

36th
Annual Report
2006-07



ORIENT ABRASIVES LIMITED

MANAGEMENT

BOARD OF DIRECTORS

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

UCO Bank
HDFC Bank
State Bank of India

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

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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NOTICE

To the Members of ORIENT ABRASIVES LIMITED :

Notice is hereby given that the 36th Annual General Meeting of the Members of Orient Abrasives Limited will be held at Vishwa Yuvak Kendra, Circular Road, Chanakyapuri, New Delhi – 110 021 on Thursday, September 20, 2007 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, 2007 and the report of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr Rajendra Kumar Rajgarhia who retires by rotation and being eligible offers himself for re-appointment.
3. To declare a final dividend on equity shares.
4. 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

5. 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 257 of the Companies Act, 1956 and other applicable provisions, if any, Mr Prem Prakash Khanna, who was appointed as an additional director by the Board of Directors w.e.f. 07/08/2006, who holds the office till the date of this Annual General Meeting and for whose appointment as a director, a notice has been received by the Company, be and is hereby appointed as a director liable to retire by rotation.”

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 provisions of Section 257 of the Companies Act, 1956 and other applicable provisions, if any, Mr Sudhir Kumar Samarendra Narayan, who was appointed as an additional director by the Board of Directors w.e.f. 09/06/2007, who holds the office till the date of this Annual General Meeting and for whose appointment as a director, a notice has been received by the Company, be and is hereby appointed as a director liable to retire by rotation.”

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

“RESOLVED THAT subject to the provisions of 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 three years w.e.f. August 7, 2006 upon the following terms and conditions :

- i) Salary Rs. 88500 p.m. with power to the Board of Directors to grant annual increments not exceeding Rs. 20000 in an year. The annual increments will be effective from 1st April of each year. The first increment to be given w.e.f. April 1, 2007.
- ii) Bonus/Ex-gratia : As may be payable to the senior executives of the Company but not exceeding 20% of the basic salary.
- iii) 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 ;



- 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 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."

8. 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 or 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. 100 crores."

9. 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.

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 : July 28, 2007

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 REMAINED CLOSED FROM JULY 10 2007 (TUESDAY) TO JULY 17 2007 (TUESDAY) - 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 17, 2007 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 9, 2007 IN THE CASE OF THOSE HOLDING IN DEMAT MODE.
3. THE AMOUNT OF DIVIDEND REMAINING UNPAID FOR THE YEARS 2002-03, 2003-04 AND 2004-05, AND 2005-06, AND TRANSFERRED TO THE COMPANY'S UNPAID DIVIDEND ACCOUNT, CAN BE CLAIMED FROM THE COMPANY BY THE MEMBERS ENTITLED TO IT FOR A PERIOD OF SEVEN YEARS FROM THE RESPECTIVE DATES OF SUCH TRANSFER AFTER WHICH IT SHALL BE TRANSFERRED TO THE INVESTOR EDUCATION AND PROTECTION FUND CONSTITUTED UNDER SECTION 205 (C) OF THE COMPANIES ACT, 1956.
4. 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 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 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.
9. MEMBERS ARE REQUESTED TO FILL UP THE ECS MANDATE FORM PROVIDED WITH THIS REPORT AND SUBMIT TO THE REGISTRAR AT THE EARLIEST FOR THE PURPOSE OF DIVIDEND CREDIT.
10. EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956 IN RESPECT OF ITEM NOS. 5 TO 9 IS ANNEXED.

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956 ITEM NO. 5 TO 9.**ITEM NO. 5**

Mr P P Khanna was appointed as an additional director w.e.f. 07/08/2006, by the Board of Directors. In terms of section 260 of the Companies Act, 1956 he holds office only till the date of this Annual General Meeting. The Company has received a notice under section 257 of the Act proposing Mr Khanna for appointment as director at the ensuing Annual General Meeting subject to retirement by rotation.

The Board of Directors recommends his appointment as a director.

None of the directors except Mr. P P Khanna himself is interested or concerned in the resolution.

ITEM NO. 6

Mr S K S Narayan was appointed as an additional director w.e.f. 09/06/2007, by the Board of Directors. In terms of section 260 of the Companies Act, 1956 he holds office only till the date of this Annual General Meeting. The Company has received a notice under section 257 of the Act proposing Mr Narayan for appointment as director at the ensuing Annual General Meeting subject to retirement by rotation.

The Board of Directors recommends his appointment as a director.

None of the directors except Mr. S K S Narayan himself is interested or concerned in the resolution.

ITEM NO. 7

Mr. P P Khanna was appointed as an additional director and then as a whole-time director designated as Executive Director w.e.f. 07/08/2006 for a period of three years by the Board of Directors in the meeting held on July 31, 2006. According to Schedule XIII of the Companies Act, 1956, this appointment requires members' approval by way of ordinary resolution. However 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 both 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, 2007 :

	(Rs. in lac)
Net sales and other income	18730.72
Operating profit	4164.80*
Net profit	2549.66*
EPS	4.25

* inclusive of profit on sale of Bonded Abrasives Business

II INFORMATION ABOUT THE APPOINTEE

Mr P P Khanna, aged 67 years, is a highly qualified engineer with the degrees BSc, B.E. and AMIE. He has been associated with the company for the last 34 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.

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 company affairs 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 as an executive director and as a senior non-director executive has been commendable. It has been deemed to be in the best interest of the Company to avail his services 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 2006-2007 is as under :

	(Rs. in lac)
Total remuneration	13.72

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.	485.97	55.97
Vesuvius India Ltd.	275.84	75.76
Grindwell Norton Ltd.	386.04	144.80

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 of the Company.

III OTHER INFORMATION

The profit of the Company during the financial year 2006-07 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 remuneration committee in its meeting held on July 29, 2006.

No director of the Company except Mr. P P Khanna himself 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. P P Khanna and of the memorandum of interest under section 302 of the Companies Act, 1956.

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

ITEM NO. 8

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. 20 crore in excess of the paid up capital and free reserves as authorised by members in the 17th annual general meeting held on January 30, 1989. Since it has been felt that the said authority is very old and also in order to revise the limits, the resolution at item no. 8 has been proposed.



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

ITEM NO. 9

This is related to the previous item. Through the proposed resolution it is sought that the Board of Directors be authorised 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 17th annual general meeting held on January 30, 1989. Since it was obtained a long time back, it is considered advisable to seek a fresh authority from the members. Since it is not practical to seek general meeting's approval every time a loan is sanctioned, it is proposed to obtain a comprehensive 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 gives 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.

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 Rajendra Kumar Rajgarhia

Name	:	Mr R K Rajgarhia
Date of Birth	:	14/08/1938
Date of Appointment	:	09/12/1980
Expertise in field	:	Mr R K Rajgarhia is an eminent industrialist with about 44 years of experience. He is the eldest brother of Company's Managing Director. He has been associated with the Company since 1980 as an ordinary Director. He has been the Chairman of the Company since May, 1998.
His Directorship in other Companies	:	a) APM Industries Ltd. b) Perfectpac Ltd. c) Banswara Fabrics Ltd. d) Gini Silk Mills Ltd. e) Unifrax India Ltd. f) Rajgarhia Leasing & Financial Services Pvt. Ltd.
His Committee membership in Orient Abrasives Ltd.	:	Chairman – Shareholders' Grievances Committee
His Committee membership in other Companies	:	NIL
His shareholding in the Company	:	1538851 equity shares (2.57%)

2. Mr Sudhir Kumar Samarendra Narayan

Name	:	Mr Sudhir Kumar Samarendra Narayan
Date of Birth	:	07/07/1943
Date of Appointment	:	09/06/2007
Expertise in field	:	Mr S K S Narayan has extensive exposure of over 40 years in the various steel plants in India like the Rourkela Steel Plant, Vishakhapatnam Steel Plant and the Bokaro Steel Plant. He retired as Director (Commercial) of Vizag Steel Plant in 2003 after serving there for over 14 years. He was responsible for commissioning of all units of the said steel plant.
His Directorship in other Companies	:	Himadri Chemicals & Industries Ltd.
His Committee membership in Orient Abrasives Ltd.	:	NIL
His Committee membership in other Companies	:	NIL
His shareholding in the Company	:	NIL

3. Mr Prem Prakash Khanna

Name	:	Mr Prem Prakash Khanna
Date of Birth	:	03/04/1939
Date of Appointment	:	08/07/2006
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 35 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 makes frequent visits to foreign countries to learn newer technologies and to incorporate the same in Company's operations. He was previously employed in Hindustan Motors Ltd. as a senior Executive for 10 years.
His Directorship in other Companies	:	a) Orient Coated Private Limited. b) Pyramid Abrasives Pvt. Ltd.
His Committee membership in Orient Abrasives Ltd.	:	NIL
His Committee membership in other Companies	:	NIL
His shareholding in the Company	:	242000 Equity Shares (0.40%)

for ORIENT ABRASIVES LIMITED

Place : New Delhi
Date : July 28, 2007

Deepak C S
Company Secretary

DIRECTORS' REPORT

The Members,

Orient Abrasives Limited

Your Directors have pleasure in presenting the 36th Annual Report of the company along with the Audited Statements of accounts for the year ended 31st March, 2007.

FINANCIAL RESULTS

	(Rs.in lacs)	
	<u>2006-07</u>	<u>2005-06</u>
Gross Sales & Income	21429.27	18508.93
Profit before depreciation, Interest and tax (also inclusive of Exceptional items amounting to Rs. 1845.64 lac)	4164.80	2958.78
Less : Depreciation	576.26	472.73
Interest	264.33	259.96
Profit before Income Tax	3324.21	2226.09
Less : Income Tax	774.55	652.27
Net Profit for the year	2549.66	1573.81
Add : Balance brought forward from the previous year	1176.50	1087.52
Amount available for appropriation	3726.16	2661.34
Appropriation :		
Capital redemption reserve	400.00	-
General Reserve	300.00	980.01
Dividend :		
Preference Shares	4.00	24.00
Equity shares	418.74	418.74
Corporate Dividend Tax	71.72	62.09
Balance carried forward to Balance Sheet	2531.70	1176.50
	3726.16	2661.34

DIVIDEND

In view of the satisfactory performance of the Company in the year under review, your directors are pleased to recommend a final dividend @ 70% i.e. Re. 0.70/- per equity share for the year ended on March 31, 2007.

The total cash out-flow on account of this dividend payment including distribution tax is Rs. 489.90 lac (Previous Year Rs. 477.47 lac).

REDEMPTION OF PREFERENCE SHARES

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

OPERATIONS REVIEW

Your Company divested its Bonded Abrasives Business w.e.f. October 1, 2006 by selling it to Grindwell Norton Ltd., the details of which are already known to the members. The said business contributed only about 15 % to the total turnover of the Company with a much lower return on investment as compared to the other two businesses. With the disposal of the bonded abrasives business the Company is now able to focus on its core businesses namely Abrasive Grains and Refractories & Monolithics. Both Abrasive Grains and Refractories & Monolithics promise significant potential for growth.

