac at present which may be increased in due course, under a group mediclaim policy taken by the Company and the proportionate premium on the same may also be taken a perquisite ;
  - c) Car with driver and telephone – free use of Company's car(s) with driver and free telephone/internet facility at residence for official as well as personal use. The expenses on car used for official purpose shall be reimbursed on actual basis as per Company rules and shall not be included in the computation of remuneration. However, the cost for driver and cost of maintenance of car excluding that incurred for official purpose will be considered as a perquisite . ;
  - d) Company's contribution to Provident Fund which is at present @ 12% of basic salary, and leave encashment per year which equals 15 days basic salary i.e, 4.66% shall also be paid.

The total of perquisites listed at (iv) shall not exceed the 100% amount of basic salary payable as above.

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 be in excess of the limits approved by the Central Government subsequently.”

10. 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, 310, 311 and Schedule XIII and other applicable provisions of the Companies Act, 1956, approval of the members of the Company be and is hereby accorded for the remuneration and minimum remuneration to be paid to Mr S G Rajgarhia as Managing Director of the Company for his remaining term of 2 years of the appointment w.e.f. October 1, 2009 to September 30, 2011

upon the terms and conditions set out below, which is the same as that approved by the members in the 35<sup>th</sup> Annual General Meeting held on August 2, 2006 :

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 travelling expenses incurred by self and dependent family members once 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 months 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 Part II in Section 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 two years w.e.f. October 1, 2009."

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

"RESOLVED THAT pursuant to provisions of Section 293 (1) (d) of the Companies Act, 1956, the consent of the Company is hereby accorded to the Board of Directors of the Company to borrow any sum or sums of money from time to time, on such terms and conditions and with or without security as the Board of Directors may deem fit from banks, financial institutions or any other kind of lenders notwithstanding that the money to be borrowed together with the money already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid up share capital of the Company and its free reserves, that is to say, reserves not so set aside for any specific purposes, provided however that the total amount so borrowed and remaining outstanding at any particular time shall not exceed Rs. 150 crores."

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

RESOLVED THAT pursuant to the provisions of section 293(1)(a) and other provisions, if any, of the Companies Act 1956, the consent of the Company be and is hereby accorded to the Board of Directors of the Company to mortgage or charge all or any part of immovable or movable properties of the company, where so ever situated, both present and future, and whole or part of the undertakings of the Company of any nature and kind whatsoever and/or creating a floating charge in all or any immovable properties of the company together with the powers to takeover the managements of the business and concern of the company, in certain events, to or in favour of banks, financial institutions any other lenders to secure the amount borrowed/to be borrowed by the Company from time to time for the due payment of the principal monies together with the interest and other charges payable by the company in respect of such borrowings, provided however that the total amount so borrowed and remaining outstanding at any particular time which will be secured by such charge/mortgage shall not exceed Rs. 150 crores.

RESOLVED FURTHER that the Board of directors of the Company be and is hereby authorised to finalise the documents for creating the aforesaid mortgages and/or charges and to do all such acts, deeds, matters and things as may be necessary to give effect to this resolution.”

for ORIENT ABRASIVES LIMITED

Place : New Delhi  
Date : June 23, 2009

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 JULY 3, 2009 (FRIDAY) TO JULY 10, 2009 (FRIDAY) - 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 JULY 3, 2009 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 JULY 2, 2009 IN THE CASE OF THOSE HOLDING IN DEMAT MODE.
3. THE AMOUNT OF DIVIDEND REMAINING UNPAID FOR THE YEARS 2002-03, 2003-04, 2004-05, 2005-06, 2006-07 AND 2007-08, 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. THE AMOUNT PERTAINING TO 2002-03 WILL BE TRANSFERRED TO IEPF IN OCTOBER, 2010.
4. IN ORDER TO AVOID FRAUDULENT ENCASHMENT OF THE DIVIDEND WARRANT(S), MEMBERS ARE ADVISED TO INFORM DETAILS OF THEIR BANK ACCOUNT NUMBER AND NAME AND ADDRESS OF THE BANK, FOR INCORPORATING THE SAME ON THE DIVIDEND WARRANTS.
5. CONSOLIDATION OF MULTIPLE FOLIOS AND PINCODE – MEMBERS ARE REQUESTED TO SEND THE SHARES HELD IN IDENTICAL NAMES FOR CONSOLIDATION INTO A SINGLE FOLIO ; ENSURE THAT THE CORRECT PIN CODE IS INFORMED TO THE COMPANY TO EXPEDITE DELIVERY OF THE MAIL.
6. 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 COMPANY ALSO ISSUED TWO REMINDERS ON FEBRUARY 11, 2008 AND THEN ON JUNE 11, 2009 TO ALL THOSE WHO HAD NOT CLAIMED THEIR NEW CERTIFICATE. THE OLD CERTIFICATES ARE BEING ASKED FOR TO VERIFY GENUINENESS AND TO PROCURE INDEMNITY IN THE CASE OF LOST SHARE CERTIFICATES.



7. THE MEMBERS ARE REQUESTED TO GET THEIR SHARES DEMATERIALISED. THE COMPANY'S NEW ISIN CODE IS INE569C01020 PURSUANT TO CHANGE IN FACE VALUE.
8. 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.

**EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956 IN RESPECT OF ITEM NOS. 6 TO 12**

**ITEM NO. 6**

The Board of Directors of the Company at its meeting held on June 23, 2009 recommended issue of bonus shares in the proportion of one equity share for every one equity share held by the members on the record date to be fixed by the Board, by capitalising the entire amount of Capital Redemption Reserve and a part of the General Reserve. Pursuant to the Articles of Association of the Company and the SEBI (DIP) Guidelines in this regard, members' approval is required for such capitalisation of reserves of the Company.

There are adequate reserves available with Company. As on March 31, 2009, the reserves of the Company stood at Rs. 107.63 crore. Your directors deemed it prudent to recommend issue of the bonus shares to reward the shareholders and to increase liquidity and market capitalisation of the shares of the Company in the secondary market.

The Company has not defaulted in payment of interest or principal of any fixed deposits. There are no debentures in the Company. The Company has also not defaulted in payment of statutory dues to the employees in respect of contribution to PF, gratuity and bonus.

Accordingly, the resolution at item no. 6 seeks the approval of members for capitalisation of reserves and consequent issue of bonus shares on the terms and conditions set out in the resolution. Your Directors recommend unanimous approval of this resolution.

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

**ITEM NO. 7**

At present the authorised share capital of the Company is Rs. 13.75 crore divided into 9,75,00,000 equity shares of Re. 1 each and 4,00,000 preference shares of Rs. 100 each. To accommodate the proposed bonus issue, which will increase the total issued share capital to 11,96,59,200 equity shares of Re. 1 each, it has been proposed to increase the authorised share capital by addition of 2,25,00,000 equity shares to the existing so that the total authorised equity share capital would be 12,00,00,000 equity shares of Re. 1 each.

The proposed resolution seeks to alter clause no. 5 of the Memorandum of Association of the Company. The clause no. 3 of the Articles of Association also requires consequent amendment. It has been proposed to insert a general clause without specifying the no. of shares to do away with alteration of articles in future every time the capital structure is changed. Since alteration of articles of associations requires approval of members by way special resolution, the item at no. 7 has been proposed as a special resolution.

Your directors recommend passing of the above resolution. None of the directors is deemed to be concerned or interested in the above resolution.

**ITEM NO. 8**

As you are aware of, Mr. Prem Prakash Khanna had been appointed as a whole-time director designated as Executive Director w.e.f. 07/08/2006 for a period of three years by the members at their 36<sup>th</sup> Annual General Meeting held on 20/09/2007 and accordingly his term would come to an end on 06/08/2009. However, after mutual agreement between Mr Khanna and the Board of Directors, the Board in its meeting held on May 2, 2009 decided to discontinue his present employment as a whole-time director on May 1, 2009 and to reappoint him for a fresh term of 3 years w.e.f. May 2, 2009.

According to Schedule XIII of the Companies Act, 1956, this appointment requires members' approval by way of ordinary resolution. Mr Khanna has just attained 70 years of age and as per Part I of Schedule III, in case the appointee is above 70 years of age, the approval of shareholders by way of special resolution is required. Further, to satisfy the applicability, if any, of Section 314 of the Act, a special resolution is required. Besides, in order 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. To meet all these requirements, a special resolution is being proposed. The proposed resolution combines both the appointment and payment of minimum remuneration.



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 two business divisions viz. 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 while Refractory Division commenced commercial production in November 1985.

3. The financial performance for the year ended March 31, 2009 :

	(Rs. in lac)
Net sales and other income	30267.31
Operating profit	4903.82
Net profit	3184.42
EPS	5.32

#### **II INFORMATION ABOUT THE APPOINTEE**

Mr P P Khanna, aged 70 years, is a highly qualified engineer with the degrees BSc, B.E. and AMIE. He has been associated with the company for the last 36 years in different capacities like a Senior Executive and as member of the Board of Directors. The current appointment is for a fresh term in the office of Executive Director.

Mr. Khanna has been highly instrumental in the progress made by the company over the years. He has vastly contributed in the setting up of various divisions of the company and in their growth. His technical expertise and industry experience have immensely helped the Company in production, marketing and development. He also played a major part in setting up of the 9 MW thermal power plant at Porbander in 2007, which has considerably reduced the cost of power for the Company.

The attributes possessed by him like good business acumen, far-sightedness and leadership have largely propelled the activities of the Company and inspired the workforce. Mr P P Khanna is the key-person in helping to co-ordinate the activities of various branches and the plants and in making the company work as an integrated unit.

As the executive director he has the responsibility of virtually looking after the entire affairs of the company after the Managing Director. The job profile includes co-ordinating the operations of various divisions and in formulating policies and strategies for each division and for the Company as a whole in consultation with the Managing Director and under the supervision of the Board of Directors. His performance in the Company in various capacities as an executive director and as a senior non-director executive has been commendable. The board of Directors deemed it to be in the interest of the Company to avail the services of Mr Khanna as an Executive Director for another 3 years.

The remuneration proposed to be paid to him is mentioned elsewhere in this Annual Report. The remuneration paid to him during the financial year 2008-2009 is as under :

	(Rs. in lac)
Total remuneration	28.02

The remuneration being paid by other comparable entities in the industry 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.	671.48	69.61
Vesuvius India Ltd.	355.80	96.99
Grindwell Norton Ltd.	524.26	202.76
IFGL Refractories Ltd.	172.16	109.40

Pecuniary relationship & relationship with managerial persons –

Mr P P Khanna's pecuniary relationship is limited to the remuneration he receives in the capacity of Executive Director and the dividend or other benefits accruing to shareholders to the extent of his shareholding.

He is not related to any employee in the Company.

### III OTHER INFORMATION

The profit of the Company during the financial year 2008-09 was 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 Executive 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 Board of Directors and the Remuneration Committee in their respective meetings held on May 2, 2009.

No director of the Company except Mr. P P Khanna himself is interested or concerned in the resolution.

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

An appointment letter dated May 2, 2009 stating the terms and conditions as approved at the Board Meeting and the Remuneration committee meeting has been issued to Mr Khanna, which on having been accepted by him constitutes a contract between him and the Company.

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

### ITEM NO. 9

Ms. Anisha Mittal, aged about 34 years, is a commerce graduate with honours with a Masters in Business Administration degree in finance 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 and subsequently promoted as Sr. Vice President (Corporate).

The members of the Company, vide a special resolution passed in the 36<sup>th</sup> Annual General Meeting held on August 2, 2006 had accorded their approval for payment of remuneration not exceeding Rs. 50000 pm to her.

However, now it has been felt that the remuneration being paid to her is inadequate considering her educational qualification, experience, job profile in the Company and also in comparison with the remuneration being paid to similarly placed employees in the Company.

Before joining the Company in 2005, she had worked with Ernst & Young both in India and in the United States for about 8 years. Ms Mittal takes active part in the day to day affairs of the Company. She is involved in the key decisions taken in the Company regarding the finance matters. She helps in co-ordinating with the banks and financial institutions in arranging funds for the Company on terms which are in its best interest. Her experience in the reputed consultancy firm in India and abroad has been beneficial to the Company. She has played a major role in the financial aspects concerning the divestment of bonded abrasives business at Bhiwadi and the setting up of the thermal power plant at Porbander.



Ms. Mittals' sincerity, dedication and competence came to be noticed and appreciated by the Board of Directors on different occasions, which in the meeting held on June 23, 2009 decided to seek prior approval of the members by way of special resolution as required by Section 314 (1B), for her appointment w.e.f. 04/08/09 for a period of 3 years on a revised remuneration which is in excess of Rs. 50000 per month and to seek Central Government approval thereafter.

The proposed appointment and remuneration has been approved by the selection committee in its meeting held on June 19, 2009.

The maximum total cost to the Company at the lowest scale in the proposed remuneration comes to about Rs. 25.76 lac per year and at the highest scale it comes to about Rs. 41.60 lac per year. The proposed remuneration at present is less than what is being paid to the employees who are of comparable qualification and are similarly placed in the organisation. At the time of yearly increment in remuneration, the Board will ensure that Ms Anisha Mittal's increased remuneration will be lower than that or equal to that would be paid to the similarly placed employees.

Ms Anisha Mittal holds 11.06 % of the total equity share capital in the Company.

Apart from Ms Anisha Mittal, Mr S G Rajgarhia's wife Mrs Usha Rajgarghia is also employed in the Company as Export Manager at a remuneration not exceeding Rs. 10000 per month.

Your directors recommend that the proposed resolution be passed with requisite majority. After obtaining members' approval, the Company shall make an application to the Central Government for approval.

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

#### **ITEM NO. 10**

Mr. S G Rajgarhia's present term in the office of Managing Director would come to an end on September 30, 2011. He was appointed as a Managing Director for a period of 5 years w.e.f. October 1, 2006 in the 35<sup>th</sup> Annual General Meeting held on August 2, 2006.

According to Schedule XIII of the Companies Act, 1956 to provide for minimum remuneration in the event of loss or inadequacy of profits in any year, a special resolution was passed by the members approving payment of remuneration for 3 years. While the appointment and remuneration in the case of adequate profits is valid for a period of 5 years till September 30, 2011, provision for minimum remuneration is valid only for 3 years upto September 30, 2009. Therefore in order to provide for payment of minimum remuneration in the event of loss or inadequacy of profits during the remaining tenure of 2 years, it has been decided to seek the approval of members by way of special resolution. There is no change in the terms and conditions regarding payment of remuneration in the case of adequate profits.