Despite the loss of revenue from the bonded abrasives business for one half of the year, the other two divisions could increase their sales resulting in total turnover of Rs. 212.82 crore in comparison to Rs. 185.08 crore in the previous year registering a growth of 15%. The turnover of Abrasives Grains Division increased from Rs. 49.25 crore to Rs. 57.57 crore during the year under review and that of Refractory Division increased to Rs. 141.94 crore from Rs. 107.18 crore in the previous year. The division could increase its export turnover also from Rs. 13.95 crore to Rs. 22.44 crore both by consolidating the existing markets and by developing customers in new geographical markets.

The Power Division provided uninterrupted supply to the Abrasives Grains Division and met most of the Division's power demand. However the cost of power generation continued to remain high due to high furnace oil costs.

The Company was once again unable to absorb the steep increase in manufacturing costs by increasing the selling prices adequately. There was substantial increase in the cost of raw materials and power and fuel which could not be offset by increase in turnover.

The gross profit and net profit from operations were Rs. 14.79 and crore Rs. 11.66 crore respectively excluding the profit of Rs. 20.22 crore on sale of bonded abrasives business and a sum of Rs. 1.76 crore paid as compensation on the voluntary retirement scheme introduced during the year under review.

The Company has reorganised its business at the Salem Division by entering into an agreement with a local party to act as a supporting manufacturer for the products made at Salem.

FUTURE OUTLOOK

The performance of abrasive grains is expected to improve significantly in the current year. The thermal power plant which is likely to be commissioned by September 30, 2007 will yield a substantial saving on power costs. Supply of fused products from China has become very erratic which is likely to help the Company in maintaining and increasing the prices of its products.

The refractory division will continue to grow in the current year as it has done in the past. Efforts are being made to reduce costs and improve efficiency to increase the profit.

Your directors are hopeful that the performance of the Company will be better in the current year.

FIXED DEPOSIT

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

DIRECTORS

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

Mr Prem Prakash Khanna and Mr Sudhir Kumar Samarendra Narayan were appointed as additional directors w.e.f. 07/08/2006 and 09/06/2007 respectively. It is proposed that they be appointed as directors liable to retire by rotation at the Annual General Meeting pursuant to the notice proposing their respective candidature. A brief resume of the appointees is given in the notice to the Annual General Meeting. Your directors recommend their 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 36th Annual General Meeting.

AUDITORS REPORT

Referring to para no. 9 of the annexure to Auditors' Report where it is mentioned that '*Except for some delays in a few cases of deposit of income tax*', it is clarified that the said delays pertain to deposit of taxes deducted at source in a few cases which involved negligible amounts. The delays were unintentional and inadvertent. However the people concerned have been instructed to take more care in future.

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



PARTICULARS OF EMPLOYEES

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

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

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

DIRECTORS RESPONSIBILITY STATEMENT

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

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

AUDIT COMMITTEE

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

LISTING ON THE NSE

The equity shares of the Company 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 continued to ignore our reminders for de-listing despite having completed all the formalities.

CORPORATE GOVERNANCE

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

CODE OF CONDUCT

The Company has laid down a Code of Conduct for the Directors and Senior Management Personnel as specified. The Code was adopted in the Board Meeting held on December 13, 2005. It is available on the website of the Company www.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 shareholders for the confidence reposed by them on the Company. They also gratefully acknowledge the continued support received from the customers, business associates, various government agencies and the banks.

For and on behalf of the Board of Directors

New Delhi
July 28, 2007

R K Rajgarhia
Chairman

ANNEXURE 'A' TO THE DIRECTORS' REPORT

CORPORATE GOVERNANCE REPORT

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

The Company believes in employing the highest standards of corporate governance practices and policies by upholding the principles of transparency in transactions, disclosure of information, integrity, social accountability and statutory compliance. The Company also endeavors to provide quality service and feedback to its investors, customers, business associates and the statutory agencies.

2. Board of Directors

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

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

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

Name	Category	No. of Board meetings attended during 2006-07	Whether attended AGM on 02/08/2006	No. of directorsips in other public companies as on 28/07/2007		No. of committee positions held in other public companies as on 28/07/2007	
				Chairman	Member	Chairman	Member
Mr. R K Rajgarhia (Chairman)	Not Independent non-executive	6	Yes	1	4	0	0
Mr. R. S. Bajoria	Independent non-executive	3	Yes	0	2	0	0
Mr. Umesh Kumar Khaitan	Independent non-executive	6	No	0	9	0	4
Mr. T N Chaturvedi	Independent non-executive	5	Yes	0	8	1	1
Mr S K S Narayan*	Independent non-executive	0	No	0	1	0	0
Mr. S G Rajgarhia	Promoter, not independent executive	6	Yes	0	5	0	2
Mr P P Khanna**	Not independent non-executive	0	No	0	0	0	0

* appointed w.e.f 09/06/2007

** appointed w.e.f 07/08/2006

The dates of Board Meetings held during the year 2006-2007 are April 18, 2006 May 29, 2006 July 31, 2006 October 31, 2006 and March 28, 2007. The maximum time interval 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 at the Board meetings.

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

disclosed in the notes to the financial statements under the head 'related party disclosures' under Schedule 23 of the Annual Report.

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

Name of the Director	No. of shares as on 28/07/2007	Percentage to total
Mr R K Rajgarhia	1538851	2.57
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.

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

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

Names of members	Category	No. of meetings attended during the year 2005-06
Mr T N Chaturvedi, Chairman	Independent, non-executive	4
Mr Umesh Kumar Khaitan	Independent, non-executive	4
Mr R S Bajoria	Independent, non-executive	3

The dates of meetings were May 29, 2006 July 29, 2006 October 31, 2006 And January 31, 2007. 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 twice during the year under review :

- on May 29, 2006 to approve the remuneration to be paid to Mr S G Rajgarhia in connection with his re-appointment as Managing Director
- on July 29, 2006 to approve the remuneration to be paid to Mr P P Khanna in connection with his appointment as Executive Director.

The non-executive directors are paid sitting fees for the Board and Committee meetings attended by them, except for the share transfer committee meetings. The non-executive directors are not paid remuneration in any other form. The sitting fees being paid is Rs. 10000/- per Board meeting and Rs. 5000/- per committee meetings.

The remuneration being paid to Managing Director is as per the package approved by the members in the 35th Annual General Meeting held on August 2, 2006 which comprise 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% 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%.

The remuneration being paid to the Executive Director is as per the Board Resolution passed in the meeting held on July 31, 2006 which is likely to be approved by the members in the ensuing Annual General Meeting to be held on September 20, 2007 which comprises of basic salary, bonus and perquisites.

Basic Salary	-	Rs. 88500/- per month subject to increments as decided by the Board of directors every year not exceeding Rs. 20000 p.m;
Perquisites	-	like HRA, medical reimbursement, LTA and others subject a ceiling of 100% basic salary a month
Bonus/Ex-gratia	-	20% of basic salary

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 board resolution dated July 31, 2006 which is subject to approval of the members at the ensuing Annual General Meeting.

- Since the appointment of Managing Director and Executive Director is governed by members' approval, no notice period or severance fees is applicable in his case.
- There are no other performance linked element of remuneration except the commission 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 2006-2007

Name	Salary (Rs.)	Perquisites (Rs.)	Contribution to PF (Rs.)	Commission (Rs.)
Mr S G Rajgarhia, Managing Director	10,50,000.00	7,44,319.00	1,26,000.00	27,32,000.00
Mr P P Khanna Executive Director*	6,90,871.00	5,98,665.00	82,905.00	-

* appointed w.e.f. 07/08/2006

5. Shareholders' Grievances Committee

A shareholders grievances committee was constituted on 11/03/2002 to specifically look into the redressal of investor complaints regarding transfer of shares, non-receipt of annual reports, bonus, dividend etc. Two meetings of the Grievances Committee were held during the year 2006-2007 as follows :

On December 15, 2006 and March 15, 2007

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 2006-07 - 44

Total number of investor complaints remaining un-redressed as on March 31, 2007 – Nil

Pending share transfer cases as on 31/03/2007 – 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, 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.

6. Annual General Meetings

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

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

7. Disclosures

- a. Disclosure on related party transactions i.e. transactions of the Company with its promoters, directors or the management, relatives, bodies corporate in which the directors are interested etc. is appearing under Schedule 23 (Notes to the Financial Statements) of the Annual Accounts. There are no materially significant related party transactions which have potential conflict with the interest of the Company at large.
- b. 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.

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

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

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

9. CEO/CFO Certification

Mr S G Rajgarhia, Managing Director and Mr B L Gupta, Vice President (Finance) have given the above certificate pertaining to financial year 2006-07 to the Board of Directors which was taken note of at the board meeting held on July 28, 2007.

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

Financial Calendar

Financial Year	:	April 1, 2007 to March 31, 2008
AGM	:	September 20, 2007
Book closure dates	:	July 10, 2007 to July 17, 2007
Dividend Payment date	:	September 25, 2007
Quarterly results	:	Last week of July 2007, October 2007 January 2008 and April/June 2008

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. Hence the shares technically continue to remain listed on the said stock exchange.

The Company has duly paid the listing fees to the BSE and the NSE for the year 2007-2008.

Script Code of the Company's Equity Shares

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

Market Information

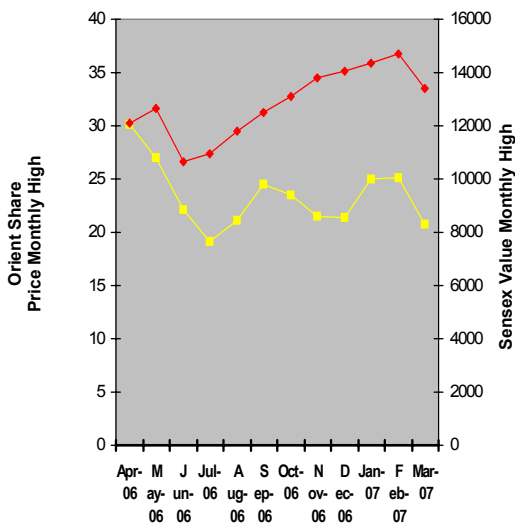
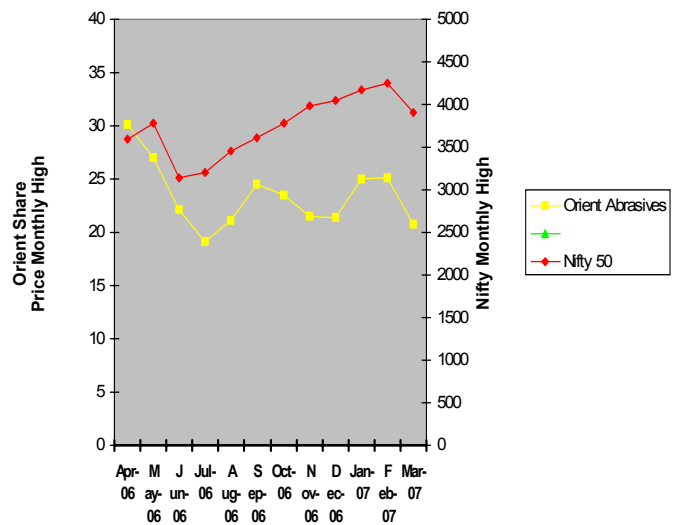
Market Price Data : Monthly High, Low (based on the closing prices) and volume, number of trades and value of total shares traded during each month of the last financial year :

BSE

Month	High (Rs.)	Low (Rs.)	Volume	No. of trades	Net value (Rs. lac)
April, 2006	30.10	25.00	937437	4276	257.80
May, 2006	27.00	17.45	1169884	4272	287.52
June, 2006	22.10	15.10	410721	2184	75.52
July, 2006	19.10	14.25	297125	1593	49.00
August, 2006	21.10	16.30	482023	2314	90.57
September, 2006	24.50	17.35	1436374	7963	309.17
October, 2006	23.50	19.90	685489	2726	148.24
November, 2006	21.50	17.70	629791	2445	118.02
December, 2006	21.35	15.10	458572	2522	87.61
January, 2007	24.95	18.20	891366	3892	198.09
February, 2007	25.10	18.90	495062	2338	113.86
March, 2007	20.70	17.50	501996	1075	93.55

NSE

Month	High (Rs.)	Low (Rs.)	Volume	Turn over in Rs. Lac
April, 2006	30.65	25.00	690121	189.91
May, 2006	28.30	17.95	1276772	315.29
June, 2006	22.90	14.80	500830	92.89
July, 2006	18.10	14.30	303149	50.69
August, 2006	21.00	16.35	572655	106.92
September, 2006	24.65	17.60	1845166	397.68
October, 2006	23.50	19.70	525999	113.50
November, 2006	22.80	17.85	553054	104.58
December, 2006	21.10	16.80	553073	104.96
January, 2007	25.00	18.70	1098962	247.10
February, 2007	25.20	19.00	628700	144.22
March, 2007	21.00	17.30	242720	45.95

Performance in Comparison to BSE Sensex

Performance in Comparison to Nifty 50


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

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 31/03/2007		As on 31/03/2006	
	Percent of share holders	Percent of shares	Percent of share holders	Percent of shares
1 to 5000	95.15	16.88	94.93	16.76
5001 to 10000	2.73	4.18	2.75	4.12
10001 to 100000	1.71	9.74	1.90	9.27
over 100000	0.41	69.20	0.43	69.84
	100.00	100.00	100.00	100.00

Categories of Shareholders

Category	Number of shareholders		Voting strength %		Number of shares	
	31/03/2007	31/03/2006	31/03/2007	31/03/2006	31/03/2007	31/03/2006
Promoter group (individuals & trust)	15	15	47.52	46.41	28427010	27767321
Promoter group(Companies)	6	7	4.67	5.20	2790632	3113230
UTI/Mutual Funds	2	2	3.64	3.80	2179092	2275600
Banks and Financial Institutions	5	4	0.02	0.06	9500	36500
Other domestic companies/Trust	367	373	5.47	4.96	3269300	2968628
NRIs/FIIs	102	101	0.36	2.06	217257	1233723
Indian public	11717	11460	38.33	37.44	22926809	22398398
Total	12214	11962	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) Till date 83.21 % of the total equity shares have been dematerialized out of which 35.12% has been rematerialized and the outstanding demat shares as on date is 48.09 %.

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
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 period from April 1, 2006 to March 31, 2007

New Delhi
July 28, 2007

S G Rajgarhia
Managing Director

CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of
ORIENT ABRASIVES LIMITED
New Delhi

We have examined the compliance of conditions of Corporate Governance by **ORIENT ABRASIVES LIMITED** for the year ended March 31, 2007, 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 **SMG & ASSOCIATES**
COMPANY SECRETARIES

PLACE : NEW DELHI
DATE : JULY 28, 2007

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

ANNEXURE 'B' TO THE DIRECTORS' REPORT

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

General Review

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

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

The Bonded Abrasives Division was sold to another Company during the year under review. At present the Company has two businesses viz. the Abrasives Grains Division in Porbander and the Refractory Division at Bhiwadi.

BUSINESS DIVISIONS/SEGMENTS

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

Abrasives Grains Division

The Abrasives Grains Division at Porbander is the first manufacturing unit set up by the Company. The Division manufactures calcined bauxite and fused aluminium oxide abrasive grains. Raw bauxite and calcined alumina are the basic raw materials used for the manufacture of abrasive grains. Raw bauxite is procured from mines owned by the Company and others and calcined alumina is purchased from aluminium companies. A portion of these products is captively consumed by the manufacturing divisions at Bhiwadi and are also sold in the domestic market. Some part of alumina grains is also exported but the quantum of export is not considerable when compared to the total turnover.

Refractory Division

The unit manufactures various types of continuous casting and slide gate refractories, low cement castables etc. which are exclusively consumed in the steel plants. The division had a small plant at Salem, Tamilnadu manufacturing monolithics (tundish coating material). But now the Company has reorganised its business at the Salem Division by entering into an agreement with a local party to act as a supporting manufacturer for those products.

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

Financials of Segments

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

FINANCIALS AND INTERNAL CONTROL

The gross turnover of the Company during the year ended March 31, 2007 increased to Rs. 212.82 crore, representing a growth of about 15 %. Gross profit and net profit were Rs. 33.24 crore and Rs. 25.50 crore respectively. The Company could also not adequately support the steep increase in the price of major raw materials like furnace oil and calcined alumina during the year, by cost control measures in other areas or by increased sale price.

The Company has an adequate internal control system which is commensurate with its size and which adopts the best practices prevalent in the industry. Besides conducting internal audit at regular intervals and implementing the measures suggested from time to time there is a statutory audit committee comprising of independent directors in place to oversee the internal control processes in the Company. The Company has also received ISO 9001 : 2000 certification for the plants at Bhiwadi.

HUMAN RESOURCES

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

There are cordial relations between the management and the employees.

CONCERNS AND FUTURE OUTLOOK

The cost of furnace oil being the basic fuel for the power plant is still very high which remains a matter of concern for the Company. The problem posed by high furnace oil costs is likely to be alleviated in due course of time since the new thermal power plant to be commissioned in Porbander by September, 2007 uses lignite or pet coke which will almost completely replace consumption of furnace oil. The price of other major raw material i.e, calcined alumina was until last year very high but has now got stabilized for which the Company has also entered into necessary agreements with the suppliers. These efforts will help the Company in reducing manufacturing costs substantially.

The company shall expand its production capacity of fused alumina products and can generate output at a much lower cost to be able to compete with Chinese suppliers on price with a better quality.

The competition to Company's products at the global level is likely to reduce in the coming years. Supply of fused products from China has become very erratic which is likely to help the Company in maintaining and increasing the prices of its products.

The refractory business also shall further improve because of the continued increase in demand in the steel industry with the entry of newer and bigger plants.

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 (59)	47,15,319/-	Managing Director, Overall Management	B Tech. (Hons.), S.M. (MIT) 36 years	01/08/1973	–

- Above details are of that employee who was employed throughout the accounting year and was 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 commission on sales at the limits approved by the members.
- Mr S G Rajgarhia is related to Mr R K Rajgarhia, Director of the Company.
- Employment is contractual and is also governed by the approval granted by the members at the Annual General Meeting.

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>2006-07</u>	<u>2005-06</u>
A) Power & Fuel Consumption for Refractories		
1. ELECTRICITY		
Purchased :		
Units (in lacs)	41.40	35.85
Total amount (Rs. in lacs)	199.81	154.11
Rate/Unit (Rs.)	4.83	4.30
Own generation through D.G.Set :		
Units (in lacs)	3.45	2.15
Units per ltr.of Diesel Oil	3.15	3.20
Cost/Units (Rs.)	9.46	8.60
2. LDO/FO/C9 /HSD		
Qty.(Kilo ltr.)	20.72	16.36
Total cost (Rs.in lacs)	473.39	332.22
Average/Kilo ltr.(Rs.)	22890	20308
B) Consumption per Unit of Production for Refractories		
Electricity (Units)	483	537
LDO/FO/C9/Ltr.	223	231
FOREIGN EXCHANGE EARNINGS AND OUTGO		
Earned (Rs.in lacs)	2254.54	1395.15
Used (Rs.in lacs)	1644.85	716.14

AUDITORS' REPORT

TO THE MEMBERS OF ORIENT ABRASIVES LIMITED

- a) We have audited the attached Balance Sheet of ORIENT ABRASIVES LIMITED as at March 31, 2007 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- b) We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- c) As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-Section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- d) Further to our comments in the Annexure referred to in para (c) above, we report that;
 - (i) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - (ii) In our opinion, proper books of account, as required by law, have been kept by the Company so far as appears from our examination of these books;
 - (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-Section (3C) of Section 211 of the Companies Act, 1956;
 - (v) On the basis of written representations received from the Directors as on March 31, 2007 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2007 from being appointed as a Director in terms of Section 274 (1) (g) of the Companies Act, 1956;
 - (vi) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2007,
 - 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 9, 2007
Place : Gurgaon, Haryana



Annexure referred to in paragraph (c) of our report of even date

Re: Orient Abrasives Limited

1. a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
b) All fixed assets were physically verified by the management in the year before last year 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) During the year, the Company has disposed of its Bonded Abrasives Division. Based on the information and explanation given by the management and on the basis of audit procedures performed by us, we are of the opinion that the transfer/sale of the said business division comprising fixed assets as well as current assets has not affected the going concern status of the Company.
2. a) The management has conducted physical verification of inventory at reasonable intervals during the year.
b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
3. a) As informed, the Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Therefore, the provisions of clause 4(iii) (b), (c) and (d) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
e) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Therefore, the provisions of clause 4(iii) (f) and (g) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
4. In our opinion and according to the information and explanations given to us, there is an 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 controls system in respect of these areas.
5. a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act 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) *Except for some delays in a few cases of deposit of Income Tax*, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, sales tax, income tax, wealth tax, service tax, custom duty, excise duty, cess have been regularly deposited with the appropriate authorities.
b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees state insurance, sales tax, income tax, wealth tax, service tax, customs duty and excise duty, cess and other undisputed statutory dues were outstanding, at the year end for a period of more than six months from the date they became payable.