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 two business divisions viz. 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 while Refractory Division commenced commercial production in November 1985.

3. The financial performance for the year ended March 31, 2009 :

	(Rs. in lac)
Net sales and other income	30267.31
Operating profit	4903.82
Net profit	3184.42
EPS	5.32

## II INFORMATION ABOUT THE APPOINTEE

Mr S G Rajgarhia, aged 62 years, is a successful entrepreneur and an accomplished industrialist having over 36 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 36 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. 332 crore and the gross profit for the year 2008-09 was about Rs. 49 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 2008-2009 is as under :

	(Rs. in lac)
Total remuneration	132.21

The remuneration being paid by other comparable entities in the industry 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.	671.48	69.61
Vesuvius India Ltd.	355.80	96.99
Grindwell Norton Ltd.	524.26	202.76
IFGL Refractories Ltd.	172.16	109.40

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, Manager (Export) as husband and to Mrs. Anisha Mittal, Sr. Vice President (Corporate) as father.

## III OTHER INFORMATION

The profit of the Company during the financial year 2008-09 was 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 and the Board of Directors in their respective meetings held on May 2, 2009.

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. 11**

The Company requires to borrow funds from time to time to meet both its short term and long terms business objectives, from various external agencies like banks, financial institutions, bodies corporate, individuals or other kind of lenders. According to section 293 (1) (d) of the Companies Act, 1956, the total amount of such borrowings as well as the outstanding at any time can not exceed the aggregate of paid up capital and free reserves of the Company, except with the consent of the members at Annual General Meeting. The existing limit is upto Rs. 100 crore as authorised by members in the 36<sup>th</sup> annual general meeting held on September 20, 2007. Since it was felt that the said limit is not adequate, the resolution at item no. 11 has been proposed to increase the limits of borrowing.

It is recommended that the resolution be passed with requisite majority. None of the directors is interested or concerned in the resolution.

#### **ITEM NO. 12**

This is related to the previous item. Through the proposed resolution it is sought to grant authority to the Board of Directors to secure the borrowings, if required, by creating charge/mortgage on the assets of the Company. The existing authority is derived from the resolution passed in the 36<sup>th</sup> annual general meeting held on September 20, 2007. Since it is not practical to seek general meeting's approval every time a loan is sanctioned, it is proposed to obtain a blanket approval to secure the properties for the loans sanctioned within the limits set out through the previous resolution.

Even though section 293 (1) (a) refers to sale, lease or disposal of the whole or substantially whole of the undertaking of the Company, creating mortgage or charge on the assets give a right to the lender to take possession of or own the said properties in certain events, such creation of charge/mortgage in way constitutes sale or disposal of the undertaking of the Company. Therefore a resolution under Section 293 (1) (a) is required for this purpose.

Further, since only in the case of sale of undertaking, the resolution under section 293(1)(a) is required to be passed through postal ballot and not in the case of lease or disposal otherwise, the proposed resolution is sought to be considered at the Annual General Meeting.

It is recommended that the resolution be passed with requisite majority. None of the directors is interested or concerned 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 22 years of experience in institutional finance, corporate restructuring, financial due diligence, auditing, corporate law and taxation. He is on the Board of Directors of Punjab National Bank and other several well known listed companies and is also chairman of their audit committees.

His Directorship in other Companies	:	1. Punjab National Bank 2. Perfectpac Limited 3. IVRCL Infrastructures & Projects Limited 4. Hindustan Dorr – Oliver Limited 5. IVR Prime Urban Developers Limited 6. IVR Strategic Resources & Services Limited 7. Pankaja Art & credit Private Limited
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: Chairman - Compensation Committee Chairman - Audit Committee IVR Prime Urban Developers Ltd.- in following committees: Chairman - Compensation Committee Chairman - Audit Committee Chairman – Investor Grievances Committee Hindustan Dorr-Oliver Ltd..- in following committees: Member - Compensation Committee Chairman - Audit Committee
His shareholding in the Company	:	NIL

**2. Mr Prem Prakash Khanna**

Name	:	Mr Prem Prakash Khanna
Date of Birth	:	03/04/1939
Date of Appointment	:	07/08/2006
Expertise in field	:	Mr P P Khanna is a highly qualified engineer with the degrees BSc, BE and AMIE. He has been associated with Orient Abrasives Limited for the last 36 years i.e since inception in various capacities. Mr Khanna made major contribution in setting up various manufacturing divisions of the Company, especially that in Porbander. He was previously employed in Hindustan Motors Ltd. as a senior Executive for 10 years.
His Directorship in other Companies	:	1. Orient Coated Private Limited
His Committee membership in Orient Abrasives Ltd.	:	None
His Committee membership in other Companies	:	None
His shareholding in the Company	:	242000 equity shares of Re. 1/- each

for ORIENT ABRASIVES LIMITED

Place : New Delhi  
Date : June 23, 2009

Deepak C S  
Company Secretary

## DIRECTORS' REPORT

The Members,

### **Orient Abrasives Limited**

Your Directors have pleasure in presenting the 38<sup>th</sup> Annual Report of the company along with the Audited Statements of accounts for the year ended 31<sup>st</sup> March, 2009.

### **FINANCIAL RESULTS**

	(Rs.in lacs)	
	<u>2008-09</u>	<u>2007-08</u>
Gross Sales & Income	<b>33201.84</b>	26131.64
Profit before depreciation, Interest and tax	<b>6577.88</b>	4104.89
Less : Depreciation	<b>971.26</b>	792.18
Interest	<b>702.80</b>	614.23
Profit before Income Tax	<b>4903.82</b>	2698.48
Less : Income Tax	<b>1719.40</b>	750.97
Net Profit for the year	<b>3184.42</b>	1947.51
Add : Balance brought forward from the previous year	<b>2849.34</b>	2531.70
Amount available for appropriation	<b>6033.76</b>	4479.21
<b>Appropriation :</b>		
General Reserve	<b>2000.00</b>	1000.00
Dividend on Equity shares	<b>777.65</b>	538.38
Corporate Dividend Tax	<b>132.16</b>	91.50
Balance carried forward to Balance Sheet	<b>3123.94</b>	2849.34
	<b>6033.76</b>	4479.21

### **DIVIDEND**

In view of the good performance of the Company in the year under review, your directors are pleased to recommend a final dividend @ Rs. 1.30 per equity share for the year ended on March 31, 2009.

The total cash out-flow on account of this dividend payment including distribution tax is Rs. 909.81 lac (Previous Year Rs. 629.87 lac).

### **BONUS ISSUE**

In view of the adequacy of reserves and to reward the shareholders and to increase liquidity of the shares in the capital market, the Board of Directors is pleased to recommend a bonus of 1 equity share of Re. 1 for every equity share of Re. 1 held in the Company.

This is subject to approval of the members at the Annual general Meeting.

### **OPERATIONS REVIEW**

During the year under review, the performance of the Company was very satisfactory. The turnover increased from Rs. 269.51 crore to Rs. 331.35 crore, growing by about 23%. The gross profit and the net profit were Rs. 49.04 crore and Rs. 31.84 crore respectively as compared to the previous year in which the gross profit and the net profit were Rs. 29.98 crore and Rs. 19.48 crore respectively. The export turnover of the Company also increased from Rs. 29.12 crore to Rs. 34.25 crore .

The performance of the abrasive grains division improved substantially during the year. The turnover of this division increased from Rs. 99.49 crore in the previous year to Rs. 118.28 crore in the year under review. The

demand for abrasive grains was much higher during the year. The Company also sold low grade bauxite from its mines which was not usable. This also contributed to the increase in profitability.

The refractory division continued to improve its performance. The turnover was higher at Rs. 183.73 crore compared to the previous year's Rs. 170.16 crore. Exports of refractories also increased during the year under review.

The Company's thermal power plant of 9 MW is operating satisfactorily at full capacity. The furnace oil based power plants are used as and when required and found viable. This division generated 56209361 kwh power @ Rs. 5.91 per unit. The profit from power division was lower because of high cost of coal and furnace oil.

#### **FUTURE OUTLOOK**

The demand for abrasive grains continues to be high as the consumers do not consider imports from China as a reliable source. The Company is increasing its capacity to meet the increase in demand. The performance of abrasives grains division should improve in the current year.

Steel industry is witnessing a severe global recession. However in India it is still buoyant. Steel production is expected to grow at around 5% in the current year in India. The Company is making all out efforts to compensate for the possible loss in exports by increasing the market share in India and improving operating efficiency. Your directors are hopeful that the performance of the refractory division should be maintained in the current year.

The performance of power division is expected to be better in the current year on account of lower prices of coal.

Your directors are hopeful that the results of the company during the current year will show a significant improvement.

#### **FIXED DEPOSIT**

As on the date of this report there is an unclaimed fixed deposit of Rs. 32520/- including accumulated interest of Rs. 7520/-, in the Company.

#### **DIRECTORS**

Mr Tribhuvan Nath Chaturvedi and Mr Prem Prakash Khanna, having been longest in the office, retire by rotation at the Annual General Meeting and being eligible offer themselves for re-appointment. A brief resume of the appointees is given in the notice to the Annual General Meeting. Your directors recommend their re-appointment at the ensuing Annual General Meeting 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 38<sup>th</sup> Annual General Meeting.

#### **AUDITORS REPORT**

The Auditors Report read with notes to the financial statements in schedule 24 is self-explanatory and does not call for any further explanation by the Board.

#### **PARTICULARS OF EMPLOYEES**

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

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

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



**DIRECTORS RESPONSIBILITY STATEMENT**

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

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

**AUDIT COMMITTEE**

The audit committee meets at due intervals to conduct the required business. At present the committee comprises of Mr Tribhuvan Nath Chaturvedi (Chairman), Mr Rama Shanker Bajoria and Mr Umesh Kumar Khaitan, all independent directors.

**LISTING ON THE STOCK EXCHANGES**

The equity shares of the Company are listed on the National Stock Exchange of India Ltd. (NSE) and the Bombay Stock Exchange Ltd. (BSE). The Calcutta Stock Exchange Association Ltd. has not yet confirmed de-listing despite having completed all the formalities in April, 2004 itself.

**CREDIT RATING OF BANK BORROWINGS**

The Company undertook credit rating of its bank borrowings from CRISIL and CARE during the year under review. Both the agencies assigned A+ rating on the long term borrowings. This rating indicates adequate safety and carry low credit risk.

For short term borrowings P1+ and PR1+ were assigned by both CRISIL and CARE respectively which is the highest given by these agencies for such facilities and carry lowest credit risk.

**CORPORATE GOVERNANCE**

The Report on Corporate Governance has been 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.orientabrasives.com](http://www.orientabrasives.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 investors of the Company for their confidence in the Company. They also gratefully acknowledge the continued support received from the customers, business associates, various government agencies, financial institutions and the banks.

For and on behalf of the Board of Directors

New Delhi  
June 23, 2009

S G Rajgarhia  
Managing Director

P P Khanna  
Executive Director

## 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 seven out of which four are independent directors. The Chairman is related to the promoter. As required, independent directors constitute the majority of the Board strength.

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 2008-09	Whether attended AGM on 05/09/2008	No. of directorships in other public companies as on 23/06/2009		No. of committee positions held in other public companies as on 23/06/2009	
				Chairman	Member	Chairman	Member
Mr. R K Rajgarhia (Chairman)	Not Independent non-executive	5	No	1	2	0	0
Mr. R. S. Bajoria	Independent non-executive	2	Yes	0	2	0	0
Mr. Umesh Kumar Khaitan	Independent non-executive	5	No	0	12	1	5
Mr. T N Chaturvedi	Independent non-executive	5	Yes	0	5	5	1
Mr S K S Narayan	Independent non-executive	0	Yes	0	0	0	0
Mr. S G Rajgarhia	Promoter, not independent executive	5	Yes	0	4	0	0
Mr P P Khanna	Not independent non-executive	5	Yes	0	0	0	0

The dates of Board Meetings held during the year 2008-2009 are May 3, 2008, June 17, 2008, July 31, 2008, October 30, 2008 and January 30, 2009. The time 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 24 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 23/06/2009	Percentage to total
Mr R K Rajgarhia	300000	0.50
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 –

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

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 2008-09
Mr T N Chaturvedi, Chairman	Independent, non-executive	5
Mr Umesh Kumar Khaitan	Independent, non-executive	5
Mr R S Bajoria	Independent, non-executive	2

The dates of meetings were May 3, 2008, June 17, 2008, July 31, 2008, October 30, 2008 and January 30, 2009. 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 met once on May 2, 2009 to approve the appointment and remuneration of Mr P P Khanna for a period of 3 years w.e.f. May 2, 2009.

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.

I The remuneration being paid to the Managing Director is as per the package approved by the members in the 35<sup>th</sup> Annual General Meeting held on August 2, 2006 which comprises of basic salary, bonus and perquisites and commission.

- |              |   |  |
|--------------|---|--|
| 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% of 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. At present commission is being paid @ 2% of the net profit.

At present the basic salary is Rs. 180000/- per month

II The remuneration being paid to the Executive Director is as approved by the members in the 36<sup>th</sup> Annual General Meeting held on September 20, 2007 which comprises of basic salary, bonus and perquisites. However, it has been proposed to reappoint him for a further term of 3 years w.e.f. 02/05/2009 on a revised remuneration, the special resolution for which forms part of the agenda of the forthcoming Annual General Meeting. The break-up of remuneration proposed is as follows:

Basic Salary	–	In the range of Rs. 1,65,000/- to Rs. 2,50,000 per month subject to annual increments as decided by the Board of directors within the said scale ;
Perquisites	–	like HRA, medical reimbursement, LTA and others subject a ceiling of 100% of basic salary a month
Bonus/Ex-gratia	–	20% of basic salary
Lump-sum payment	–	A lump-sum payment not exceeding Rs. 10,00,000 per every financial year.

The service contract of Managing Director is as per the appointment letter dated May 29, 2006 issued by the Company which on acceptance by Mr Rajgarhia constituted an agreement between him and the Company.

The service contract of Executive Director is as per the appointment letter dated May 2, 2009 issued by the Company which on acceptance by Mr Khanna constituted an agreement between him and the Company.