- c) According to the records of the Company, there are no dues outstanding of income-tax, sales-tax, wealth tax, service tax, custom duty, excise duty, cess on account of dispute other than the following:

Name of the Statute	Nature of dues	Amount (Rs. In lacs)	Forum where dispute is pending
West Bengal Sales Tax Act, 1994	Sales tax and Interest demand for non submission of sales tax declaration forms for the years 1987-88, 1993-94 and 1994-95	22.88	Sales Tax Commissioner (Appeal)
Sales Tax Act, 1944	Entry tax demand for entry of goods in Rajasthan	20.55	Hon'ble High Court of Rajasthan, Jodhpur

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

For S.R. Batliboi & Co.
Chartered Accountants

Per Manoj Gupta
Partner
Membership No. 83906

Date : June 9, 2007
Place : Gurgaon, Haryana

BALANCE SHEET AS AT MARCH 31, 2007

(All amount in Rs. Lacs)

	Schedules	2007	2006
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	598.33	998.33
Reserves and Surplus	2	7,231.70	5,176.50
		7,830.03	6,174.83
Loan Funds			
Secured Loans	3	3,685.81	2,106.99
Unsecured Loans	4	2,319.06	753.07
		6,004.87	2,860.06
Deferred Tax Liabilities (Net)	5	335.49	323.48
		14,170.39	9,358.37
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	6	7,827.58	6,920.22
Less : Accumulated Depreciation		3,287.27	3,215.53
Net Block		4,540.31	3,704.69
Capital Work-in-Progress including Capital Advances		3,551.63	848.91
		8,091.94	4,553.60
Investments	7	0.32	0.34
Current Assets, Loans and Advances			
Inventories	8	4,195.48	2,983.37
Sundry Debtors	9	4,286.42	3,398.45
Cash and Bank Balances	10	225.37	385.17
Other Current Assets	11	29.09	26.45
Loans and Advances	12	1,008.32	710.86
		9,744.68	7,504.30
Less : Current Liabilities and Provisions			
Current Liabilities	13	3,082.27	2,132.27
Provisions	14	584.28	567.60
		3,666.55	2,699.87
Net Current Assets		6,078.13	4,804.43
		14,170.39	9,358.37
Notes to the Financial Statements	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 attached

For and on behalf of the Board of Directors

for S.R.BATLIBOI & CO
Chartered Accountants

Per Manoj Gupta
Partner
Membership No. 83906

Place : Gurgaon, Haryana
Date : June 9, 2007

S.G.RAJGARHIA
(Managing Director)

B.L.GUPTA
(Vice President - Finance)

T.N.CHATURVEDI
(Director)

DEEPAK C.S.
(Company Secretary)

R.K.RAJGARHIA
(Chairman)

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007

(All amount in Rs. Lacs)

	Schedules	2007	2006
INCOME			
Turnover (Gross)	15	21,281.89	18,496.72
Less : Excise duty		2,698.55	2,413.13
Turnover (Net)		18,583.34	16,083.59
Other Income	16	147.38	184.11
		18,730.72	16,267.70
EXPENDITURE			
Goods Purchased for Resale		99.83	33.82
Raw Materials Consumed	17	8,013.90	5,852.25
Personnel Expenses	18	1,814.28	1,613.28
Operating and Other Expenses	19	7,317.00	5,783.60
(Increase) in Inventories	20	(882.85)	(16.43)
Depreciation	6	576.26	472.73
Financial Expenses	21	313.73	302.36
Exceptional Items (Net)	22	(1,845.64)	–
		15,406.51	14,041.61
Profit/(Loss) before Taxation [(Including Loss from discontinuing operation Rs. (149.43), (Previous year Profit of Rs. 264.70)]		3,324.21	2,226.09
Provision for Current Tax (Including Tax on Transfer of a Division Rs. 461.67, Previous Year Rs. Nil)		(740.00)	(490.00)
Deferred Tax (Charge)		(12.01)	(193.52)
Fringe Benefit Tax [Including FBT on discontinued operations Rs 1.73, (Previous Year Rs. 5.40)]		(22.50)	(23.65)
Income Tax (charge)/credit for earlier years (Net)		(0.04)	54.90
Total Tax Expenses (after adjusting tax credit and expenses from discontinued Operation Rs. 48.57, Previous year tax charges of Rs. 94.49) respectively		(774.55)	(652.27)
Profit/(Loss) after tax (After adjusting Loss from Discontinued Operation Rs. (100.86), Previous year Profit of Rs. 170.21)		2,549.66	1,573.82
Balance brought forward from previous year		1,176.50	1,087.52
Profit available for appropriation		3,726.16	2,661.34
Appropriations :			
Utilised for Redemption of Preference Share		400.00	–
Interim Dividend on Preference Shares		4.00	24.00
Proposed Dividend on Equity Shares		418.74	418.74
Corporate Dividend Tax		71.72	62.09
Transfer to General Reserve		300.00	980.01
Surplus Carried to Balance Sheet		2,531.70	1,176.50
		3726.16	2661.34
Basic and Diluted Earnings per share	23	4.25	2.59
Nominal value of shares Re. 1 (Previous year : Re. 1)			
Notes to the Financial Statements	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 attached

For and on behalf of the Board of Directors

 for S.R.BATLIBOI & CO
Chartered Accountants

 Per Manoj Gupta
Partner
Membership No. 83906

 Place : Gurgaon, Haryana
Date : June 9, 2007

 S.G.RAJGARHIA
(Managing Director)

 B.L.GUPTA
(Vice President - Finance)

 T.N.CHATURVEDI
(Director)

 DEEPAK C.S.
(Company Secretary)

 R.K.RAJGARHIA
(Chairman)

CASH FLOW STATEMENT FOR THE YEAR ENDED ON MARCH 31, 2007

(All amount in Rs. Lacs)

	March 31, 2007	March 31, 2006
A. Cash Flow From Operating Activities		
Profit before tax	3,324.21	2,226.09
Adjustments for :		
Depreciation	576.26	472.73
Loss on disposal of fixed assets (net)	18.45	7.81
Profit on sale of Bonded Abrasive Division	(2,021.67)	
Provision for doubtful debts and advances	(0.96)	(0.77)
Dividend Received	(2.54)	(0.40)
Interest Received	(12.05)	(8.81)
Interest Paid	276.38	268.77
Operating profit before working capital changes	2,158.08	2,965.43
Adjustment for :		
(Increase) in Sundry Debtors	(887.97)	(78.28)
(Increase) in Loans & Advances and Other Current Assets	(302.94)	(48.88)
(Increase) in Inventories	(1,212.11)	(162.05)
Increase in current liabilities & provisions	932.23	94.21
Cash generated from operating Activities	687.29	2770.42
Direct taxes paid	(295.12)	(484.08)
Net cash from operating activities	392.17	2286.34
B. Cash flow from investing activities		
Purchase of fixed assets	(4,243.47)	(1,476.86)
Proceeds from sale of fixed assets	110.42	16.48
Proceeds on Transfer of Bonded Abrasive Division	2,021.67	-
Direct Tax Paid	(461.97)	-
Purchase of investments	(1,060.00)	(240.00)
Sale of investments	1,060.02	240.00
Dividend Income	2.54	0.40
Interest received	12.30	4.97
Fixed Deposit taken	(70.87)	-
Fixed Deposit matured	36.08	28.04
Net cash (used in) Investing Activities	(2,593.28)	(1,426.98)
C. Cash flows from Financing Activities		
Proceeds from Long term borrowings	1,572.70	-
(Repayment) of Long term borrowings	-	(332.28)
(Redemption) of Preference Shares	(400.00)	-
Proceeds from short term borrowings	1,572.13	249.45
Interest paid	(241.16)	(267.87)
Dividend paid	(434.50)	(434.99)
Tax on dividends paid	(62.65)	(62.68)
Net cash from/(used in) Financing Activities	2,006.52	(848.37)
Net Increase/(Decrease) in cash and cash equivalents (A+B+C)	(194.59)	10.99

	(All amount in Rs. Lacs)	
	March 31, 2007	March 31, 2006
Cash and cash equivalents at the beginning of the year	348.27	337.28
Cash and cash equivalents at the end of the year	153.68	348.27
Components of cash and cash equivalent as at		
cash and cheques on hand	43.37	36.13
Balances with Scheduled Banks :		
on current accounts	70.37	217.10
on cash credit account		68.86
on fixed deposit accounts	73.21	36.90
on dividend warrant accounts	38.32	26.08
post office savings bank account	0.10	0.10
Cash and Bank Balance as per Schedule 10	225.37	385.17
Less: Fixed deposit with maturity more than 3 months	71.69	36.90
Net Cash & Cash Equivalents as at	153.68	348.27

Notes

- 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.
- Negative figures have been shown in brackets.
- During the year, the Company transferred Bonded Abrasive Division to a party for a consideration of Rs. 2709.62 (including transfer of Net Working Capital amounting to Rs. 609.62 lacs) and a sum of Rs. 2021.67 has been received by means of cash and cash equivalents. (Refer Note No. 8 of Schedule 24)

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 9, 2007

For and on behalf of the Board of Directors

S.G.RAJGARHIA
(Managing Director)

T.N.CHATURVEDI
(Director)

R.K.RAJGARHIA
(Chairman)

B.L.GUPTA
(Vice President - Finance)

DEEPAK C.S.
(Company Secretary)



SCHEDULES TO THE ACCOUNTS

(All amount in Rs. Lacs)

As at March 31 2007 As at March 31 2006

SCHEDULE — 1 : SHARE CAPITAL

Authorised

4,00,000 - 6% Redeemable Cumulative Preference Shares of Rs. 100/- each	400.00	400.00
97,500,000 Equity Shares of Re. 1/-	975.00	975.00
	1,375.00	1,375.00

Issued & Subscribed

Nil (Previous year : 4,00,000 - 6% Redeemable Cumulative Preference Shares of Rs. 100/- each)	-	400.00
59,839,600 Equity Shares of Re. 1/-	598.40	598.40
	598.40	998.40

Paid up

Nil (Previous year : 4,00,000 - 6% Redeemable Cumulative Preference Shares of Rs. 100/- each fully paid up)	-	400.00
59,819,600 Equity Shares of Re. 1/-	598.20	598.20
	598.20	998.20
Add : Shares forfeited	0.13	0.13
	598.33	998.33

Notes:

- i) The Company has redeemed the 400,000 Preference Shares of Rs. 100 each aggregating Rs. 400 Lacs on June 1, 2006 pursuant to the decision of the Board of Directors taken in the meeting held on May 29, 2006.
- ii) Out of above Equity Shares, 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	-	-
Add : Transfer from Profit and Loss Account*	400.00	-
	400.00	-
General Reserve		
Balance as per last account	4,000.00	3,019.99
Add : Transfer from Profit & Loss Account	300.00	980.01
	4,300.00	4,000.00
Profit & Loss Account Balance	2,531.70	1,176.50
	7,231.70	5,176.50

* 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 As at March 31
2007 2006

SCHEDULE — 3 : SECURED LOANS

Term Loans		
-Rupee Term Loan	550.00	155.04
-Foreign Currency Loan	1,177.74	–
Cash Credit Facilities from Banks	1,958.07	1,951.95
	<u>3,685.81</u>	<u>2,106.99</u>

Notes:

1. 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 at Abrasives Grains Division at Porbander and to be secured by mortgage of the immovable properties of Refractory Division at Bhiwadi.
2. The Foreign currency term loan is secured by first pari passu charge on the movable fixed assets of the Company. The loan is to be further secured by mortgage of the immovable properties of the Abrasives Grains Division, Porbandar and Refractory Division, Bhiwadi.
3. 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 of the Company.
4. Term Loans and Cash Credit Facilities are also personally guaranteed by Managing Director of the Company.
5. Loans aggregating to Rs. 314.18 (Previous year Rs. 155.04) are repayable within one year.