- Since the appointment of Managing Director and Executive Director is governed by members' approval, no notice period or severance fees is applicable in their case.
- There are no other performance linked element of remuneration except the commission paid to Managing Director.
- The Company has not issued any stock option scheme to its employees or directors.

#### **Details of remuneration paid to the Managing Director and Executive Directors during 2008-2009**

Name	Salary (Rs.)	Perquisites (Rs.)	Contribution to PF (Rs.)	Commission (Rs.)
Mr S G Rajgarhia, Managing Director	17,40,000.00	13,33,209.00	2,08,800.00	99,39,072.00
Mr P P Khanna Executive Director	14,22,000.00	12,09,468.00	1,70,640.00	–

#### **Details of sitting fees paid to the other directors during 2008-2009**

Name	Sitting Fees (Rs.)
Mr R K Rajgarhia	65,000
Mr. R S Bajoria	35,000
Mr. T N Chaturvedi	75,000
Mr Umesh Kumar Khaitan	75,000
Mr S K S Narayan	Nil

#### **5. Shareholders' Grievances Committee**

A shareholders grievance 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 2008-2009 as follows :

On October 24, 2008 and March 26, 2009

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	2
Mr S G Rajgarhia	Not independent, Executive	2

Total number of investors' complaints received during the financial year 2008-09 - 22

Total number of investor complaints remaining un-redressed as on March 31, 2009 – Nil

Pending share transfer cases as on March 31, 2009 – 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 : [ho@oalindia.com](mailto:ho@oalindia.com), [investorcare@orientabrasives.com](mailto:investorcare@orientabrasives.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.

Pursuant to clause 47 (f) of the listing agreement, the Company has designated an exclusive E-mail Id for redressal of investor grievances. The said e-mail id is [investorcare@orientabrasives.com](mailto:investorcare@orientabrasives.com).

**6. Annual General Meetings**

Time and location where last three Annual General Meetings were held :

Annual General Meeting	Date & Time	Venue	Special Resolutions
35th Annual General meeting	02/08/2006 at 11.00 A.M	Vishwa Yuvak Kendra, Circular Road, Chanakyapuri, New Delhi – 110 021	1. Appointment of Mr. S G Rajgarhia as Managing Director 2. Appointment of relative of a director to an office of profit 3. Appointment of sole selling agent.
36th Annual General meeting	20/09/2007 at 11.00 A.M	Vishwa Yuvak Kendra, Circular Road, Chanakyapuri, New Delhi – 110 021	1. Appointment of Mr. P P Khanna as a wholetime Director
37th Annual General meeting	05/09/2008 at 11.00 A.M	Hindi Bhawan, 11, Vishnu Digambar Marg (Near Bal Bhawan), New Delhi – 110 002	None

**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 24 (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/Rashtriya Sahara, 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.orientabrasives.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 certificate pertaining to financial year 2008-09 to the Board of Directors which was taken note of at the board meeting held on June 23, 2009.

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

Financial Year	:	April 1, 2008 to March 31, 2009
AGM	:	August 3, 2009
Book closure dates	:	July 3, 2009 to July 10, 2009
Dividend Payment date	:	August 5-8, 2009
Quarterly results	:	Last week of July 2009, October 2009 January 2010 and April/June 2010

**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

The Company's application for de-listing is yet to be disposed of by the Calcutta Stock Exchange Association Ltd.

The Company has duly paid the listing fees to the BSE and the NSE for the year 2009-2010.

**Script Code of the Company's Equity Shares**

BSE	:	504879
NSE	:	ORIENTABRA EQ
<b>ISIN Code</b>	:	<b>INE569C01020</b>



**Market Information**

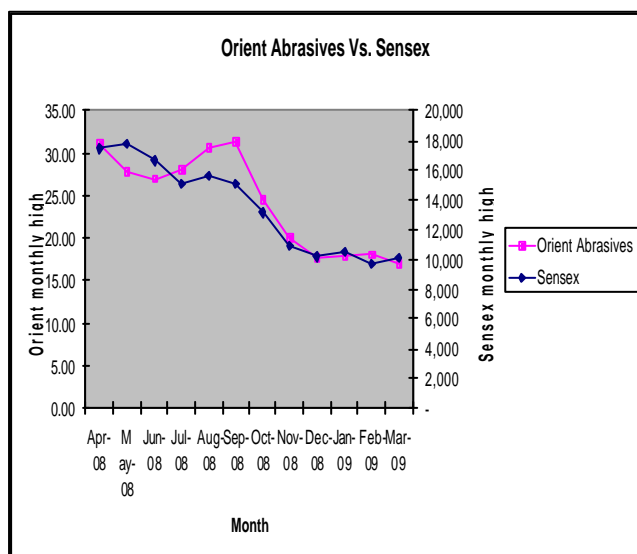
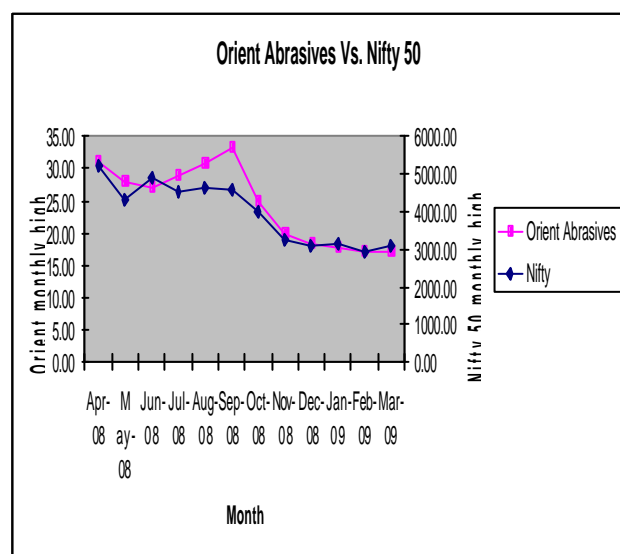
Market Price Data : Monthly High, Low (based on the closing prices) and volume, number of trades and value of total shares traded during each month of the last financial year :

**BSE**

Month	High (Rs.)	Low (Rs.)	Volume	No. of trades	Net value (Rs. lac)
April, 2008	31.00	20.20	561458	2786	148.13
May, 2008	27.90	23.25	390117	960	94.54
June, 2008	27.00	19.50	277233	1268	63.95
July, 2008	28.10	19.05	353666	1603	84.31
August, 2008	30.80	25.50	707088	2573	201.21
September, 2008	31.50	20.70	741268	2794	187.25
October, 2008	24.55	15.05	283087	1649	55.19
November, 2008	20.00	13.05	253303	691	40.22
December, 2008	17.60	13.95	382762	583	59.05
January, 2009	17.90	14.75	91518	562	14.91
February, 2009	18.10	14.85	140171	573	22.22
March, 2009	17.05	14.55	374776	447	59.67

**NSE**

Month	High (Rs.)	Low (Rs.)	Volume	Turn over in Rs. Lac
April, 2008	31.10	20.00	2366627	544.26
May, 2008	28.00	20.05	349892	98.32
June, 2008	27.00	18.05	297389	67.59
July, 2008	29.00	19.30	450776	108.96
August, 2008	30.80	22.55	655402	185.15
September, 2008	33.10	20.05	565303	144.14
October, 2008	24.90	12.70	407215	76.48
November, 2008	19.90	12.70	329752	50.28
December, 2008	18.50	13.10	358182	53.70
January, 2009	17.80	12.80	83016	13.45
February, 2009	17.25	14.00	103267	16.48
March, 2009	17.20	14.00	155166	24.81

**Performance in Comparison to Sensex 08-09**

**Performance in Comparison to Nifty 50 08-09**


**Registrar & Share Transfer Agents**

Skyline Financial Services Pvt. Ltd.  
 246, First Floor, Sant Nagar, East of Kailash  
 New Delhi – 110 065  
 Phone : 011-26292682, 011-26292683  
 Fax : 011-26292681 E mail : [admin@skylinerta.com](mailto: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 31/03/2009		As on 31/03/2008	
	Percent of share holders	Percent of shares	Percent of share holders	Percent of shares
1 to 5000	95.31	15.47	94.80	15.43
5001 to 10000	2.35	3.55	2.66	3.78
10001 and above	2.34	80.98	2.54	80.79
	100.00	100.00	100.00	100.00

**Categories of Shareholders**

Category	Number of shareholders		Voting strength %		Number of shares	
	31/03/2009	31/03/2008	31/03/2009	31/03/2008	31/03/2009	31/03/2008
Promoter group (individuals & trust)	15	15	53.31	49.13	31887301	29391985
Promoter group(Companies)	3	6	0.14	3.64	115000	2285132
UTI/Mutual Funds	1	1	0.04	0.01	22000	4000
Banks and Financial Institutions	4	4	0.02	0.02	9500	9500
Other domestic companies/Trust	329	386	7.53	8.52	4505305	5101459
NRIs/FIIs	96	84	0.29	0.31	173932	185161
Indian public	11373	10720	38.67	38.19	23106562	22842363
Total	11821	11216	100.00	100.00	59819600	59819600

**Dematerialisation of shares and liquidity**

The Company has arrangements with both National Securities Depository Limited (NSDL) and the Central Depository Services (India) Ltd. (CDSIL) As on March 31, 2009, the total outstanding dematerialized shares is 54.05 percent. Similarly, 35.12% of shares have been rematerialized as on the said date. Therefore, the total percentage of share of the Company that have been dematerialised upto March 31, 2009 is 89.17.

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

**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 : [ho@oalindia.com](mailto:ho@oalindia.com)  
 Website : <http://www.orientabrasives.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 year from April 1, 2008 to March 31, 2009

New Delhi  
June 23, 2009

S G Rajgarhia  
Managing Director

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**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, 2009, 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 JATIN GUPTA & ASSOCIATES  
COMPANY SECRETARIES

PLACE : NEW DELHI  
DATE : JUNE 23, 2009

(JATIN GUPTA)  
PROPRIETOR  
C. P. NO. 5236  
MEMB NO. 5651

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**ANNEXURE 'B' TO THE DIRECTORS' REPORT  
MANAGEMENT DISCUSSION AND ANALYSIS REPORT****General Review**

The Company was incorporated in the year 1971.

At present the Company has two commercial business divisions namely the Abrasives Grains Division (AGD) at Porbander, Gujarat that manufactures fused alumina grains and calcined products and the Refractory Division (RD) that manufactures refractories and monolithics. The Abrasives Grains Division, the first of Company's all divisions, was established in the year 1974.

Thereafter the Company established the Bonded Abrasives Division in 1980, which was divested in the year 2006-07, and the Refractory Division in 1985 both at Bhiwadi, Distt. Alwar, Rajasthan.

The Company also has a Power Division that generates electricity for captive consumption, which was expanded in 2007-08 with the addition of a 9 MW coal based thermal power plant.

**BUSINESS DIVISIONS/SEGMENTS**

As mentioned above, the Company has three major business segments in terms of the nature of output i) Fused Aluminium Oxide Grains including Calcined Products and ii) Refractories and Monolithics and iii) Electricity (Power Division), which have been elucidated in the following paragraphs :



### **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 Refractory Division at Bhiwadi and are also sold in the domestic market.

### **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 Refractory Division exports a fair share of its output to various overseas customers. The major export customers are based in Egypt, Turkey, Indonesia, Italy, Pakistan, Kingdom of Saudi Arabia, Sultanate of Oman, Greece, Spain, Nigeria, Azerbaijan, Malaysia, Bulgaria, Thailand, Iran and Austria. Last year some new geographical markets like Germany, Ghana, Singapore etc. were developed.

### **Power Division**

The Company has a total power generating capacity of 18 MW out of which 9 MW is based on coal and 9 MW on furnace oil. The thermal power plant based on coal is more economical and is operated at full capacity. The furnace oil based plant is used as and when required.

### **Financials of Segments**

Financials of business segments are given in detail in Schedule 24 (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, 2009 increased to Rs. 332.02 crore, yielding a growth of about 23%. Gross profit and net profit were Rs. 49.04 crore and Rs. 31.84 crore respectively.

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.

The enterprise resource planning system (ERP) implemented in January, 2008 at Bhiwadi to integrate the operations of various divisions of the Company in a phased manner is operational and is yielding the desired results. At present the operations of Bhiwadi plant, head office at Delhi and the branch offices have been integrated through this system. The system will, in due course, be implemented in Porbander also.

## **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**

The demand for abrasive grains will continue to be robust in future. The performance of the division will depend on the cost of coal used for power generation and the regularity in supply and price of abrasive grain imported from China. It is expected that the situation will remain favourable for the Company.

Refractory Division is totally dependent on the steel industry. In view of the emphasis being laid by the government on the growth of infrastructure in the country, steel production is expected to grow every year.

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

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

Name/Age(Yrs)	Remuneration (Rs.)	Designation/ Nature of duties	Qualification & Experience (Yrs)	Date of Commencement of employment	Last employment
S G Rajgarhia (62)	1,32,21,081/-	Managing Director, Overall Management	B Tech. (Hons.), S.M. (MIT) 38 years	01/08/1973	–
P P Khanna (70)	28,02,108/-	Executive Director, Overall Management	B. Sc, B E AMIE 46 years	01/07/1973	Hindustan Motors Ltd. (Works 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, contribution to provident fund, leave travel allowance, medical expenses, leave encashment, bonus, actual amount spent on perquisites valued as per income tax rules and in the case of Mr S G Rajgarhia, commission on sales at the limits approved by the members.
- Except Mr S G Rajgarhia who is a relative of Mr R K Rajgarhia, director of the Company none of the above persons is a relative of any director of the Company.
- Employment is non-contractual in all cases subject to three months' notice on either side except of Mr S G Rajgarhia.