SCHEDULE — 4 : UNSECURED LOANS

Fixed Deposits from Public*	166.06	223.07
Short Term Loans from:		
- Bodies Corporate	653.00	380.00
-Director	50.00	–
- Banks*	1,450.00	150.00
	<u>2,319.06</u>	<u>753.07</u>

Notes :

1. Loans amounting to Rs. 450 lacs are personally guaranteed by the Managing Director of the Company.
2. Deposits and Short Term Loans aggregating to Rs. 1528.09 (Previous year Rs. 233.66) are repayable within one year.

SCHEDULE — 5 : DEFERRED TAX LIABILITIES (NET)
Deferred Tax Liabilities

Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	405.58	336.79
Income accrued but taxable on receipt	7.79	6.74
Gross Deferred Tax Liabilities	<u>413.37</u>	<u>343.53</u>

Deferred Tax Assets

Effect of expenditure debited to profit and loss account in the current year but allowable for tax purposes in future years	74.25	16.14
Provision for doubtful debts and advances	3.63	3.91
Gross Deferred Tax Assets	<u>77.88</u>	<u>20.05</u>
Net Deferred Tax Liabilities	<u>335.49</u>	<u>323.48</u>



SCHEDULE — 6 : FIXED ASSETS (All amount in Rs. Lacs)

Particulars	Land- Freehold	Land- Leasehold	Lease Hold Improvement	Buildings	Plant & Machinery Electrical Installation & Fittings	Furniture, Fixtures and Office Equipment	Vehicles	Total	Previous Year
Gross Block									
At 01.04.2006	13.60	33.28	19.49	715.05	5,727.53	129.54	281.73	6,920.22	6,025.56
Additions	0.16	-	-	241.29	1,233.69	13.34	52.27	1,540.75	959.84
Deductions	-	-	-	7.58	558.62	19.62	47.57	633.39	65.18
At 31.03.2007	13.76	33.28	19.49	948.76	6,402.60	123.26	286.43	7,827.58	6920.22
Accumulated Depreciation									
At 01.04.2006	-	7.81	14.29	244.15	2,817.09	66.63	65.56	3,215.53	2,783.69
For the year	-	0.34	5.20	24.48	509.62	10.02	26.60	576.26	472.73
Deductions	-	-	-	0.97	473.42	13.57	16.56	504.52	40.89
At 31.03.2007	-	8.15	19.49	267.66	2,853.29	63.08	75.60	3,287.27	3,215.53
Net Block									
At 31.03.2007	13.76	25.13	-	681.10	3,549.31	60.18	210.83	4,540.31	3,704.69
At 31.03.2006	13.60	25.47	5.20	470.90	2,910.44	62.91	216.17	3,704.69	3,241.87
Capital Work in Progress									
Plant & Machinery								2,911.83	502.61
Buildings								439.92	145.06
Capital Advances (unsecured, considered good)								127.20	195.51
Expenditure during Construction Period (Refer Note No 10. in Schedule 24)								72.68	5.73
								3,551.63	848.91

Notes:

- Freehold Land, Building and Vehicles of the cost of Rs. Nil (Previous year Rs. 1.64), Rs. 8.53 (Previous year Rs. 8.53) and Rs. 0.17 (Previous year Rs. 2.02) respectively are yet to be registered in the name of the Company.
- Fixed Assets of the cost of Rs. 115.98 (WDV Rs. 11.82), (Previous year Rs. 25.95 and Rs. 4.83 respectively) have been discarded during the year.
- Expenditure during construction period includes Rs. 35.48 (Previous year Nil) on account of capitalisation of interest
- Fixed Assets of the value of Rs. 452.43 (W.D.V. Rs. 78.33) transferred to a party on transfer of a business of a Division. (Refer Note No.8 in Schedule 24)
- Addition to Capital Work in Progress is after adjusting Foreign Exchange difference of Rs. (3.50) (Previous year Nil).

(All amount in Rs. Lacs)
As at March 31, As at March 31,
2007 2006

SCHEDULE — 7 : INVESTMENTS
Long Term (At Cost)
Government Securities (Unquoted-non trade)

7 year National Savings Certificates	0.32	0.33
(Certificates pledged with Sales Tax Authorities Rs. 0.32, Previous year Rs. 0.32)	—	0.01
Kisan Vikas Patra	<u>0.32</u>	<u>0.34</u>

Note: (i) During the year Company sold off 7 years National Saving Certificates of Rs. 0.01, (Previous Year Rs. Nil) and Kisan Vikas Patra of Rs. 0.01, (Previous Year Rs. Nil)
(ii) 8,987,890.948 Units (Previous year 2,025,077.205) of Rs. 10 each of P32D Prudential ICICI Liquid Plan - Daily Dividend Option were purchased and sold during the year.

SCHEDULE — 8 : INVENTORIES

Raw Materials	1,542.59	1,211.75
Stores and Spares	519.52	447.65
Goods Purchased for Resale	5.07	0.30
Work-in-Progress	734.61	643.83
Finished Goods	1,366.41	676.78
Waste	27.28	3.06
	<u>4,195.48</u>	<u>2,983.37</u>

SCHEDULE — 9 : SUNDRY DEBTORS (UNSECURED)

Debts outstanding for a period exceeding six months		
Considered Good	204.96	168.50
Considered Doubtful	5.61	5.61
Others Debts:		
Considered Good	4,081.46	3,229.95
	<u>4,292.03</u>	<u>3,404.06</u>
Less: Provision for Doubtful Debts	5.61	5.61
	<u>4,286.42</u>	<u>3,398.45</u>

SCHEDULE — 10 : CASH & BANK BALANCES

Cash in hand (including cheques in hand Rs. 36.58 Previous year Rs. 28.79)	43.37	36.13
Balances with Scheduled Banks :		
On Current Accounts	70.37	217.10
On Cash Credit Account	—	68.86
On Fixed Deposit Accounts (Receipts of Rs. 25.88, (Previous year Rs. 22.39) pledged with Banks, Excise and Sales Tax Authorities)	73.21	36.90
On Dividend Warrant Accounts	38.32	26.08
Post Office Savings Bank Account	0.10	0.10
	<u>225.37</u>	<u>385.17</u>

SCHEDULE — 11 : OTHER CURRENT ASSETS

Surrender Value of Keyman Insurance Policies	22.92	20.02
Interest Receivable	6.17	6.43
	<u>29.09</u>	<u>26.45</u>

(All amount in Rs. Lacs)
As at March 31, As at March 31,
2007 2006

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

Advances recoverable in cash or in kind or for value to be received	815.87	537.82
Advance Tax/Tax deducted at Source (Net of Provision for Tax)	72.52	76.06
Deposits - Others	119.93	96.98

Considered Doubtful

Advances recoverable in cash or in kind or for value to be received	5.06	6.01
	1,013.38	716.87
Less : Provision for doubtful advances	5.06	6.01
	1,008.32	710.86

Included in Loans & Advances are :

i. Maximum amount due from an Officer of the Company at any time during the year	-	0.13
ii. Due from an Officer of the Company	-	Nil

SCHEDULE — 13 : CURRENT LIABILITIES

Sundry Creditors	2,736.89	1,923.01
Advances & Deposits from Dealers & Others	114.69	84.48
Interest Accrued but not Due on Loans	53.43	18.21
-Unpaid Dividend (Statutory liabilities as referred in Section 205C of the Companies Act, 1956)	38.29	26.05
Other Liabilities	138.97	80.52
	3,082.27	2,132.27

Note : Included in Sundry creditors are :

i) Dues to small scale industrial undertakings	427.65	277.95
ii) Dues to other than small scale industrial undertakings	2,309.24	1,645.06

Payable to Managing Director of the Company	29.45	24.36
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SCHEDULE — 14 : PROVISIONS

For Gratuity	29.37	-
For Leave Encashment	57.63	57.30
For Fringe Benefit Tax	7.38	5.47
For Interim Dividend on Preference Shares	-	24.00
For Proposed Dividend on Equity Shares	418.74	418.74
For Corporate Dividend Tax	71.16	62.09
	584.28	567.60

(All amount in Rs. Lacs)

For the year ended
March 31, 2007

For the year ended
March 31, 2006

SCHEDULE — 15 : TURNOVER (GROSS)

Finished Goods (Including sale of goods purchased for resale of Rs. 96.93, Previous year Rs. 39.54)	21,493.68	18,574.11
Waste	157.23	166.27
	21,650.91	18,740.38
Less : Sales returns	11.90	12.03
	21,639.01	18,728.35
Less : Turnover and Special Discounts, Claims, Rebates etc.	357.12	231.63
	21,281.89	18,496.72

SCHEDULE — 16 : OTHER INCOME

Surrender value of Keyman Insurance Policies	2.89	5.38
Service Revenue	68.42	41.46
Rent	–	0.28
Exchange Difference (net)	32.40	–
Provision for doubtful debts and advances written back	0.96	0.76
Bad Debt earlier written off now recovered	3.38	–
Dividend from Current Investments (other than trade)	2.54	0.40
Sales Tax Refunds	15.78	87.07
Miscellaneous income/Liabilities written back	21.01	48.76
	147.38	184.11

SCHEDULE — 17 : RAW MATERIALS CONSUMED

Inventories as at March 31, 2006	1,211.75	1,169.46
Add : Purchases*	8,688.23	6,116.57
	9,899.98	7,286.03
Less : Sales **	352.83	222.03
Less : Inventories as at March 31, 2007	1,533.25	1,211.75
	8,013.90	5,852.25

* including direct expenses relating to raising of Bauxite at Company's own mines amounting to Rs. 478.03 (Previous year Rs. 293.18)

** including profit on sale of raw materials Rs. 9.91 (Previous year Rs. 107.05)

SCHEDULE — 18 : PERSONNEL EXPENSES

Salaries, Wages and Bonus*	1,526.17	1,382.53
Contribution to Gratuity Fund	77.68	29.28
Contribution to Provident and Other Funds	100.61	101.55
Workmen and Staff Welfare Expenses	109.82	99.92
	1,814.28	1,613.28

* including Rs. Nil (Previous year Rs.16.94) being the surrender value of keyman insurance policies transferred to senior executives of the Company on/before maturity.