**ANNEXURE 'D' TO THE DIRECTORS' REPORT**

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

**CONSERVATION OF ENERGY**

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

**TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**

The Company 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>2008-09</u>	<u>2007-08</u>
A) Power & Fuel Consumption for Refractories		
1. ELECTRICITY		
Purchased :		
Units (in lacs)	60.12	58.21
Total amount (Rs. in lacs)	277.10	255.66
Rate/Unit (Rs.)	4.61	4.39
Own generation through D.G.Set :		
Units (in lacs)	5.55	3.24
Units per ltr.of Diesel Oil	3.33	3.10
Cost/Units (Rs.)	9.36	9.31
2. LDO/FO/C9 /HSD		
Qty.(Kilo ltr.)	21.75	21.31
Total cost (Rs.in lacs)	369.86	461.80
Average/Kilo ltr.(Rs.)	29000	21673
B) Consumption per Unit of Production for Refractories		
Electricity (Units)	613	553
LDO/FO/C9/Ltr.	203	188
<b>FOREIGN EXCHANGE EARNINGS AND OUTGO</b>		
Earned (Rs.in lacs)	3438.59	2254.54
Used (Rs.in lacs)	1685.87	1644.85

## **AUDITORS' REPORT**

### **TO THE MEMBERS OF ORIENT ABRASIVES LIMITED**

- a) We have audited the attached Balance Sheet of ORIENT ABRASIVES LIMITED ('the Company') as at March 31, 2009 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 those 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, 2009 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2009 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
  - (vi) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2009,
    - 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 Manoj Gupta  
Partner  
Membership No. 83906

Date : June 23, 2009  
Place : Gurgaon, Haryana



**Annexure referred to in paragraph © 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 years in accordance with a planned programme of verifying them once in three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.  
c) There was no substantial disposal of fixed assets during the year.
2. a) The management has conducted physical verification of inventory at reasonable intervals during the year.  
b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.  
c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
3. a) As informed, the Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Therefore, the provisions of clause 4(iii) (b), (c) and (d) of the Companies (Auditor's Report) Order, 2003 (as amended) (herein referred to as the Order) 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 Order are not applicable to the Company.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
5. a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 that need to be entered into the register maintained under Section 301 have been so entered.  
b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lacs have been entered into during the financial year are at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. In respect of deposits accepted, in our opinion and according to the information and explanations given to us, directives issued by the Reserve Bank of India and the provisions of Sections 58A, 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) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.  
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, the dues outstanding of income-tax, sales-tax and service tax on account of any dispute, are as follows:

Name of the Statute	Nature of dues	Amount (Rs. In lacs)	Forum where dispute is pending
West Bengal Sales Tax Act, 1994	Sales tax and Interest demand for non submission of sales tax declaration forms for the year 1993-94	3.75	Sales Tax Commissioner (Appeal)
Sales Tax Act, 1944	Entry tax demand for entry of goods in Rajasthan for the year 2006-07	20.55	Hon'ble High Court of Rajasthan, Jodhpur
Service Tax Act, 1994	Service tax demand for input tax credit availed on foreign business auxiliary services and other consulting services	43.33	Joint, Commissioner Excise, Jaipur
Service Tax Act, 1994	Service tax demand for input tax credit availed on telephone and insurance services and interest on duty against supplementary invoices	2.37	Asst. Commissioner Excise, Jaipur
Service Tax Act, 1994	Service tax demand for input tax credit availed on telephone, insurance and courier services	5.73	Commissioner (Appeals), Excise, Jaipur
Income Tax Act, 1961	Disallowance of various expenses/deductions (under section 80IA) claimed by the Company for the years 2001-02 and 2006-07	279.74	Commissioner of Income Tax (Appeal), Delhi
Income Tax Act, 1961	Disallowance of various expenses/deductions (under section 80IA) claimed by the Company for the years 2003-04, 2004-05 and 2005-06	845.79	Income Tax Appellate Tribunal, Delhi

According to the information and explanation given to us, there are no dues of wealth tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.

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 as per the 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 Order are not applicable to the Company.

14. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
16. Based on the information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
17. According to the information and explanations given to us and on an overall examination of the balance sheet and cash flow statement of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
18. The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956.
19. The Company did not have any outstanding debentures during the year.
20. The Company has not raised any money through a public issue during the year.
21. Based upon the audit procedures performed for the purpose of reporting the true and fair view on the financial statements and the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For S.R. Batliboi & Co.  
Chartered Accountants

Per Manoj Gupta  
Partner  
Membership No. 83906

Date : June 23, 2009  
Place : Gurgaon, Haryana

**BALANCE SHEET AS AT MARCH 31, 2009**
**(All amount in Rs. Lacs)**

		Schedules As at March 31, 2009	As at March 31, 2008
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	598.33	598.33
Reserves and Surplus	2	10,762.66	8,488.05
		<b>11,360.99</b>	<b>9,086.38</b>
<b>Loan Funds</b>			
Secured Loans	3	5,615.86	6,579.04
Unsecured Loans	4	283.80	1,156.86
		<b>5,899.66</b>	<b>7,735.90</b>
<b>Deferred Tax Liabilities (Net)</b>	5	<b>425.24</b>	<b>403.73</b>
<b>Total</b>		<b>17,685.89</b>	<b>17,226.01</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	6	14,207.89	12,943.30
Less : Accumulated Depreciation		4969.14	4,029.77
Net Block		9,238.75	8,913.53
Capital Work-in-Progress including Capital Advances		239.77	390.31
		<b>9,478.52</b>	<b>9,303.84</b>
Intangible Assets	7	42.49	–
<b>Investments</b>	8	<b>0.27</b>	<b>0.27</b>
<b>Current Assets, Loans and Advances</b>			
Inventories	9	6,130.05	5,324.34
Sundry Debtors	10	5,947.48	5,273.21
Cash and Bank Balances	11	197.74	266.97
Other Current Assets	12	34.68	31.98
Loans and Advances	13	978.32	1,108.69
	<b>(A)</b>	<b>13,288.27</b>	<b>12,005.19</b>
<b>Less : Current Liabilities and Provisions</b>			
Current Liabilities	14	3,807.20	3,219.14
Provisions	15	1,316.46	864.16
	<b>(B)</b>	<b>5,123.66</b>	<b>4,083.30</b>
<b>Net Current Assets</b>	<b>(A-B)</b>	<b>8,164.61</b>	<b>7,921.89</b>
<b>Total</b>		<b>17,685.89</b>	<b>17,226.01</b>
<b>Notes to Accounts</b>	24		

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 S.R.BATLIBOI & CO  
Chartered Accountants

Per Manoj Gupta  
Partner  
Membership No. 83906

Place : Gurgaon, Haryana  
Date : June 23, 2009

S.G.RAJGARHIA  
(Managing Director)

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

For and on behalf of the Board of Directors  
of Orient Abrasives Limited

T.N.CHATURVEDI  
(Director)

DEEPAK C.S.  
(Company Secretary)

P.P.KHANNA  
(Executive Director)

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2009**

(All amount in Rs. Lacs)

	Schedules	For the year ended March 31, 2009	For the year ended March 31, 2008
<b>INCOME</b>			
Turnover (Gross)	16	33,135.47	26,951.32
Less : Excise duty		2,934.53	2,923.85
Turnover (Net)		30,200.94	24,027.47
Other Income	17	66.37	224.07
<b>Total</b>		<b>30,267.31</b>	<b>24,251.54</b>
<b>EXPENDITURE</b>			
Purchase of Trading Goods		2,970.24	2,382.35
Raw Materials Consumed	18	8,737.07	8,311.69
Personnel Expenses	19	2,438.60	2,099.06
Operating and Other Expenses	20	9,501.16	7,793.51
(Increase) in Inventories	21	(516.44)	(554.96)
Depreciation/amortization	6/7	971.26	792.18
Financial Expenses	22	791.50	729.23
Loss on derivative contracts		470.10	–
<b>Total</b>		<b>25,363.49</b>	<b>21,553.06</b>
<b>Profit before Taxation</b>		<b>4,903.82</b>	<b>2,698.48</b>
Current tax		(1,690.00)	(625.00)
Deferred tax Charge		(21.50)	(99.80)
Fringe Benefit tax		(23.25)	(21.00)
Income tax (charge)/credit for earlier years		15.35	(5.17)
Total Tax Expenses		(1,719.40)	(750.97)
<b>Profit after tax</b>		<b>3,184.42</b>	<b>1,947.51</b>
Balance brought forward from previous year		2,849.34	2,531.70
<b>Profit available for appropriation</b>		<b>6,033.76</b>	<b>4,479.21</b>
<b>Appropriations :</b>			
Proposed Dividend on Equity Shares		777.65	538.38
Corporate Dividend Tax		132.16	91.50
Transfer to General Reserve		2,000.00	1,000.00
<b>Surplus Carried to Balance Sheet</b>		<b>3,123.95</b>	<b>2,849.33</b>
		<b>6,033.76</b>	<b>4,479.21</b>
<b>Basic and Diluted Earnings per share</b>	23	<b>5.32</b>	<b>3.26</b>
Nominal value of shares Re. 1 (Previous year : Re. 1)			
<b>Notes to Accounts</b>	24		

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 S.R.BATLIBOI & CO  
Chartered Accountants

Per Manoj Gupta  
Partner  
Membership No. 83906

Place : Gurgaon, Haryana  
Date : June 23, 2009

For and on behalf of the Board of Directors  
of Orient Abrasives Limited

S.G.RAJGARHIA  
(Managing Director)

T.N.CHATURVEDI  
(Director)

P.P.KHANNA  
(Executive Director)

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

DEEPAK C.S.  
(Company Secretary)

## CASH FLOW STATEMENT FOR THE YEAR ENDED ON MARCH 31, 2009

(All amount in Rs. Lacs)

	For the year ended March 31, 2009	For the year ended March 31, 2008
<b>A. Cash Flow From Operating Activities</b>		
<b>Profit before taxation</b>	<b>4903.82</b>	2,698.48
Adjustments for :		
Depreciation	971.26	792.18
Loss on disposal of fixed assets	3.30	22.55
Provision for doubtful debts and advances	-	23.73
Dividend Income	(1.82)	-
Unspent Liabilities Written Back	(6.85)	(5.70)
Investment written off	-	0.05
Unrealized Foreign Exchange loss/gain (net)	237.54	(95.72)
Interest Income	(13.24)	(13.25)
Loss on Derivative Contract	470.10	-
Interest Expense	702.80	627.48
<b>Operating profit before working capital changes</b>	<b>7,266.91</b>	4049.80
Movements in Working Capital		
(Increase) in Sundry Debtors	(653.73)	(1,015.58)
Decrease/(Increase) in Loans & Advances and Other Current Assets	225.80	(94.16)
(Increase) in Inventories	(805.73)	(1,128.86)
Increase in current liabilities & provisions	134.25	115.41
<b>Cash generated from operating Activities</b>	<b>6167.50</b>	1926.61
Direct taxes paid	(1,653.69)	(579.30)
<b>Net cash from operating activities</b>	<b>4513.81</b>	1347.31
<b>B. Cash flow from investing activities</b>		
Purchase of fixed assets	(1,209.59)	(2,056.41)
Proceeds from sale of fixed assets	18.11	29.40
Purchase of investments	-	-
Sale of investments	-	-
Dividend Recived	1.82	-
Interest received	12.77	12.68
Deposits (with maturity more than three months)	(0.04)	(105.57)
Proceeds of deposits matured (with maturity more than three months)	25.32	107.05
<b>Net cash (used in) Investing Activities</b>	<b>(1,151.61)</b>	(2012.85)
<b>C. Cash flow from Financing Activities</b>		
Proceeds from Long term borrowings	-	1,200.00
(Repayment) of Long term borrowings	(698.30)	(256.88)
Proceeds from short term borrowings	(1,381.57)	883.63
Interest paid	(712.84)	(639.73)
Dividend paid	(521.95)	(407.23)
Tax on dividends paid	(91.50)	(71.16)
<b>Net cash from/(used in) Financing Activities</b>	<b>(3,406.16)</b>	708.63
<b>Net (Decrease)/Increase in cash and cash equivalents (A+B+C)</b>	<b>(43.96)</b>	43.09
Cash and cash equivalents at the beginning of the Year	196.77	153.68
Cash and cash equivalents at the end of the year	152.82	196.77



	(All amount in Rs. Lacs)	
	For the year ended March 31, 2009	For the year ended March 31, 2008
<b>Component of cash and cash equivalent as at</b>		
Cash and Cheques in hand	<b>3.58</b>	8.50
With Banks :		
in Current Accounts	<b>53.76</b>	43.89
in Cash Credit Account	-	69.09
in Fixed Deposit Accounts	<b>74.04</b>	95.56
in Dividend Warrant Accounts*	<b>66.26</b>	49.83
Post Office Savings Bank Account	<b>0.10</b>	0.10
Cash and Bank Balance as per Schedule 10	<b>197.74</b>	266.97
Less: Fixed Deposit not considered cash equivalents	<b>44.92</b>	70.20
<b>Cash &amp; Cash Equivalents in Cash Flow Statement</b>	<b>152.82</b>	196.77

\*These balances are not available for use by the company as they represent corresponding unpaid dividend liabilities.

**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 S.R.BATLIBOI & CO  
Chartered Accountants

Per Manoj Gupta  
Partner  
Membership No. 83906

Place : Gurgaon, Haryana  
Date : June 23, 2009

For and on behalf of the Board of Directors  
of Orient Abrasives Limited

S.G.RAJGARHIA  
(Managing Director)

T.N.CHATURVEDI  
(Director)

P.P.KHANNA  
(Executive Director)

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

DEEPAK C.S.  
(Company Secretary)

**SCHEDULES TO THE ACCOUNTS**
**(All amount in Rs. Lacs)**
**As at March 31**                      **As at March 31**  
**2009**                                      **2008**
**SCHEDULE — 1 : SHARE CAPITAL**
**Authorised**

4,00,000 (Previous Year 400,000) - 6% Redeemable Cumulative Preference Shares of Rs. 100/- each	<b>400.00</b>	400.00
97,500,000 (Previous Year 97,500,000) Equity Shares of Re. 1/- each	<b>975.00</b>	975.00
	<b><u>1,375.00</u></b>	<u>1,375.00</u>

**Issued & Subscribed**

59,839,600 (Previous year : 59,839,600) Equity Shares of Re. 1/- each fully paid up	<b>598.40</b>	598.40
	<b><u>598.40</u></b>	<u>598.40</u>

**Paid up**

59,819,600 (Previous year 59,819,600) Equity Shares of Re. 1/- each fully paid up	<b>598.20</b>	598.20
	<b><u>598.20</u></b>	<u>598.20</u>
Add : Shares forfeited (amount paid-up)	<b>0.13</b>	0.13
	<b><u>598.33</u></b>	<u>598.33</u>

**Notes:**

Of the above:44,864,700 (Previous year 44,864,700) Equity shares of Re. 1/- each were allotted in earlier years as fully paid bonus shares by capitalization of Capital Redemption Reserve, Securities Premium and General Reserve.

**SCHEDULE — 2 : RESERVES AND SURPLUS**

Capital Redemption Reserve*		
Balance as per last account	<b>400.00</b>	400.00
	<b><u>400.00</u></b>	<u>400.00</u>
General Reserve		
Balance as per last account	<b>5,238.71</b>	4,300.00
Add : Transfer from Profit & Loss Account	<b>2,000.00</b>	1,000.00
Less : Adjustment for Employee benefits provision	<b>-</b>	61.29
[Net of tax of Rs. Nil (Previous year Rs. 31.55 lacs)]		
	<b><u>7,238.71</u></b>	<u>5,238.71</u>
Profit & Loss Account Balance	<b>3,123.95</b>	2,849.34
	<b><u>10,762.66</u></b>	<u>8,488.05</u>

\* created pursuant to the redemption of the preference shares, as per the requirement of Section 80 of the Companies Act, 1956

	(All amount in Rs. Lacs)	
	As at March 31 2009	As at March 31 2008
<b>SCHEDULE — 3 : SECURED LOANS</b>		
Term Loans from banks		
-Rupee Term Loan	1,189.17	1,612.50
[Due within one year Rs. 423.33 lacs, (Previous year Rs. 423.33 lacs)]		
-Foreign Currency Loan	926.10	962.64
[Due within one year Rs. 308.70 lacs, (Previous year Rs. 240.65 lacs)]		
Cash Credit Facilities from Banks	3500.59	4003.90
	<u>5,615.86</u>	<u>6,579.04</u>

**Notes:**

- The rupee term loan is secured by first pari passu charge on the movable fixed assets of the Company. The loan is further secured by first pari passu charge on the immovable properties of Abrasives Grains Division, Porbandar and Refractory Division, Bhiwadi.
- The Foreign currency term loan is secured by first pari passu charge on the movable fixed assets of the Company. The loan is further secured by mortgage of the immovable properties of the Abrasives Grains Division, Porbandar and Refractory Division, Bhiwadi.
- Cash credit facilities from banks are secured by hypothecation of stocks of raw materials, finished and semi-finished goods and book debts of the Company. These facilities are further secured by second charge on all immovable properties of Abrasives Grains Division and Refractory Division of the Company.
- Term Loans amounting to Rs. 2,115.27 lacs (Previous year Rs. 2,575.14 lacs) and Cash Credit Facilities amounting to Rs.3,500.59 lacs (Previous year Rs. 4,003.90 lacs) are also personally guaranteed by Managing Director of the Company.

**SCHEDULE — 4 : UNSECURED LOANS**

Fixed Deposits from Public	159.80	155.80
[Due within one year Rs. 47.60 lacs (Previous year Rs. 33.30 lacs)]		
Short Term Loans:		
From Banks	-	150.00
(Loans amounting to Rs. Nil (Previous year Rs. 150 lacs) are personally guaranteed by the Managing Director of the Company)		
From others		
Bodies Corporate	24.00	801.06
Director	100.00	50.00
	<u>283.80</u>	<u>1,156.86</u>

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

<b>Deferred Tax Liabilities</b>		
Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	511.68	459.73
Income accrued but taxable on receipt	9.34	41.39
<b>Gross Deferred Tax Liabilities</b>	<u>521.02</u>	<u>501.12</u>
<b>Deferred Tax Assets</b>		
Effect of expenditure for tax purposes on payment basis	84.09	85.70
Provision for doubtful debts	11.69	11.69
<b>Gross Deferred Tax Assets</b>	<u>95.78</u>	<u>97.39</u>
<b>Net Deferred Tax Liabilities</b>	<u>425.24</u>	<u>403.73</u>



(All amount in Rs. Lacs)

**SCHEDULE — 6 : FIXED ASSETS**

Particulars	Land-Freehold	Land-Leasehold	Lease Hold Improvement	Buildings	Plant & Machinery	Furniture, Fixtures and Equipment	Office Equipment	Vehicles	Total	Previous Year
<b>Gross Block</b>										
At 01.04.2008	13.76	33.28	19.49	1,649.28	10,754.45	36.44	104.80	331.80	12,943.30	7,827.58
Additions	-	-	-	71.15	1,083.80	0.82	30.03	121.25	1,307.05	5,217.73
Deductions	-	-	-	-	6.99	0.52	0.67	34.28	42.46	102.01
<b>At 31.03.2009</b>	<b>13.76</b>	<b>33.28</b>	<b>19.49</b>	<b>1,720.43</b>	<b>11,831.26</b>	<b>36.74</b>	<b>134.16</b>	<b>418.77</b>	<b>14,207.89</b>	<b>12,943.30</b>
<b>Depreciation</b>										
At 01.04.2008	-	8.49	19.49	303.44	3,553.08	20.61	41.43	83.23	4,029.77	3,287.27
For the year	-	0.34	-	52.79	855.12	1.57	14.54	36.31	960.67	792.18
Deductions	-	-	-	-	6.64	0.45	0.30	13.91	21.30	49.68
<b>At 31.03.2009</b>	<b>-</b>	<b>8.83</b>	<b>19.49</b>	<b>356.23</b>	<b>4,401.56</b>	<b>21.73</b>	<b>55.67</b>	<b>105.63</b>	<b>4,969.14</b>	<b>4,029.77</b>
<b>Net Block</b>										
<b>At 31.03.2009</b>	<b>13.76</b>	<b>24.45</b>	<b>-</b>	<b>1,364.20</b>	<b>7,429.70</b>	<b>15.01</b>	<b>78.50</b>	<b>313.14</b>	<b>9,238.75</b>	<b>8,913.53</b>
At 31.03.2008	13.76	24.79	-	1,345.84	7,201.37	15.83	63.37	248.57	8,913.53	4,540.31
Capital Work in Progress									<b>172.37</b>	276.00
Capital Advances (Unsecured and considered good)									<b>67.40</b>	114.31
									<b>239.77</b>	390.31

**Notes:**

- Building and Vehicles of the cost of Rs. 1.72 (Previous year Rs. 1.72) and Rs. Nil (Previous year Rs. 0.17) respectively are yet to be registered in the name of the Company.
- The detail of assets discarded during the year is as follows;

Assets	Current year Cost	WDV	Previous year Cost	WDV
Building	-	-	5.81	2.75
Plant & Machinery	-	-	13.24	3.88
Furniture & Fixtures	-	-	0.83	0.37
- Plant & Machinery includes electrical installations and fittings of the value of Rs. 189.92 (WDV- 106.03) (Previous year Rs. 178.85 (WDV- 113.94))

	(All amount in Rs. Lacs)	
	As at March 31, 2009	As at March 31, 2008
<b>SCHEDULE — 7 : INTANGIBLE ASSETS</b>		
<b>Software</b>		
<b>Gross Block</b>		
At 01.04.2008	-	-
Additions	53.08	-
Deductions	-	-
At 31.03.2009	53.08	-
<b>Amortisation</b>		
At 01.04.2008	-	-
For the year	10.59	-
Deductions	-	-
At 31.03.2009	10.59	-
<b>Net Block</b>		
<b>At 31.03.2009</b>	42.49	-
At 31.03.2008	-	-

**SCHEDULE — 8 : INVESTMENTS**

<b>Long Term (At Cost)</b>		
<b>Government Securities (Unquoted-non trade)</b>		
7 year National Savings Certificates (Certificates pledged with Sales Tax Authorities Rs. 0.27 lacs, Previous year Rs. 0.27 lacs)	0.27	0.27
	0.27	0.27

Note: (i) The Company sold / wrote off 7 years National Saving Certificates of Rs. Nil (Previous Year Rs.0.05 lacs)  
(ii) The following investments were purchased and sold during the year.  
3,582,025 (Previous year Nil) units of SBI Magnum Insta Cash Fund (Dividend Plan) purchased at a cost of Rs. 600 lacs (Selling price Rs. 600.35 lacs)  
14,992,504 (Previous year Nil) units of SBI-SHF-Liquid Plus-Institutional Plan (Dividend Plan) purchased at a cost of Rs.1500 lacs (Selling price Rs.1,501.47 lacs)

**SCHEDULE — 9 : INVENTORIES (at lower of cost and net realisable value)**

Raw Materials	2,129.29	1,944.27
Stores and Spare parts	795.99	691.74
Goods Purchased for Resale	108.74	235.33
Work-in-Progress	820.22	830.62
Finished Goods	2,250.36	1,602.75
Waste	25.45	19.63
	6,130.05	5,324.34

**SCHEDULE — 10 : SUNDRY DEBTORS (UNSECURED)**

<b>Debts outstanding for a period exceeding six months</b>		
Considered Good	498.85	304.90
Considered Doubtful	34.40	34.40
<b>Others Debts:</b>		
Considered Good	5,448.63	4,968.31
	5,981.88	5,307.61
Less: Provision for Doubtful Debts	34.40	34.40
	5,947.48	5,273.21

	(All amount in Rs. Lacs)	
	As at March 31, 2009	As at March 31, 2008
<b>SCHEDULE — 11 : CASH &amp; BANK BALANCES</b>		
Cash in hand	3.58	8.50
Balances with Scheduled Banks :		
In Current accounts	53.76	43.89
In Cash Credit account	–	69.09
In Deposit accounts (Receipts of Rs. 68.66 lacs (Previous year Rs. 43.75 lacs) pledged with banks, Excise and sales tax authorities)	74.04	95.56
In Unpaid dividend accounts	66.26	49.83
Post Office Savings Bank account	0.10	0.10
	<u>197.74</u>	<u>266.97</u>
<b>SCHEDULE — 12 : OTHER CURRENT ASSETS</b>		
Surrender Value of Keyman Insurance Policies	27.47	25.24
Interest Receivable	7.21	6.74
	<u>34.68</u>	<u>31.98</u>
<b>SCHEDULE — 13 : LOANS &amp; ADVANCES (Unsecured)</b>		
<b>Considered Good</b>		
Advances recoverable in cash or in kind or for value to be received	365.07	502.38
Balances with customs, excise etc	314.91	398.19
Deposits - Others	119.63	127.07
Advance Tax (Net of provision for Tax)	176.56	78.82
Advance Fringe Benefit Tax (Net of Provision for FBT)	2.15	2.23
<b>Considered Doubtful</b>		
Advances recoverable in cash or in kind or for value to be received	–	–
	<u>978.32</u>	<u>1,108.69</u>
Less : Provision for doubtful Advances	–	–
	<u>978.32</u>	<u>1,108.69</u>
<b>SCHEDULE — 14 : CURRENT LIABILITIES</b>		
Sundry Creditors		
(a) total outstanding dues to Micro and small Enterprises (Refer Note No. 7 of Schedule No. 24)	135.41	92.07
(b) total outstanding dues of creditors other than Micro and small Enterprises	2,867.51	2,783.96
Advance from customers	86.85	142.22
Investor Education and Protection Fund shall be credited by following amounts (as and when due)		
Unpaid Dividend (Statutory Liabilities as referred in Section 205C of the Companies Act, 1956)	66.23	49.80
Interest accrued but not due on Loans	17.89	41.18
Loss on derivatives contracts	470.10	–
Sundry deposits	21.50	–
Others	141.71	109.91
	<u>3,807.20</u>	<u>3,219.14</u>
included in Sundry creditors are :		
Payable to Managing Director of the Company	102.87	63.42

(All amount in Rs. Lacs)

As at March 31, 2009                      As at March 31, 2008

**SCHEDULE — 15 : PROVISIONS**

For Taxation (Net of advance tax payments)	<b>227.38</b>	87.78
For Fringe Benefit Tax (Net of advance tax payments)	<b>2.27</b>	–
For Gratuity	<b>66.27</b>	65.47
For Leave Encashment	<b>110.73</b>	81.03
Proposed Dividend	<b>777.65</b>	538.38
Tax on proposed dividend	<b>132.16</b>	91.50
	<b><u>1,316.46</u></b>	<u>864.16</u>

**SCHEDULE — 16 : TURNOVER (GROSS)**

Finished Goods (Including sale of goods purchased for resale of Rs. 3,178.85 lacs, Previous year Rs. 2,371.94 lacs)	<b>32,497.05</b>	26,594.57
Service Revenue	<b>391.07</b>	260.07
Waste	<b>313.78</b>	200.66
	<b><u>33,201.90</u></b>	<u>27,055.30</u>
Less : Trade Discounts	<b>66.43</b>	103.98
	<b><u>33,135.47</u></b>	<u>26,951.32</u>

**SCHEDULE — 17 : OTHER INCOME**

Interest (Gross)		
From Banks	<b>13.24</b>	13.25
(Tax Deducted at Source Rs. 2.90 lacs, Previous year Rs. 2.27 lacs)		
Dividend from Current Investment (other than trade)	<b>1.82</b>	–
Exchange Difference [net off of loss of Rs. Nil (Previous year Rs. 65.59 lacs)]	–	141.24
Bad Debt recovered (earlier written off)	<b>12.00</b>	0.20
Surrender Value of Keyman Insurance Policies	<b>3.46</b>	4.32
Royalty Income	<b>13.67</b>	34.96
Sales Tax Refunds	–	19.00
Miscellaneous income	<b>22.18</b>	11.10
	<b><u>66.37</u></b>	<u>224.07</u>

**SCHEDULE — 18 : RAW MATERIALS CONSUMED**

Inventories as at March 31, 2008	<b>1,944.26</b>	1,533.25
Add : Purchases/Raising*	<b>9,123.58</b>	8,758.47
	<b><u>11,607.84</u></b>	<u>10,291.72</u>
Less : Sales	<b>201.47</b>	35.77
Less : Inventories as at March 31, 2009	<b>2,129.30</b>	1,944.26
	<b><u>8,737.07</u></b>	<u>8,311.69</u>

\* including direct expenses relating to raising of Bauxite at Company's own mines amounting to Rs. 1,228.42 (Previous year Rs. 759.20) [Refer note 14 of Schedule 24]

**SCHEDULE — 19 : PERSONNEL EXPENSES**

Salaries, Wages and Bonus	<b>2,149.07</b>	1,871.56
Gratuity expenses (Refer Note No. 8 of Schedule 24)	<b>45.50</b>	17.06
Contribution to Provident and other funds	<b>117.84</b>	106.81
Workmen and Staff Welfare Expenses	<b>126.19</b>	103.63
	<b><u>2,438.60</u></b>	<u>2,099.06</u>