	(All amount in Rs. Lacs)	
	For the year ended March 31, 2007	For the year ended March 31, 2006
SCHEDULE — 19 : OPERATING AND OTHER EXPENSES		
Consumption of Stores and Spares	1,621.58	1,259.49
Power and Fuel	3,493.72	2,578.70
Packing Expenses	418.50	359.33
Rent	15.73	16.43
Excise Duty on Stocks/Samples	100.97	(1.40)
Rates & Taxes	21.12	52.26
Insurance	46.62	44.19
Managerial Remuneration (Refer Note No. 15.1 in Schedule 24)	60.88	38.49
Legal and Professional Fees	54.85	52.70
Vehicle Running & Maintenance	47.24	51.08
Repairs and Maintenance		
- Plant & Machinery (excluding Stores & Spares Consumed)	165.59	143.20
- Buildings	45.53	57.16
- Others	10.00	8.33
Freight & Forwarding Charges (Net)	454.49	416.86
Commission on Sales (other than sole selling agents)	408.25	332.69
Cash Discount on Sales	8.27	32.02
Other Selling Expenses	23.61	21.58
Travelling & Conveyance	138.84	119.81
Communication Costs	53.33	59.47
Printing and Stationery	24.84	28.16
Directors' Sitting Fees	2.90	2.65
Auditor's Remuneration		
- Audit Fee	10.76	8.00
- Quarterely Reviews	5.92	5.79
- Certification etc.	6.11	0.11
- Out-of-Pocket Expenses	1.36	0.98
Exchange Difference (Net)	-	5.06
Donations and Contributions	2.04	2.15
Debts and Other Balances Written off (Net)	-	24.02
Loss on Disposal/Discard of Fixed Assets (Net)	18.45	7.81
Miscellaneous Expenses	55.50	56.47
	7,317.00	5,783.60

SCHEDULE — 20 : (INCREASE) IN INVENTORIES

Inventories as at March 31, 2007		
- Goods Purchased for Resale	5.07	0.30
- Work-in-progress	734.61	643.83
- Finished goods	1,366.41	676.78
- Waste	27.28	3.06
	2,133.37	1,323.97
Inventories as at March 31, 2006		
- Goods Purchased for Resale	0.30	2.54
- Work-in-progress	643.83	631.77
- Finished goods	676.78	671.28
- Waste	3.06	1.95
	1,323.97	1,307.54
Less: Stocks of discontinued Business sold on September 30, 2006 (Refer Note No. 8 in Schedule 24)	73.45	-
	1,250.52	1,307.54
	(882.85)	(16.43)

	(All amount in Rs. Lacs)	
	For the year ended March 31, 2007	For the year ended March 31, 2006
SCHEDULE — 21 : FINANCIAL EXPENSES		
Interest		
on term loans	49.26	47.69
to a director	0.09	1.51
to banks & others*	214.98	210.77
Bank charges	49.40	42.39
	<u>313.73</u>	<u>302.36</u>

* Net of Interest Received Rs. 12.05, Previous year Rs. 8.81 (Gross, Tax Deducted at Source Rs. 0.90, Previous year Rs. 0.99)

SCHEDULE — 22 : EXCEPTIONAL ITEMS

Voluntary Retirement Scheme	176.03	—
Profit on Transfer of Bonded Abrasives Division to a Party (Refer Note No. 8 in Schedule 24)	(2,021.67)	—
	<u>(1,845.64)</u>	<u>—</u>

SCHEDULE — 23 : EARNINGS PER SHARE (EPS)

Net profit as per Profit and Loss Account	2,549.66	1,573.82
Less : Dividend on Preference Shares (including Corporate Dividend Tax)	4.56	27.37
Net Profit available for equity shareholders	<u>2,545.10</u>	<u>1,546.45</u>
Number of Equity Shares considered for calculating Basic and Diluted EPS	5,98,19,600	5,98,19,600
Basic and Diluted Earnings per Share	4.25	2.59

SCHEDULE — 24 : NOTES TO THE FINANCIAL STATEMENTS

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

1. Nature of Operations

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

2. Statement of Significant Accounting Policies

(a) Basis of preparation

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

(b) Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any directly attributable cost of bringing the asset to its working condition for its intended use. 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.



(c) Depreciation

Depreciation on leasehold land and leasehold improvements is provided over the unexpired period or estimated useful life whichever is lower. Depreciation on all other fixed assets is provided on Straight Line Method as per rates computed based on estimated useful 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 are depreciated at the rate of 100% on prorata basis.

(d) Impairment

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

(e) Investments

Investments that are readily realisable 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 recognise a decline other than temporary in the value of the investments.

(f) Inventories

Inventories are valued as follows:

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

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

(g) Revenue recognition

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

Sale of Goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Excise Duty 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.

Interest

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

Export Benefits

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

(h) 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 at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise, except those relating to acquisition of fixed assets from outside India which are adjusted to the carrying amount of fixed assets.

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

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

(i) Retirement and other benefits

i) Retirement benefits in the form of Provident Fund is defined contribution scheme and the contributions are charged to the Profit and Loss Account of the year when the contributions is made to Regional Provident Fund Commissioner.

ii) The Company has created an approved Gratuity Fund, which has taken a group gratuity cum insurance policies with Life Insurance Corporation of India (LIC, for future payment of gratuity to the employees. The Company accounts for gratuity liability based on actuarial valuation carried out at the year end by LIC.

iii) Liability for leave encashment is accrued and provided for on the basis of an actuarial valuation made at the year end.

iv) Payments made under the Voluntary Retirement Scheme are charged to the Profit and Loss account.

(j) Income taxes

Tax expense comprises of current, fringe benefit and deferred taxes. Current income tax and fringe benefit tax are measured at the amount expected to be paid to the income tax authorities in accordance with Income Tax Act, 1961. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If the Company has unabsorbed depreciation or carry forward tax losses, entire deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised 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 realised.

(k) Expenditure on new projects and substantial expansion

Expenditure directly relating to construction activity is capitalised. Indirect expenditure incurred during construction year is capitalised as part of the indirect construction cost to the extent to which the expenditure is indirectly related to construction or is incidental thereto. Other indirect expenditure (including borrowing costs) incurred during the construction year which is not related to the construction activity nor is incidental thereto is charged to the Profit and Loss Account. Income earned during construction year is deducted from the total of the indirect expenditure.



All direct capital expenditure on expansion are capitalised. As regards indirect expenditure on expansion, only that portion is capitalised which represents the marginal increase in such expenditure involved as a result of capital expansion. Both direct and indirect expenditure are capitalised only if they increase the value of the asset beyond its original standard of performance.

(l) Segment Reporting Policies

Identification of Segment :

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.

(m) Earnings Per Share

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year are adjusted for events of bonus issues, bonus elements in rights issue to existing shareholders, share split, and reverse share split (consolidation of shares)

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.

(n) Provisions

A provision is recognized when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimate. Provision for expenditure relating to voluntary retirement is made when the employee accepts the offer of early retirement.

(o) Cash and Cash equivalents

Cash and cash equivalents in the Cash Flow Statements comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

3. Segment Information

Business Segments :

The Company operates in primarily three segments i.e. Fused Aluminum Oxide Grains including Calcined Products and Refractories & Monolithics. The Company manufactured Bonded Abrasives products during the year till the date the same was transferred to a party.

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, 2007 and March 31, 2006 and certain assets and liability information regarding business segments at March 31, 2007 and March 31, 2006.

A) Primary Segments Reporting (by Business Segments)

Particulars	Fused Aluminum Oxide Grains Including Calcined Products		Bonded Abrasives (Discontinued)		Refractories & Monolithics		Consolidated Total	
	2007	2006	2007	2006	2007	2006	2007	2006
REVENUE								
External sales/Income	5,757.38	4,925.44	1,330.02	2853.63	14,194.49	10,717.65	21,281.89	18,496.72
Inter-segment sales*	3,497.31	2,811.27	–	–	20.62	44.42	3,517.93	2,855.69
Other Income	29.17	22.75	3.68	104.43	111.44	54.95	144.28	182.13
Segment revenue	9,283.86	7,759.46	1333.70	2,958.06	14,326.54	10,817.02	24944.10	21,534.54
SEGMENT RESULT	188.65	629.68	2.06	270.63	1,744.82	1,751.21	1,935.52	2,651.52
Unallocated Corporate Expenses (Net)							(192.62)	(165.46)
<i>Exceptional Items</i>								
Voluntary Retirement Scheme Profit on Transfer of Bonded Abrasives Division (Refer note No. 8 in Schedule 24)			150.18	–	25.85	–	176.03	–
Operating Profit			2021.67	–	–	–	2,021.67	–
Interest Expense							(264.33)	(259.96)
Profit from Operating activity							3,324.21	2,226.09
Taxes							(774.55)	(652.28)
Profit from Ordinary Activities							2,549.66	1,573.82
Segment Assets	10,614.65	5,487.86	–	1,245.47	6,980.04	5,111.99	17,594.69	11,845.32
Unallocated Corporate Assets							242.26	212.91
Total Assets							17,836.95	12,058.23
Segment Liabilities	1,319.20	666.31	–	372.63	1,671.05	979.19	2,990.25	2,018.13
Unallocated Corporate Liabilities							7,016.67	3,865.28
Total Liabilities							10,006.92	5,883.41
Other Information								
Capital Expenditure	3,869.45	1,279.07	–	22.68	373.17	165.08	4,242.62	1,466.83
Unallocated Capital Expenditure							0.82	10.02
Total Capital Expenditure							4,243.44	1,476.85
Depreciation	411.71	317.19	12.69	33.73	140.44	108.21	564.83	459.13
Unallocated Corporate Depreciation							11.43	13.60
Total Depreciation							576.26	472.73

* At prevailing market prices

Secondary Segment Reporting (by Geographical Segments)

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

	For the year ended March 31, 2007	For the year ended March 31, 2006
Domestic Market	19,036.77	17,049.72
Overseas Markets	2,245.12	1,447.00
Total	21,281.89	18,496.72

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

	As at March 31, 2007	As at March 31, 2006
Domestic Market	3,897.48	3,014.24
Overseas Markets	394.56	389.82
Total	4,292.04	3,404.06

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

4. Related Party Disclosures

Names of Related Parties

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

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

List of relatives as per B expect Mr P P Khanna and Mrs. Prabha Khanna

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. Bhavna Rajgarhia	Daughter
15. S G Rajgarhia (HUF)	HUF
16. R.K. Rajgarhia & Sons (HUF)	HUF
17. RKR Foundation	
18. Mr. P.P.Khanna	Key management personnel
19. Mrs. Phabha Khanna	Wife

C. The Enterprises controlled by the above persons

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

Particulars	A. An Individual with substantial interest		B. Key Management Personnel & their relatives		C. Enterprises owned or significantly influenced by key management personnel or their relatives		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
Sales to :								
Unifrax India Ltd.	-	-	-	-	-	0.14	-	0.14
Orient Steel & Industries Ltd.	-	-	-	-	-	0.68	-	0.68
Oriented Coated Pvt. Ltd.	-	-	-	-	-	5.55	-	5.55
Pyramid Abrasives Pvt. Ltd.	-	-	-	-	0.79	2.99	0.79	2.99
Others	-	-	-	-	0.08	0.04	0.08	0.04
Total Sales	-	-	-	-	0.87	9.40	0.87	9.40
Purchase of raw materials, stores and spares from :								
Unifrax India Ltd.	-	-	-	-	26.23	22.57	26.23	22.57
Perfectpac Ltd.	-	-	-	-	35.90	55.46	35.90	55.46
Others	-	-	-	-	0.10	-	0.10	-
Total Purchase					62.23	78.03	62.23	78.03

Particulars	A. An Individual with substantial interest		B. Key Management Personnel & their relatives		C. Enterprises owned or significantly influenced by key management personnel or their relatives		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
Commission Paid to Hindustan General Industries Ltd.	-	-	-	-	25.57	17.65	25.57	17.65
Rent paid to :								
Bhavna Rajgarhia	-	-	4.72	5.04	-	-	4.72	5.04
Usha Rajgarhia	-	-	1.80	1.80	-	-	1.80	1.80
Madhushree Properties Pvt. Ltd.	-	-	-	-	1.80	1.80	1.80	1.80
Perfectpac Ltd.	-	-	-	-	0.08	-	0.08	-
Total Rent Paid	-	-	6.52	6.84	1.88	1.80	8.40	8.64
Guarantee given by S G Rajgarhia	-	-	4865.00	685.00	-	-	4865.00	685.00
Guarantee given by S G Rajgarhia released	-	-	2490.00	450.00	-	-	2490.00	450.00
Interest Paid to :								
HGI Finance & Leasing Ltd.	-	-	-	-	0.88	6.38	0.88	6.38
Rovo Marketing Pvt. Ltd.	-	-	-	-	21.00	11.91	21.00	11.91
Hindustan General Industries Ltd.	-	-	-	-	0.53	4.17	0.53	4.17
P P Khanna	-	-	0.62	2.13	-	-	0.62	2.13
Prabha Khanna	-	-	0.53	2.13	-	-	0.53	2.13
S G Rajgarhia	-	-	-	1.51	-	-	-	1.51
Others	-	-	0.44	0.45	-	-	0.44	0.45
Total Interest Paid			1.59	6.22	22.41	22.46	24.00	28.68
Dividend paid to :								
S G Rajgarhia	62.01	68.25	-	-	-	-	62.01	68.25
S G Rajgarhia (HUF)	-	-	21.28	26.90	-	-	21.28	26.90
Usha Rajgarhia	-	-	19.85	20.48	-	-	19.85	20.48
Anisha Mittal	-	-	44.65	48.51	-	-	44.65	48.51
Bhavna Rajgarhia	-	-	20.66	23.70	-	-	20.66	23.70
Rovo Marketing Pvt. Ltd.	-	-	-	-	0.55	3.06	0.55	3.06
Faridabad Paper Mills Ltd.	-	-	-	-	6.31	6.31	6.31	6.31
Rajgarhia Leasing & Financial Services. Pvt. Ltd.	-	-	-	-	4.13	4.13	4.13	4.13
Delhi Pulp Industries Pvt. Ltd.	-	-	-	-	-	10.08	-	10.08
Madhushree Properties Pvt. Ltd.	-	-	-	-	10.25	-	10.25	-
Others	-	-	27.07	25.53	1.10	1.49	28.17	27.02
Total Dividend Paid	62.01	68.25	133.51	145.12	22.34	25.07	217.86	238.44
Salary to :								
S G Rajgarhia	-	-	48.08	38.49	-	-	48.08	38.49
P P Khanna	-	-	21.09	20.37	-	-	21.09	20.37
Others	-	-	5.22	2.78	-	-	5.22	2.78
Total Salary	-	-	74.39	61.64	-	-	74.39	61.64
Sitting Fees to R K Rajgarhia	-	-	0.70	0.60	-	-	0.70	0.60
Loan taken from :								
HGI Finance & Leasing Ltd.	-	-	-	-	30.00	-	30.00	-
Rovo Marketing Pvt. Ltd.	-	-	-	-	521.00	8.00	521.00	8.00
Hindustan General Industries Ltd.	-	-	-	-	20.00	-	20.00	-
S. G. Ragharhia	-	-	-	98.00	-	-	-	98.00
P P Khanna	-	-	50.00	-	-	-	50.00	-
Total Loans Taken	-	-	50.00	98.00	571.00	8.00	621.00	106.00

Particulars	A. An Individual with substantial interest		B. Key Management Personnel & their relatives		C. Enterprises owned or significantly influenced by key management personnel or their relatives		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
Fixed Deposits Received from :								
P.P.Khanna	-	-	-	10.00	-	-	-	10.00
Mrs. Prabha Khanna	-	-	-	10.00	-	-	-	10.00
Ashwin Mittal	-	-	-	4.17	-	-	-	4.17
Total Fixed Deposits Received	-	-	-	24.17	-	-	-	24.17
Fixed Deposits Repaid:								
P.P.Khanna	-	-	20.00	10.00	-	-	20.00	10.00
Mrs. Prabha Khanna	-	-	20.00	10.00	-	-	20.00	10.00
Total Fixed Deposits Repaid			40.00	20.00	-	-	40.00	20.00
Loans repaid to :								
HGI Finance & Leasing Ltd.	-	-	-	-	85.00	15.00	85.00	15.00
Hindustan General Industries Ltd.	-	-	-	-	45.00	20.00	45.00	20.00
Rovo Marketing Pvt. Ltd.	-	-	-	-	288.00	218.90	288.00	218.90
S. G. Rajgarhia	-	-	-	98.00	-	-	-	98.00
Total Loans Repaid				98.00	418.00	253.90	418.00	351.90
Balance outstanding as at year end								
Receivable from :								
Unifrax India Ltd.	-	-	-	-	-	1.00	-	1.00
Orient Coated Pvt. Ltd.	-	-	-	-	-	5.55	-	5.55
Pyramid Abrasives Pvt. Ltd.	-	-	-	-	-	1.34	-	1.34
Total Receivable	-	-	-	-	-	7.89	-	7.89
Payable to :								
S G Rajgarhia	-	-	29.45	24.36	-	-	29.45	24.36
Usha Rajgarhia	-	-	0.19	0.32	-	-	0.19	0.32
Bhavna Rajgarhia	-	-	0.16	0.29	-	-	0.16	0.29
Anisha Mittal	-	-	0.58	0.19	-	-	0.58	0.19
HGI Finance & Leasing Ltd.	-	-	-	-	-	55.00	-	55.00
Hindustan General Industries Ltd.	-	-	-	-	4.80	29.95	4.80	29.95
Rovo Marketing Pvt. Ltd.	-	-	-	-	233.00	-	233.00	-
Perfectpac Ltd.	-	-	-	-	10.91	15.75	10.91	15.75
Unifax India Ltd.	-	-	-	-	11.27	4.44	11.27	4.44
P.P.Khanna	-	-	52.12	1.84	-	-	52.12	1.84
Others	-	-	-	0.09	-	0.35	-	0.44
Total Payable	-	-	82.50	27.09	259.98	105.49	342.48	132.58
Fixed Deposits Repayable								
P.P.Khanna	-	-	-	20.00	-	-	-	20.00
Mrs. Prabha Khanna	-	-	-	20.00	-	-	-	20.00
Ashwin Mittal	-	-	4.17	4.17	-	-	4.17	4.17
Total Fixed Deposits Repayable	-	-	4.17	44.17	-	-	4.17	44.17
-Outstanding Guarantees Given	-	-	6150.00	4075.00	-	-	6150.00	4075.00

Notes:

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

	2007	2006
5. Estimated amount of Contracts remaining to be executed on capital account and not provided for (Net of Capital advances Rs 127.20, Previous year Rs 195.51)	483.24	2225.61
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,.*	338.02	338.02
ii) Demands raised by Sales Tax Authorities, being disputed by the Company. (Company deposited Rs. 7.28 against the penalty under protest and same is being disclosed in Loans and Advances)**	30.15	22.87
iii) Demand raised by the Income Tax Authorities, being disputed by the Company**	5.65	Nil
iv) 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 the large number of cases pending at various forums /courts, it is not practicable to give detail of each case. Based on the discussions with the solicitors, the management believes that the Company has a strong chance of success in the cases and hence no provision thereagainst is considered necessary.

7. a) The Small scale industrial undertakings to whom the Company owes sums and which are outstanding for more than 30 days are Ashok Engineering Works, Coil Company P Ltd, Dugar Polymers, Gajjar Bros, Galaxy Caustic Magnesia, Harji Kara Hansora & Sons, Industrial Controls, Kanhyaiya lal, Mangalam Steelcast P Ltd., Matangi Plastic Inds., Om Minerals & Chemicals, Paragon Engineers, PLT Industries P Ltd, Prag Engineering Works, Shree Anand Plastic Packaging, Shree Krishna Auto., Silverline Plast Packs P Ltd, Swastik Engineering, Baroda, Zinc O India. Ashoka Gears., Bhiwadi A.S.Engineers, Bajaj Chemical Industries, Baljit Engineering P Ltd, Chandra Prabhu Ind., Diamond Board International P Ltd, Forace Polymers P Ltd., Garg Sales Co. Pvt Ltd., Haass Hydraulic Engineers, ITE Engineering P Ltd., Mukesh Printers, Perfect Gear Ind., Perfect Pac Ltd., Raj Rubber Ind. Rubber Tech., Shree Balaji Refractoreis Co., Nikhil Processors.
- b) During the year, Government of India has promulgated an Act namely The Micro, Small and Medium Enterprises Development Act, 2006 which comes into force with effect from October 2, 2006. As per the Act, the Company is required to identify the Micro and Small suppliers and pay interest to them on overdue beyond the specified period irrespective of the terms agreed with the suppliers. The Company has initiated the process of identification of such suppliers. Based on responses received so far and profile of the supplier, management is of the opinion that liability of interest on overdue payments to such suppliers will not be material. In view of non-availability of full information about all the covered parties, prescribed disclosures under section – 22 of the Act has not been considered.
8. a) Pursuant to Shareholders approval the Board of Directors finally approved the transfer of Bonded Abrasives Division (BAD) located at Bhiwadi to a party in its meeting held on April 18, 2006. The transfer took place w.e.f. October 1, 2006. The same was a reportable segment in accordance with Accounting Standard "17" Segment Reporting issued by ICAI. The disposal is consistent with the Company's strategy to focus and to divest unrelated activities. After obtaining necessary approvals, all assets and liabilities of the BAD were transferred on October 1, 2006 for a total consideration of Rs. 2709.62 lacs. The pre tax gain of Rs. 2021.67 (excluding Income Tax Expense of Rs. 461.97) have been recognized on transfer of BAD and shown as Exceptional Item in the Profit & Loss Account. The detail of assets and liabilities transferred is as below;

Particulars	Assets/Liabilities
Inventories (including Raw Material Inventory of Rs.36.64)	110.09
Debtors	578.09
Loan & Advances	4.59
Total (A)	692.77
Current Liabilities	64.08
Liability for Retirement Benefits	
-Leave Encashment	7.18
Gratuity	11.88
Total (B)	83.14
Net Working Capital (A) - (B)	609.62
Fixed Assets	78.33

- b) The revenue and expenses in respect of the operating activities attributable to above discontinued operation for the year ended March 31, 2007 and 2006 are as follows. Comparative information for Bonded Abrasives Division as at March 31, 2006 is also included in accordance with the Accounting Standard 24 on Discontinuing Operations.