	(All amount in Rs. Lacs)	
	As at March 31, 2009	As at March 31, 2008
<b>SCHEDULE — 20 : OPERATING AND OTHER EXPENSES</b>		
Consumption of Stores and Spares	2,237.31	1,816.69
Power and Fuel	4,617.43	3,657.96
Freight & Forwarding Charges	500.98	475.78
Rent	38.99	24.55
Packing Expenses	458.16	396.72
Rates & Taxes	29.24	16.51
Insurance	40.64	38.84
Repairs and Maintenance		
Plant & Machinery (excluding Stores & Spare parts Consumed)	214.67	158.70
Buildings	88.98	55.47
Others	12.36	13.27
Managerial Remuneration (Refer Note No. 15.1 in Schedule 24)	160.25	107.51
Legal and Professional Fees	75.89	46.05
Vehicle Running & Maintenance	47.01	46.46
Commission on Sales (other than sole selling agents)	438.13	503.30
Cash Discount on Sales	0.32	0.59
Other Selling Expenses	26.26	33.17
Travelling & Conveyance	127.64	139.75
Communication Costs	50.73	50.86
Printing and Stationery	21.20	23.76
Directors' Sitting Fees	2.50	2.05
As Auditor		
Audit Fee	10.83	11.47
Tax audit Fee	-	-
Limited Review	6.75	7.63
Out-of-Pocket Expenses	1.14	1.13
In other manner		
Certification	0.11	0.11
(Increase)/decrease of Excise Duty on Inventory/samples (Refer Note. 14 in schedule 24)	(37.71)	48.18
Donations and Contributions to charitable institutions	14.47	2.93
Provision for doubtful debts & advances	-	23.73
Bad Debt written off	0.05	-
Loss on Disposal/Discard of Fixed Assets	3.30	22.55
Exchange Difference [net off of gain of Rs. 118.68 lacs (Previous year Rs. Nil)]	237.04	-
Miscellaneous Expenses	76.49	67.79
	<b>9,501.16</b>	<b>7,793.51</b>

**SCHEDULE — 21 : (INCREASE) IN INVENTORIES**

Inventories as at March 31, 2009		
- Goods Purchased for Resale	108.74	235.33
- Work-in-progress	820.22	830.62
- Finished goods	2,250.36	1,602.75
- Waste	25.45	19.63
	<b>3,204.77</b>	<b>2,688.33</b>
Inventories as at March 31, 2008		
- Goods Purchased for Resale	235.33	5.07
- Work-in-progress	830.62	734.61
- Finished goods	1,602.75	1,366.41
- Waste	19.63	27.28
	<b>2,688.33</b>	<b>2,133.37</b>
	<b>(516.44)</b>	<b>(554.96)</b>

	(All amount in Rs. Lacs)	
	For the year ended March 31, 2009	For the year ended March 31, 2008
<b>SCHEDULE — 22 : FINANCIAL EXPENSES</b>		
Interest		
– on term loans	210.55	183.79
– on banks	428.13	355.29
– others	64.12	88.40
Bank charges	88.70	101.75
	<u>791.50</u>	<u>729.23</u>

**SCHEDULE — 23 : EARNINGS PER SHARE (EPS)**

Net profit as per profit and loss account	<u>3,184.42</u>	<u>1,947.51</u>
Net Profit available for equity shareholders	<u>3,184.42</u>	<u>1,947.51</u>
Weighted average number of Equity Shares considered for calculating Basic and Diluted EPS	59,819,600	59,819,600
<b>Basic and Diluted Earnings per Share (nominal value Rs.1 each)</b>	<b>5.32</b>	<b>3.26</b>

**SCHEDULE — 24 : NOTES TO THE ACCOUNTS**

(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, Refractories and Monolithics and Ceramic Paper. The Company has manufacturing facilities at Porbandar (Gujarat) and Bhiwadi (Rajasthan).

**2. Statement of Significant Accounting Policies**
**(a) Basis of preparation**

The financial statements have been prepared to comply in all material respects with the Notified accounting standard by Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies are consistent with those used in the previous year.

**(b) Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

**(c) Fixed Assets**

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

**(d) Depreciation**

Depreciation on leasehold land is provided over the unexpired period of lease and depreciation on leasehold improvements which includes temporary structures is provided over unexpired period of lease 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 lives (estimated by the management), which are equal to the corresponding rates prescribed in Schedule XIV to the Companies Act, 1956.

Depreciation on assets costing below Rs. 5000 is depreciated at the rate of 100% on pro-rata basis.

**(e) 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.

**(f) Intangible Assets**

**Software :**

Software is amortized using the straight-line method over a period of 5 years.

**(g) Leases**

*Where the Company is the lessee*

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lesser effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit & Loss Account on a straight-line basis over the lease term.

**(h) Investments**

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

**(i) 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 not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above 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 estimated cost necessary to make sale.	

**(j) 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.

**(i) Sale of Goods**

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. Excise Duty and value added tax deducted from turnover (gross) is the amount that is included in the amount of turnover (gross) and not the entire amount of liability accrued during the year.

**(ii) Maintenance and Repair Services**

Revenue from maintenance and repair services is accounted for in accordance with the terms of contracts, as and when these services are rendered.

**(iii) Interest**

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

**(iv) Export Benefits**

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

**(v) Dividends**

Revenue is recognised when the shareholders' right to receive payment is established by the balance sheet date.

**(vi) Royalty**

Revenue is recognized on an accrual basis in accordance with the terms of the relevant agreement.

**(k) 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. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

**(iii) Exchange Differences**

Exchange differences arising on the settlement of monetary items or on reporting company's 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.

**(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.

**(l) Retirement and other benefits**

- i. Retirement benefits in the form of Provident Fund is a defined contribution scheme and the contributions are charged to the Profit and Loss Account of the year when the contributions are due to Regional Provident Fund Commissioner. There are no other obligations other than the contribution payable to the fund.

- ii. Gratuity liability is defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit (PUC) method made at the end of each financial year. However, the Company has created an approved Gratuity Fund, which has taken a group gratuity cum insurance policy with the Life Insurance Corporation of India (LIC) to cover the gratuity liability of the employees and premium paid to LIC is charged to Profit & Loss account. At the end of accounting year, difference between obligation as per actuarial valuation and the fair value of plan asset is further provided for.
- iii. Short term compensated absences are provided for based on estimates at cost to company basis. Long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method.
- iv. Actuarial gains/losses are immediately taken to Profit and Loss account and are not deferred.
- v. Payments made under the Voluntary Retirement Scheme are charged to the Profit and Loss account.

**(m) 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 and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. 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 realized. If the Company has unabsorbed depreciation or carry forward tax losses, entire deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realized against future taxable profits.

At each balance sheet date the Company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax assets to the extent that it has become reasonably certain or virtual certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

**(n) 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.

Intersegment Transfers :

The Company generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties at current market prices.

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.

Segment Policies

The company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the company as a whole.

**(o) 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 attributable taxes) by the weighted average number of equity shares outstanding during the year.

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.

**(p) Provisions**

A provision is recognized when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions 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 estimates. Provision for expenditure relating to voluntary retirement is made when the employee accepts the offer of early retirement.

**(q) Cash Flow Statement**

Cash flows are reported using indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, financing and investing activities of the Company are segregated.

Cash and cash equivalents in the cash flow statement comprise cash at bank, cash/cheques in hand and short-term investments with an original maturity of three months or less.

**(r) Derivative Instruments**

As per the ICAI Announcement, accounting for derivative contracts, other than those covered under AS-11, are marked to market on a portfolio basis, and the net loss after considering the offsetting effect on the underlying hedge item is charged to the income statement. Net gains are ignored.

**3. Segment Information***Business Segments :*

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

*Geographical Segments:*

The analysis of geographical segment is based on the geographical location of the customers. The Company operates primarily in India and have presence in international markets as well. Its business is accordingly aligned geographically, catering to two markets. The Company has considered domestic and exports markets as geographical segments and accordingly disclosed these as separate segments. The geographical segments considered for disclosure are as follows:

- Sales within India include sales to customers located within India.
- Sales outside India include sales to customers located outside India.

**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, 2009 and March 31, 2008 and certain assets and liability information regarding business segments at March 31, 2009 and March 31, 2008.

**A) Primary Segments Reporting (by Business Segments)**

Segment Revenue, Results and Other Information (Amount in Rs. lacs)

Particulars	Fused Aluminum Oxide Grains Including Calcined Products		Refractories & Monolithics		Power Generation		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
<b>REVENUE</b>								
External sales/Income	<b>9,278.73</b>	7,134.86	<b>20,972.78</b>	17,004.90	-	-	<b>30,251.51</b>	24,139.76
Inter-segment sales	<b>4,041.24</b>	3,844.95	<b>10.58</b>	10.71	<b>3,321.41</b>	3,281.16	<b>7,373.23</b>	7,136.82
Total Revenue	<b>13,319.97</b>	10,979.81	<b>20,983.36</b>	17,015.61	<b>3,321.41</b>	3,281.16	<b>37,624.74</b>	31,276.58
Less: Inter segment sale	<b>4,041.24</b>	3,844.95	<b>10.58</b>	10.71	<b>3,321.41</b>	3,281.16	<b>7,373.23</b>	7,136.82
Add: Unallocated Corporate Income							<b>15.80</b>	111.78
Total revenue	<b>9,278.73</b>	7,134.86	<b>20,972.78</b>	17,004.90	-	-	<b>30,267.31</b>	24,251.54
<b>SEGMENT RESULT</b>	<b>1,854.43</b>	334.87	<b>4,405.79</b>	2,565.97	<b>131.26</b>	578.43	<b>6,391.48</b>	3,479.27
Less: Corporate Expenses (Net) (Unallocated)					-	-	<b>(797.60)</b>	(153.31)
Operating Profit							<b>5,593.88</b>	3,325.96
Interest Expense (Net)							<b>(690.06)</b>	(627.48)
Profit from Operating activity							<b>4,903.82</b>	2,698.48
Taxes							<b>(1,719.40)</b>	(750.97)
Net Profit							<b>3,184.42</b>	1,947.51
Segment Assets	<b>8,376.03</b>	7,650.23	<b>9,821.49</b>	8,936.81	<b>4,191.58</b>	4,500.27	<b>22,389.10</b>	21,087.31
Unallocated Corporate Assets							<b>420.45</b>	221.98
Total Assets							<b>22,809.55</b>	21,309.29
Segment Liabilities	<b>943.56</b>	11,43.31	<b>2,170.63</b>	1,863.98	<b>100.36</b>	112.32	<b>3,214.55</b>	3,119.61
Unallocated Corporate Liabilities							<b>8,234.01</b>	9,103.32
Total Liabilities							<b>10,538.75</b>	12,222.92
Capital Expenditure	<b>623.56</b>	537.98	<b>447.78</b>	594.35	<b>91.81</b>	898.74	<b>1,163.15</b>	2,031.07
Unallocated Capital Expenditure							<b>46.44</b>	25.35
Total Capital Expenditure							<b>1,209.59</b>	2,056.42
Depreciation	<b>360.10</b>	316.07	<b>200.79</b>	166.48	<b>401.10</b>	303.49	<b>961.99</b>	786.04
Unallocated Corporate Depreciation							<b>9.27</b>	6.14
Total Depreciation							<b>971.26</b>	792.18

Note: Unbold figures indicates previous year Figures

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

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



	(Amount in Rs.lacs)	
	For the year ended March 31, 2009	For the year ended March 31, 2008
Domestic Market	26,523.69	20,987.77
Overseas Markets	3,727.82	3,151.99
<b>Total</b>	<b>30,251.51</b>	<b>24,139.76</b>

The following table shows the carrying amount of segment assets by geographical markets

	As at March 31, 2009	As at March 31, 2008
Domestic Market	5,452.43	4,758.16
Overseas Markets	495.05	515.05
<b>Total</b>	<b>5,947.48</b>	<b>5,273.21</b>

**Note : The Company has common fixed assets for producing goods for Domestic Market as well as Overseas Markets. 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	Brother's Wife
5. Mr. N.K. Rajgarhia	Brother
6. Mrs. Rajkumari Rajgarhia	Brother's Wife
7. Mr. S.K. Rajgarhia	Brother
8. Mrs. Sulabha Rajgarhia	Brother's Wife
9. Mr. P.K. Rajgarhia	Brother
10. Mrs. Madhushree Rajgarhia	Brother's Wife
11. Mrs. Sunita Bagla	Sister
12. Ms Anisha Mittal	Daughter
13. Mr. Ashwin Mittal	Son-in-Law
14. Ms Bhawna Rajgarhia	Daughter
15. S G Rajgarhia (HUF)	HUF
16. R.K. Rajgarhia & Sons (HUF)	HUF
17. RKR Foundation	Trust
18. Mr. P.P. Khanna	Executive Director
19. Mrs. Prabha Khanna	Wife
20. Mr. Sanjay Khanna	Son
21. Mr. Sandeep Khanna	Son