Particulars	March 31, 2007	March 31, 2006
Turnover (net of excise duty)	1119.63	2,438.59
Other Income	3.68	104.43
Operating Expenses	1271.44	2,272.39
Pre-tax Profit/ (Loss) from Operating Activities (Including Voluntary Retirement Scheme of Rs. 150.18, Previous Year Rs. Nil)	(148.13)	270.63
Interest Expenses	1.30	5.93
(Loss)/ Profit before tax [including FBT of Rs. 1.73, (Previous Year Rs. 5.40)]	(149.43)	264.70
Income tax credit/ (expenses)	48.57	(94.49)
(Loss)/ Profit from Operating activities after tax * Upto September 30, 2006	(100.86)	170.21

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

Particulars	March 31, 2007	March 31, 2006
Operating activities	411.85	428.10
Investing activities	2212.40	(18.36)
Financing activities	(2715.09)	(6.47)
Total Cash Inflows/ (Outflows)	(90.84)	403.27

9. a) Provision for Income Tax has been made after taking into consideration the benefits available under Section 801A of the Income Tax Act, 1961 in respect of Power Plant installed at Porbandar for captive consumption.
- b) The company considers profit arising on transfer of Bonded Abrasives Division as slump sale and accordingly provision for Current Year Income Tax has been made considering the same as long term capital gain.
- c) Provision for current Tax includes Rs. 2.50 (Previous year Rs. 2.00) for Wealth Tax.

10. Expenditure during construction period

	2006-07	2005-06
	(Rs. in Lacs)	(Rs. in Lacs)
Balance brought forward	5.73	–
Expenditure during the period		
- Interest on Term Loan	35.48	–
- Bank Charges	26.60	5.73
- Travelling & Conveyance	4.87	–
Balance carried forward	72.68	5.73

11. Pursuant to introduction of Voluntary Retirement Scheme (VRS) for permanent staff & workers, the Company has paid amount aggregating to Rs. 176.03 on VRS opted by certain categories of employees. The Company has charged the entire amount paid to the Profit and Loss Account and disclosed as Exceptional Items.

12. Particulars of Unhedged Foreign Currency Exposure at the Balance Sheet Date

	March 31, 2007			March 31, 2006		
	USD	EURO	GBP	USD	EURO	GBP
Sundry Creditors for Goods, Advances and Expenses	113,052	32,496	35,678	85,709	32,055	8,400
Secured Loans	2,700,000	–	–	–	–	–
Interest on Term Loan	46,640	–	–	–	–	–
Sundry Debtors	609,584	229,725	–	389,722	403,373	–
Total	3,469,276	262,221	35,678	475,431	435,428	8,400

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

	March 31, 2007	March 31, 2006
Personnel Expenses		
Salaries, Wages and Bonus	414.07	218.74
Contribution to Provident and other funds	1.49	1.48
Workmen and Staff Welfare Expenses	2.92	1.44
Operating and Other Expenses		
Consumption of Stores and Spares	0.37	1.38
Rent	0.67	0.71
Rates & Taxes	5.65	5.76
Royalty on Raw Bauxite (On dispatch to factory)	31.10	15.88
Insurance	0.01	0.08
Legal and Professional Fees	0.07	24.07
Vehicle Running & Maintenance	2.65	9.76
Repairs and Maintenance :		
- Plant & Machinery (excluding Stores & Spares Consumed)	0.02	0.01
- Buildings	-	0.36
- Others	0.15	0.19
Travelling & Conveyance	2.99	2.36
Printing and Stationery	0.77	0.81
Donations and Contributions	0.51	0.10
Bank Charges	0.97	0.03
Miscellaneous Expenses	13.62	10.02
TOTAL	478.03	293.18

14. In accordance with ASI 14(Revised) on 'Disclosure of Revenue from Sales Transactions' issued by Institute of Chartered Accountants of India, excise duty on sales amounting to Rs. 2698.55 (Previous Year Rs. 2413.13) has been reduced from sales in profit & loss account and excise duty on increase/decrease in stock amounting to Rs. 100.97(Previous Year Rs. (1.40) has been considered as (income)/expense in Schedule 19 of the financial statements.

15. Supplementary Statutory Information
15.1 Directors' Remuneration

	For the year ended March 31, 2007	For the year ended March 31, 2006
Salaries	29.60	14.63
Commission	27.32	22.66
Contribution to Provident fund	2.09	1.05
Perquisites	1.87	0.15
	60.88*	38.49*

*Excluding contribution to Gratuity Fund / Provision for Leave Encashment

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

Profit as per Profit and Loss Account	3324.21	2,226.09
<i>Add:</i>		
Directors' Remuneration	60.90	38.49
Director Fee	2.90	2.65
<i>Less:</i>		
Profit on sale of Bonded Abrasive Division	2021.67	-
Provision for Doubtful Debts and Advances adjusted (net)	0.96	0.77
Net profit as per Section 349 of the Companies Act, 1956	1365.38	2,266.46
Commission to Managing Director @ 2% (Previous Year 1%) of the net profits as calculated above	27.32	22.66

15.3 Earnings in foreign currency (on accrual basis)

Exports at F.O.B. Value	2244.13	1,395.15
Freight	10.41	

15.4 Expenditure in foreign currency (on accrual basis)

Travelling	19.79	11.23
Interest	20.34	–
Legal and professional fees (net of taxes)	28.61	22.05
Others (net of taxes, wherever applicable)	146.99	71.74
	215.73	105.02

15.5 Value of imports calculated on CIF basis

Raw Materials	885.81	574.57
Stores and Spares	58.01	32.62
Capital Goods	485.30	3.93
	1429.12	611.12

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
		2007	2006	2007	2006	2007	2006
Fused Aluminum Oxide Grains	MT	NA	NA	21,000	21,000	21317	17,698
Calcined Products	MT	NA	NA	74,250	74,250	52497	44,534
Bonded Abrasives	MT	NA	NA	3,600	3,600	1060	2,276
Refractories	MT	NA	NA	9,000	9,000	9494	7,088
Monolithics	MT	NA	NA	23,200	17,200	25127	19,010
Ceramic Paper	Pcs	NA	NA	20,000	10,000	27052	13,522
Waste	MT	NA	NA			6335	5,782

* As Certified by the Management

Notes :

1. Production of Fused Aluminum Oxide Grains 7722 MT for captive consumption (Previous year 5770 MT).
2. Production of Calcined Products includes 31095 MT for captive consumption (Previous year 27583 MT).
3. Production of Monolithics includes 3177 MT for captive consumption (Previous year 1441 MT)
4. Production of waste includes 347 MT used for captive consumption (Previous year 111 MT).

16.2 Sales & Stocks of Finished Goods
Sales

Class of Goods	Unit	Quantity		Value (Rs)	
		2007	2006	2007	2006
Fused Aluminum Oxide Grains	MT	12,172	12,381	3844.31	3,548.33
Calcined Products	MT	21,146	17,033	1758.31	1,199.81
Bonded Abrasives	MT	1,128	2,360	1329.63	2,842.80
Refractories	MT	9,149	6,893	10266.06	7,887.10
Monolithics	MT	21,604	17,381	3805.94	2,797.20
Ceramic Paper	Pcs	27,052	13,522	21.71	15.67
Waste	MT	5,474	5,620	150.62	155.55
Miscellaneous				8.38	10.72
				21,184.96	18,457.18

Stocks

Class of Goods	Unit	Quantity		Value (Rs)	
		2007	2006	2007	2006
Opening Stock					
Fused Aluminum Oxide Grains	MT	721	1,174	192.15	277.63
Calcined Products	MT	735	817	67.16	74.35
Bonded Abrasives	MT	68	152	63.80	132.30
Refractories	MT	370	207	313.56	161.71
Monolithics	MT	277	187	40.11	25.29
Waste	MT	107	56	3.06	1.95
				679.84	673.23
Closing Stock					
Fused Aluminum Oxide Grains	MT	2144	721	590.01	192.15
Calcined Products	MT	992	735	123.84	67.16
Bonded Abrasives	MT	–	68	–	63.80
Refractories	MT	667	370	545.10	313.56
Monolithics	MT	600	277	107.46	40.11
Waste	MT	621	107	27.28	3.06
				1393.69	679.84

Notes :

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

16.3 Consumption of Raw Materials

Class of Goods	Unit	Quantity		Value (Rs)	
		2007	2006	2007	2006
Raw Bauxite	MT	90648	69,899	749.54	506.44
Calcined Alumina	MT	12355	9,347	3302.23	2,445.70
Others*				3962.13	2,900.11
				8013.90	5,852.25

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

Note: Raw materials consumed is net of DEPB benefits amounting to Rs 87.94 (Previous year Rs. 75.21)

16.4 Imported and Indigenous Raw Materials, Stores and Spares Consumed

	% of total consumption		Value	
	2007	2006	2007	2006
Raw Materials				
Indigenous	88.85	90.49	7120.73	5295.44
Imported	11.15	9.51	893.17	556.81
	100.00	100.00	8013.90	5852.25
Stores and Spares				
Indigenous	96.08	97.09	1557.94	1,222.88
Imported	3.92	2.91	63.64	36.61
	100.00	100.00	1621.58	1,259.49



16.5 Details of Goods Purchased for Resale

	Value	
	2007	2006
Opening Stock	0.30	2.54
Purchases	99.83	33.82
	100.13	36.36
Sales	96.93	39.54
Closing stock	5.07	0.30

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

17 Previous year Comparatives

Pursuant to transfer of Bonded Abrasives Division with effect from October 1, 2006, current year's figures to that extent are not comparable with those of previous year's figures. Previous year's figure have been regrouped/arranged whenever necessary.

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 9, 2007

For and on behalf of the Board of Directors

S.G.RAJGARHIA
(Managing Director)

T.N.CHATURVEDI
(Director)

R.K.RAJGARHIA
(Chairman)

B.L.GUPTA
(Vice President - Finance)

DEEPAK C.S.
(Company Secretary)

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
I. Registration Details

Registration No.	5854	State Code	55
Balance Sheet Date	31	03	2007

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

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

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

Total Liabilities	1417039	Total Assets	1417039
Sources of Funds			
Paid-up Capital	59833	Reserves & Surplus (including Deferred Tax Liability)	756719
Secured Loans	368581	Unsecured Loans	231906
Application of Funds			
Net Fixed Assets	809194	Investments	32
Net Current Assets	607813	Misc. Expenditure	NIL

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

Turnover (Including other Income)	1873072	Total Expenditure	1540651
Profit Before Tax	332421	Profit After Tax	254966
Earning per Share in Rs	4.25	Dividend Rate %	70%

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

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

S.G.RAJGARHIA
(Managing Director)

T.N.CHATURVEDI
(Director)

R.K.RAJGARHIA
(Chairman)

Place : New Delhi
Date : June 9, 2007

B.L.GUPTA
(Vice President - Finance)

DEEPAK C.S.
(Company Secretary)