C. The Enterprises controlled by the above persons

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

**Transactions with related parties during the year**
**(Amount in Rs. lacs)**

Particulars	A. An Individual with substantial interest		B. Relatives of Key Management personnel		C. Enterprises owned or significantly influenced by key management personnel or their relatives		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
<b>Sales to :</b>								
Unifrax India Ltd.	-	-	-	-	5.41	2.54	5.41	2.54
Orient Abratool Pvt. Ltd.	-	-	-	-	-	40.70	-	40.70
Orient Abratech Pvt. Ltd.	-	-	-	-	-	11.78	-	11.78
Orient Coated Pvt. Ltd.	-	-	-	-	-	0.67	-	0.67
Pyramid Abrasives Pvt. Ltd.	-	-	-	-	57.34	0.33	57.34	0.33
Others	-	-	-	-	0.13	0.10	0.13	0.10
<b>Total Sales</b>	-	-	-	-	<b>62.88</b>	56.12	<b>62.88</b>	56.12
<b>Purchase of Raw Materials:</b>								
Unifrax India Ltd.	-	-	-	-	41.64	41.42	41.64	41.42
Others	-	-	-	-	17.23	0.23	17.23	0.23
<b>Total Purchase of Raw Materials</b>	-	-	-	-	<b>58.87</b>	41.65	<b>58.87</b>	41.65
<b>Packing Expenses</b>								
Perfectpac Ltd.	-	-	-	-	56.49	27.73	56.49	27.73
<b>Commission paid</b>								
Hindustan General Industries Ltd.	-	-	-	-	12.79	27.36	12.79	27.36
<b>Rent paid to</b>								
Bhawna Rajgarhia	-	-	16.19	4.28	-	-	16.19	4.28
Usha Rajgarhia	-	-	6.91	1.80	-	-	6.91	1.80
Madhushree Properties Pvt. Ltd.	-	-	-	-	1.80	1.80	1.80	1.80
Perfectpac Ltd.	-	-	-	-	-	-	-	-
<b>Total Rent Paid</b>	-	-	<b>23.10</b>	6.08	<b>1.80</b>	1.80	<b>24.90</b>	7.88
<b>Guarantee given by S G Rajgarhia</b>	<b>600.00</b>	2,300.00	-	-	-	-	<b>600.00</b>	2,300.00
<b>Financial Expenses:</b>								
Rovo Marketing Pvt. Ltd.	-	-	-	-	32.70	32.40	32.70	32.40
P P Khanna	-	-	10.27	6.00	-	-	10.27	6.00
Others	-	-	-	0.79	-	-	-	0.79
<b>Total Financial Expenses</b>	-	-	<b>10.27</b>	6.79	<b>32.70</b>	32.40	<b>42.97</b>	39.19
<b>Dividend paid to :</b>								
S G Rajgarhia	80.03	62.24	-	-	-	-	80.03	62.24
S G Rajgarhia (HUF)	-	-	34.39	25.25	-	-	34.39	25.25
Usha Rajgarhia	-	-	29.26	19.71	-	-	29.26	19.71
Anisha Mittal	-	-	59.54	44.91	-	-	59.54	44.91
Bhavna Rajgarhia	-	-	34.37	20.81	-	-	34.37	20.81
Rovo Marketing Pvt. Ltd.	-	-	-	-	0.07	0.05	0.07	0.05
Faridabad Paper Mills Ltd.	-	-	-	-	0.16	3.29	0.16	3.29
Rajgarhia Leasing & Financial Ser. Pvt. Ltd.	-	-	-	-	-	3.58	-	3.58
Madhushree Properties Pvt. Ltd.	-	-	-	-	1.46	10.24	1.46	10.24
Others	-	-	45.61	28.67	0.50	1.12	46.11	29.79
<b>Total Dividend Paid</b>	<b>80.03</b>	62.24	<b>203.17</b>	139.35	<b>2.19</b>	18.28	<b>285.39</b>	219.87
<b>*Managerial Remuneration:</b>								
S G Rajgarhia	132.23	83.67	-	-	-	-	132.23	83.67
P P Khanna	-	-	28.02	23.84	-	-	28.02	23.84
<b>Total Managerial Remuneration</b>	<b>132.23</b>	83.67	<b>28.02</b>	23.84	-	-	<b>160.25</b>	107.51



## ORIENT ABRASIVES LIMITED

Particulars	A. An Individual with substantial interest		B. Relatives of Key Management Personnel		C. Enterprises owned or significantly influenced by key management personnel or their relatives		Total	
<b>Salaries, Wages and Bonus</b>								
Mrs. Usha Rajgarhia	-	-	1.32	1.32	-	-	1.32	1.32
Ms. Anisha Mittal	-	-	5.35	5.58	-	-	5.35	5.58
<b>Total Salaries, Wages and Bonus</b>	-	-	<b>6.67</b>	6.90	-	-	<b>6.67</b>	6.90
<b>Directors' Sitting Fees:</b>								
R K Rajgarhia	-	-	0.65	0.50	-	-	0.65	0.50
<b>Unsecured Loan taken:</b>								
Rovo Marketing Pvt. Ltd.	-	-	-	-	414.00	291.40	414.00	291.40
P P Khanna	-	-	55.00	-	-	-	55.00	-
<b>Total Unsecured Loan taken</b>	-	-	<b>55.00</b>	-	<b>414.00</b>	291.40	<b>469.00</b>	291.40
<b>Unsecured Loan repaid:</b>								
Rovo Marketing Pvt. Ltd.	-	-	-	-	743.06	195.34	743.06	195.34
P P Khanna	-	-	5.00	-	-	-	5.00	-
<b>Total Unsecured Loan repaid</b>	-	-	<b>5.00</b>	-	<b>743.06</b>	195.34	<b>748.06</b>	195.34
<b>Fixed Deposits Repaid:</b>								
Ashwin Mittal	-	-	-	4.17	-	-	-	4.17
<b>Total Fixed Deposits Repaid</b>	-	-	-	4.17	-	-	-	4.17
<b>Balance outstanding as at year end</b>								
<b>Sundry Debtors:</b>								
Orient Steel & Industries Ltd.	-	-	-	-	-	15.44	-	15.44
Pyramid Abrasives Pvt. Ltd.	-	-	-	-	6.00	-	6.00	-
Orient Coated Pvt. Ltd.	-	-	-	-	-	0.67	-	0.67
<b>Total Sundry Debtors</b>	-	-	-	-	<b>6.00</b>	16.11	<b>6.00</b>	16.11
<b>Sundry Creditors:</b>								
S G Rajgarhia	102.87	60.26	-	-	-	-	102.87	60.26
Usha Rajgarhia	-	-	0.19	-	-	-	0.19	-
Anisha Mittal	-	-	0.78	-	-	-	0.78	-
Hindustan General Industries Ltd.	-	-	-	-	1.36	0.12	1.36	0.12
Rovo Marketing Pvt. Ltd.	-	-	-	-	-	329.06	-	329.06
Perfectpac Ltd.	-	-	-	-	26.45	5.50	26.45	5.50
Unifrax India Ltd.	-	-	-	-	11.55	10.83	11.55	10.83
P P Khanna	-	-	2.84	53.60	-	-	2.84	53.60
<b>Total Sundry Creditors</b>	<b>102.87</b>	60.26	<b>3.81</b>	53.60	<b>39.36</b>	345.51	<b>146.04</b>	459.37
<b>Outsanding Guarantees given</b>	-	-	<b>9050.00</b>	8450.00	-	-	<b>9050.00</b>	8450.00

### Notes:

1. No amount has been provided as doubtful debts or advances/written off or written back in the year in respect of debts due from above related parties.
2. \*As the future liability for gratuity and leave encashment is provided on an actuarial basis for the Company as a whole, the amount pertaining to the directors is not ascertainable and, therefore, not included above.

		(Amount in Rs. lacs)	
		2009	2008
5.	Estimated amount of Contracts remaining to be executed on capital account and not provided for (Net of Capital advances Rs 67.40 lacs, Previous year Rs 114.31lacs)	<b>86.36</b>	107.87
6.	Contingent liabilities (not provided for) in respect of:		
i)	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,*	<b>338.02</b>	338.02
ii)	Sales tax and interest demand raised by Kolkata Sales tax authorities for non-submission of declarations forms for the year 1993-94.	<b>3.75</b>	22.87
iii)	Differential Sales tax demand by Karnataka Sales tax authorities. Company has gone into appeal before Sales tax Appellate Tribunal (Company deposited Rs. 7.28 against the penalty under protest and same is being disclosed in loans and advances).	-	7.28
iv)	Demand raised by the Income Tax Authorities, being disputed by the Company (Refer Note A below)	<b>1469.84</b>	1238.39
v)	Show cause issued by service tax authorities for input tax credit availed on foreign business auxiliary services, consulting engineer service, Telephone service and insurance service.	<b>51.43</b>	-
vi)	Cases pending with Labour Courts (Amount unascertainable)		

\* In view of decision already 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 there against is considered necessary.

In view of large number of cases, it is not practicable to disclose individual details of all the cases. On the basis of current status of individual case and as per legal advice obtained by the Company, wherever applicable, the Company is confident of winning the above cases and is of view that no provision is required in respect of these cases.

(A) The Company has a thermal power plant at Porbander to meet the energy needs of its abrasives grains division (AGD) at Porbander. Under Section 80 IA of the Income Tax Act, 1961, the profit of the power plant is not liable to income tax and therefore a deduction of an amount equal to hundred percent of the profit derived from such business is allowable from the total income of the Company for a period of 10 consecutive assessment years. The Department allowed the benefit to Company with respect to financial year 2001-02 and 2002-03. However in respect of years 2003-04, 2004-05 & 2005-06, Department denied the benefit by taking a different view. The Company appealed against the same and Commissioner of Income Tax (Appeals) decided appeal in favor of Company by reversing the department's order. Against this, the department has gone into appeal before the Income Tax Appellate Tribunal (ITAT). Further in respect of year 2006-07 also, department has disallowed benefit to Company and the Company's appeal with respect to said year is pending with CIT (Appeals). Subsequently, the department reopened the case for the year 2001-02 and disallowed the benefit to Company. The Company had appealed to the CIT (Appeals) which has been decided in favour of the Company. The department has gone into appeal before the ITAT. The department also reopened the case for the year 2002-03 against which the Company has filled a writ petition in Hon'ble High Court and the court has passed an interim order staying further assessment by department. The Company, on the basis of current status of the case and advice obtained from legal counsel is confident that there would not be any probable outflow of resources in this matter.

7. Details of dues to Micro, Small and Medium Enterprises as per MSMED Act, 2006			
No.	Details of dues to Micro, Small and Medium Enterprises as per MSMED Act,2006	2009	2008
i	The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of year		
	Principal Amount Unpaid	<b>135.41</b>	92.07
	Interest Due	<b>3.41</b>	1.89

No.	Details of dues to Micro, Small and Medium Enterprises as per MSMED Act, 2006	2009	2008
ii	The amount of interest paid by the buyer in terms of section 16, of the Micro Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during the year Payment made beyond the Appointed Date Interest Paid beyond the Appointed Date	334.17 –	77.85 –
iii	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro Small and Medium Enterprise Development Act, 2006.	14.08	3.15
iv	The amount of interest accrued and remaining unpaid at the end of the year; and	17.49	5.04
v	The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro Small and Medium Enterprise Development Act, 2006	–	–

**8. Gratuity and other Post- employment benefit plans:**

The Company has a defined benefit gratuity plan. Gratuity is computed as 15 days salary, for every completed year of service or part thereof in excess of 6 months and is payable on retirement/termination/resignation. The benefit vests on the employees after completion of 5 years of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy. At the end of accounting year actuarial valuation is done as per the Projected unit credit method and any shortfall in the funding claims is further provided for.

The Company has also provided long term compensated absences which are unfunded.

The following tables summarise the components of net benefit expense recognized in the profit and loss account and the unfunded status and amounts recognized in the balance sheet for the Gratuity

**Profit and Loss account**

**Net employee benefit expense (recognised in Employee Cost)**

Particulars	(Amount in Rs. Lacs)	
	(Gratuity)	
	March 31, 2009	March 31, 2008
Current service cost	23.98	22.45
Interest cost on benefit obligation	29.93	28.25
Expected return on plan assets	(28.98)	(22.79)
Net actuarial (gains) / loss recognised in the year	20.57	(10.85)
Past service cost	–	–
Net benefit expense	45.50	17.06
Actual return on plan assets	–	–

**Balance Sheet**

**Details of provision for Gratuity**

Particulars	(Amount in Rs. Lacs)	
	(Gratuity)	
	March 31, 2009	March 31, 2008
Defined benefit obligation	402.92	378.80
Fair value of plan assets	(336.65)	(313.33)
	66.27	65.47
Less: Unrecognised Past service cost	–	–
Plan asset / (liability)	66.27	65.47

Changes in the present value of the defined benefit obligation are as follows:

(Amount in Rs. Lacs)

Particulars	March 31, 2009	March 31, 2008
Defined benefit obligation as at the beginning of the year	378.80	353.11
Interest cost	29.93	28.25
Current service cost	23.98	22.45
Benefits paid	(49.29)	(13.97)
Actuarial (gains) / losses on obligation	19.50	(11.06)
Defined benefit obligation as at the end of the year	402.92	378.80

Changes in the fair value of plan assets for Gratuity are as follows:

(Amount in Rs. Lacs)

Particulars	March 31, 2009	March 31, 2008
Fair value of plan assets as at the beginning of the year	313.33	246.42
Expected return	28.98	22.79
Contributions by employer	44.70	58.28
Benefits paid	(49.29)	(13.97)
Actuarial gains / (losses)	(1.07)	0.20
Fair value of plan assets as at end of the year	335.65	313.33

The company expects to contribute Rs 23.40 lacs to gratuity in 2009-10

The major categories of plan assets as a percentage of the fair value of total plan assets is as follows:

Particulars	March 31, 2009	March 31, 2008
Investments with insurer - Insurance policy with Life Insurance Corporation of India	100%	100%

The principal assumptions used in determining gratuity benefit obligations for the Company's plans are shown below:

Particulars	March 31, 2009	March 31, 2008
	%	%
Discount rate	7.90	8.00
Increase in Compensation cost	7.00	7.00
Expected rate of return on assets	9.25	9.25
Employee turnover – Age Group		
Up to 30 years	3%	3%
30 – 44 years	2%	2%
Above 44 years	1%	1%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Amounts for the current and previous years are as follows:

(Amount in Rs. Lacs)

	March 31, 2009	March 31, 2008
Defined benefit obligation	402.92	378.80
Plan assets	336.65	313.33
Surplus / (deficit)	(66.27)	(65.47)
Experience adjustments on plan liabilities (loss)/gain	(46.55)	–
Experience adjustments on plan assets (loss)/gain	(1.07)	–

Information in respect of experience adjustments has been disclosed only for current year as the same was not applicable for any of the previous years.

**Contribution to Defined Contribution Plans:**
**(Amount in Rs. Lacs)**

Particulars	March 31, 2009	March 31, 2008
Provident Fund	<b>82.85</b>	73.96

9. 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.

**10. Expenditure during construction period**

Particulars	2008-09 (Rs in Lacs)	2007-08 (Rs in Lacs)
Balance brought forward	–	72.68
Expenditure incurred during the period		
-Interest on Term Loan	–	67.99
-Bank Charges	–	–
-Traveling & Conveyance	–	2.63
Allocated to fixed assets	–	(143.30)
Balance carried forward	–	–

11. The Company has taken various residential, office and warehouse premises and plant & machinery under operating lease agreements. These are not non-cancellable and are renewable by mutual consent on mutually agreed terms. The lease payment recognized in the statement of profit & loss account for the year is Rs. 38.99 lacs (Previous year Rs. 24.55 lacs)

**12. Derivative Instrument and Unhedged Foreign Currency Exposure**
**Forward Contract Outstanding as at Balance Sheet date**

Particulars	March 31, 2009	March 31, 2008	Purpose
Sell USD	<b>US \$ 62,50,000</b>	US \$ 10,50,000	Hedge of Debtors/expected future sales

**Particulars of Unhedged Foreign Currency Exposure at the Balance Sheet Date are :**

Particulars	Amount in Foreign Currency			Amount in Indian Currency (Rs. Lacs)	
	Currency	March 31, 2009	March 31, 2008	March 31, 2009	March 31, 2008
Sundry Creditors	<b>USD</b>	<b>283,574</b> @ 51.45	225,502 @ 40.58	<b>145.90</b>	90.45
	<b>EURO</b>	<b>34,817</b> @ 68.43	50,940 @ 63.47	<b>23.83</b>	32.33
	<b>GBP</b>	<b>1,745</b> @ 73.83	4,390 @ 80.12	<b>1.29</b>	3.52
Secured Loan	<b>EURO</b>	<b>217,590</b> @ 68.43	–	<b>148.90</b>	–
	<b>USD</b>	<b>1,800,000</b> @ 51.45	2,400,000 @ 40.11	<b>926.10</b>	962.64
Financial Expenses	<b>USD</b>	<b>14,415</b> @ 51.45	37,794 @ 40.11	<b>7.42</b>	15.16
Sundry Debtors	<b>USD</b>	<b>450,165</b> @ 50.53	523,472 @ 39.52	<b>227.47</b>	206.88
	<b>EURO</b>	<b>401,172</b> @ 66.70	431,157 @ 62.34	<b>267.58</b>	262.78



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

	(Amount in Rs. Lacs)	
	March 31, 2009	March 31, 2008
<b>Personnel Expenses</b>		
Salaries, Wages and Bonus	1,103.68	662.10
Contribution to Provident and other funds	2.07	1.69
Workmen and Staff Welfare Expenses	1.83	0.81
<b>Operating and Other Expenses</b>		
Consumption of Stores and Spares	2.81	2.62
Rent	0.57	6.73
Rates & Taxes	10.86	0.69
Royalty on Raw Bauxite (On dispatch to factory)	67.43	50.05
Insurance	0.23	0.16
Legal and Professional Fees	11.15	-
Vehicle Running & Maintenance	6.05	6.58
Repairs and Maintenance :		
- Plant & Machinery (excluding Stores & Spares Consumed)	0.03	0.03
- Buildings	2.28	0.40
- Others	0.46	0.15
Travelling & Conveyance	2.73	2.65
Printing and Stationery	1.08	0.72
Donations and Contributions	0.18	0.17
Bank Charges	0.19	0.69
Miscellaneous Expenses	14.80	22.96
<b>TOTAL</b>	<b>1,228.42</b>	<b>759.20</b>

14. In accordance with Para 10 of Accounting Standard -9 on Revenue Recognition notified under Companies (Accounting Standard) Rules, 2006, excise duty on sales amounting to Rs. 2934.53 lacs (Previous Year Rs. 2,923.85 lacs) has been reduced from sales in profit & loss account and excise duty on increase/decrease in stock amounting to Rs. (37.71 lacs) (Previous Year Rs. 48.18 lacs) has been considered as (income)/expense in Schedule 20 of the financial statements.

#### 15. Supplementary Statutory Information

##### 15.1 Directors' Remuneration

	(Amount in Rs. Lacs)	
	For the year ended March 31, 2009	For the year ended March 31, 2008
Salaries	55.07	46.28
Commission	99.41	56.60
Contribution to Provident fund	3.79	3.19
Perquisites	1.98	1.44
	<b>160.25*</b>	<b>107.51*</b>

\*Note : As the future liability for gratuity and leave encashment is provided on an actuarial basis for the Company as a whole, the amount pertaining to the directors is not ascertainable and, therefore, not included above.

##### 15.2 Computation of Net Profit in accordance with Section 349 of the Companies Act, 1956 for calculation of commission payable to directors

Profit as per Profit and Loss Account	4,903.82	2,698.48
<i>Add:</i>		
Directors' Remuneration	160.25	107.51
Director Fee	2.50	2.05
Loss on sale / discard of fixed assets	3.30	22.55
<i>Less:</i>		
Net profit as per Section 349 of the Companies Act, 1956	5069.87	2830.59
Commission to Managing Director @ 2% (Previous Year 2%) of the net profits as calculated above	99.41	56.60

**15.3 Earnings in foreign currency (on accrual basis)**
**(Amount in Rs. Lacs)**

	<b>For the year ended March 31, 2009</b>	<b>For the year ended March 31, 2008</b>
Exports at F.O.B. Value	<b>3424.92</b>	2912.21
Royalty	<b>13.67</b>	34.96
<b>15.4 Expenditure in foreign currency (on accrual basis)</b>		
Travelling	<b>14.17</b>	17.44
Interest	<b>55.99</b>	67.68
Legal and professional fees	<b>13.81</b>	15.49
Commission	<b>174.12</b>	155.86
Others	<b>8.60</b>	11.14
	<b>266.69</b>	267.61
<b>15.5 Value of imports calculated on CIF basis (on accrual basis)</b>		
Raw Materials	<b>977.92</b>	951.40
Stores and Spares	<b>281.93</b>	48.22
Capital Goods	<b>35.80</b>	171.42
Goods purchased for resale	<b>123.53</b>	-
	<b>1419.18</b>	1171.04

**16.0 Additional information pursuant to the provisions of paragraphs 3, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956**
**16.1 Licensed Capacity, Installed Capacity and Actual Production**

Class of Goods	Unit	Licensed	Capacity	Installed	Capacity*	Actual Production	
		2009	2008	2009	2008	2009	2008
Fused Aluminum Oxide Grains	MT	NA	NA	<b>28500</b>	25000	<b>26289</b>	24687
Calcined Products	MT	NA	NA	<b>74250</b>	74250	<b>56213</b>	52459
Refractories	MT	NA	NA	<b>16000</b>	16000	<b>11464</b>	12083
Monolithics	MT	NA	NA	<b>28000</b>	28000	<b>27173</b>	21548
Ceramic Paper	Pcs	NA	NA	<b>20000</b>	20000	<b>814</b>	4817
Waste	MT	NA	NA	-	-	<b>11632</b>	3819

\* As Certified by the Technical Head

**Notes :**

1. Production of Fused Aluminum Oxide Grains 6892 MT for captive consumption (Previous year 8897 MT).
2. Production of Calcined Products includes 39664 MT for captive consumption (Previous year 35627 MT).
3. Production of Monolithics includes 5910 MT for captive consumption (Previous year 4797 MT).
4. Production of waste includes 247 MT used for captive consumption (Previous year 226 MT).

**16.2 Sales & Stocks of Finished Goods**

Class of Goods	Unit	<b>(Amount in Rs. Lacs)</b>			
		Quantity		Value (Rs)	
		2009	2008	2009	2008
Fused Aluminum Oxide Grains	MT	<b>18078</b>	16301	<b>7314.40</b>	5427.42
Calcined Products	MT	<b>15146</b>	15830	<b>1768.00</b>	1464.24
Refractories	MT	<b>11263</b>	11759	<b>14319.47</b>	12426.39
Monolithics	MT	<b>20816</b>	16851	<b>4888.26</b>	3764.41
Ceramic Paper	Pcs	<b>814</b>	4817	<b>3.95</b>	5.70
Waste	MT	<b>7562</b>	3811	<b>313.78</b>	189.95
Goods purchased for resale		-	-	<b>3178.85</b>	2371.93
Service Revenue	NA	-	-	<b>391.07</b>	260.07
Miscellaneous				<b>957.68</b>	1041.21
				<b>33,135.46</b>	26,951.32

<b>Stocks</b>		<b>(Amount in Rs. Lacs)</b>			
<b>Class of Goods</b>	<b>Unit</b>	<b>Quantity</b>		<b>Value (Rs)</b>	
		<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Opening Stock</b>					
Fused Aluminum Oxide Grains	MT	<b>1633</b>	2144	<b>496.57</b>	590.01
Calcined Products	MT	<b>1994</b>	992	<b>157.35</b>	123.84
Refractories	MT	<b>991</b>	667	<b>827.05</b>	545.10
Monolithics	MT	<b>500</b>	600	<b>121.78</b>	107.46
Waste	MT	<b>403</b>	621	<b>19.63</b>	27.28
				<b>1622.38</b>	1393.69
<b>Closing Stock</b>					
Fused Aluminum Oxide Grains	MT	<b>2952</b>	1633	<b>989.18</b>	496.57
Calcined Products	MT	<b>3397</b>	1994	<b>287.94</b>	157.35
Refractories	MT	<b>1124</b>	997	<b>810.46</b>	827.05
Monolithics	MT	<b>825</b>	494	<b>162.77</b>	121.78
Waste	MT	<b>4226</b>	403	<b>25.46</b>	19.63
				<b>2275.82</b>	1622.38

**Notes :**

- The quantitative figures in respect of Refractories in Excise Records are available in numbers and the same have been converted into tonnage by the Management.
- Differences in quantitative tally in respect of Refractories and Monolithics are on account of samples, free replacements, damages etc.

**16.3 Consumption of Raw Materials (Amount in Rs. Lacs)**

<b>Class of Goods</b>	<b>Unit</b>	<b>Quantity</b>		<b>Value (Rs)</b>	
		<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Raw Bauxite	MT	<b>317620</b>	299605	<b>1691.00</b>	1546.64
Calcined Alumina	MT	<b>9981</b>	12523	<b>2617.70</b>	3138.22
Fused Aluminium Oxide Grains	MT	4601	4638	<b>1923.57</b>	1754.83
Others*		-	-	<b>2504.80</b>	1872.00
				<b>8737.07</b>	8311.69

\* It is not practicable to furnish quantitative information in view of the large number of items which differ in size and nature, each being less than 10% in value of the total.

Note: Raw materials consumed is net of DEPB benefits amounting to Rs.193.26 lacs (Previous year Rs. 152.08 lacs)

**16.4 Imported and Indigenous Raw Materials, Stores and Spares Consumed (Amount in Rs. Lacs)**

	<b>% of total consumption</b>		<b>Value</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Raw Materials</b>				
Indigenous	<b>90.70</b>	89.91	<b>7924.44</b>	7472.97
Imported	<b>9.30</b>	10.09	<b>812.63</b>	838.72
	<b>100.00</b>	100.00	<b>8737.07</b>	8311.69
<b>Stores and Spares</b>				
Indigenous	<b>88.63</b>	89.31	<b>1982.95</b>	1622.43
Imported	<b>11.37</b>	10.69	<b>254.36</b>	194.26
	<b>100.00</b>	100.00	<b>2237.31</b>	1816.69

**16.5 Detail of goods Purchased for Resale**

	Value (Rs. in lacs)*	
	2009	2008
Opening Stock	<b>235.33</b>	5.07
Purchase	<b>2970.24</b>	2382.35
	<b>3205.57</b>	2387.42
Sales	<b>3178.85</b>	3271.94
Closing Stock	<b>108.74</b>	235.33

\* It is not practicable to furnish quantitative information in view of the large number of items which differ in size and nature, each being less than 10% in value of the total.

**17. Previous year Comparatives**

Previous year's figures have been regrouped/rearranged where necessary to confirm to this year's classification.

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As per our report of even date

For S.R.BATLIBOI & CO  
Chartered Accountants

Per Manoj Gupta  
Partner  
Membership No. 83906

Place : Gurgaon, Haryana  
Date : June 23, 2009

For and on behalf of the Board of Directors  
of Orient Abrasives Limited

S.G.RAJGARHIA  
(Managing Director)

T.N.CHATURVEDI  
(Director)

P.P.KHANNA  
(Executive Director)

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

DEEPAK C.S.  
(Company Secretary)

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

<b>I. Registration Details</b>		<b>CIN : L24299DL1971PLC005854</b>	
Registration No.	5854	State Code	55
Balance Sheet Date	31	03	2009
<b>II. Capital Raised during the year (Amount in Rs. Thousands)</b>			
Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL
<b>III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousand)</b>			
Total Liabilities	1768589	Total Assets	1768589
<b>Sources of Funds</b>			
Paid-up Capital	59833	Reserves & Surplus (including Deferred Tax Liability)	1118790
Secured Loans	561586	Unsecured Loans	28380
<b>Application of Funds</b>			
Net Fixed Assets (including intangible assets)	952101	Investments	27
Net Current Assets	816461	Misc. Expenditure	NIL
<b>IV. Performance of Company (Amount in Rs. Thousands)</b>			
Turnover (Including other Income)	3026731	Total Expenditure	2536349
Profit Before Tax	490382	Profit After Tax	318442
Earning per Share in Rs	5.32	Dividend Rate %	130%
<b>V. Generic Names of Three Principal Products of Company (As per monetary terms)</b>			
Item Code No. (ITC Code)	28182090		
Product Description	Fused Aluminium Oxide Grains		
Item Code No. (ITC Code)	69022030		
Product Description	Slide Gate and Continuous Casting Refractories		
Item Code No. (ITC Code)	38160000		
Product Description	Refractory Cement and Castables		

For and on behalf of the Board of Directors  
of Orient Abrasives Limited

S.G.RAJGARHIA  
(Managing Director)

T.N.CHATURVEDI  
(Director)

P.P.KHANNA  
(Executive Director)

Place : New Delhi  
Date : June 23, 2009

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

DEEPAK C.S.  
(Company Secretary)

## MANAGEMENT

### BOARD OF DIRECTORS

(as on 23/06/09)

Mr. Rajendra Kumar Rajgarhia, Chairman  
 Mr. Rama Shanker Bajoria  
 Mr. Tribhuvan Nath Chaturvedi  
 Mr. Umesh Kumar Khaitan  
 Mr. Sudhir Kumar Samarendra Narayan  
 Mr. Shri Gopal Rajgarhia, Managing Director  
 Mr. Prem Prakash Khanna, Executive Director

### BANKERS

HDFC Bank  
 State Bank of India  
 Citibank

### 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.  
 246, First Floor, Sant Nagar,  
 East of Kailash  
 New Delhi – 110 065  
 Phone : 011-26292682, 011-26292683  
 Fax : 011-26292681  
 E mail : [admin@skylinerta.com](mailto:admin@skylinerta.com)

### WORKS

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

*Refractories Division :*  
 SP-148A & B, RIICO Industrial Area,  
 Bhiwadi, Dist Alwar (Rajasthan)

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