



DEDICATED TO CLEAN METAL

2012  
ANNUAL REPORT



## FORWARD LOOKING STATEMENT

*In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospect and take informed investment decisions. This Report and other statements – written and oral – that we periodically make, contain forward-looking statements that set out anticipated results based on the management’s plans and assumptions. We have tried wherever possible to identify such statements by using words such as ‘anticipate’, ‘estimate’, ‘expects’, ‘projects’, ‘intends’, ‘plans’, ‘believes’, and words of similar substance in connection with any discussion of future performance.*

*We can not guarantee that these forward-looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.*

*We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.*

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# CORPORATE INFORMATION



#### ***Chairman Emeritus***

B P Bajoria (Upto 20.02.2012)

#### ***Board of Directors***

D K Banerji

K Dalmia

S Khasnobis

Y Konno

Prof S Munshi

D G Rajan

Prof A N Sadhu

K S B Sanyal

S Tateishi

#### ***Chairman***

S K Bajoria

#### ***Managing Director***

P Bajoria

#### ***Company Secretary***

R Agarwal

#### ***Auditors***

Deloitte Haskins & Sells

Grant Thornton UK LLP

Crowe Horwath LLP

#### ***Principal Bankers***

State Bank of India

The Hongkong & Shanghai  
Banking Corporation Ltd

HSBC Bank Plc

#### ***Head & Corporate Office***

McLeod House, 3, Netaji Subhas Road  
Kolkata 700 001

Phone : +91 33 22482411

Fax : +91 33 22430886/22480482

E-mail : ifgl@bajoria.in

Website : www.ifglref.com

#### ***Registered Office & Works***

Sector 'B', Kalunga Industrial Estate

PO : Kalunga 770 031, Near Rourkela

Dist : Sundergarh, Odisha

Phone : +91 661 2660195

Fax : +91 661 2660173

E-mail : ifglworks@bajoria.in

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 23rd Annual General Meeting of the Shareholders of IFGL Refractories Limited will be held on Friday, 24th August 2012 at 11 AM at the Registered Office situated at Sector `B', Kalunga Industrial Estate, P.O. Kalunga 770 031, Dist. Sundergarh, Odisha to transact following :

### Ordinary Business

1. To receive, consider and adopt Statement of Profit and Loss for financial year ended on 31st March 2012 and Balance Sheet as on that date and Notes forming part thereof and the Reports of Directors and Auditors thereon.
2. To declare Dividend on Preference and Equity Shares for financial year ended on 31st March 2012.
3. To appoint a Director in place of Prof Amar Nath Sadhu, who retires by rotation and being eligible, offer himself for re-appointment.
4. To appoint a Director in place of Mr Kunal Dalmia, who retires by rotation and being eligible, offer himself for re-appointment.
5. To appoint Deloitte Haskins & Sells (Regn No. 302009E), Chartered Accountants, who have signified their willingness and that their appointment will be within the prescribed limit, as Statutory Auditors and to authorise the Board to fix their remuneration including terms of payment.

### Special Business

6. To consider and if thought fit, with or without modification(s), to pass following resolution as an Ordinary Resolution :  
"Resolved that Mr Yoshihiro Konno, who was appointed as a Casual Director in the meeting of Board of Directors of the Company held on Saturday, 5th November 2011 and who hold office till the date of this Annual General Meeting in terms of Section 262 of the Companies Act, 1956 (the Act) and in respect of whom the Company has received a Notice under Section 257 of the Act from a member proposing his candidature for the office of Director, liable to retire by rotation, be and is hereby appointed as a Director of the Company."
7. To consider and if thought fit, with or without modification(s), to pass following resolution as an Ordinary Resolution :  
"Resolved that Mr Sudhamoy Khasnobis, who was appointed as an Additional Director on and from Friday, 26th August 2011 and who holds office till the date of this Annual General Meeting in terms of Section 260 of the Companies Act, 1956 (the Act) and in respect of whom the Company has received a Notice under Section 257 of the Act from a member proposing his candidature for the office of Director, liable to retire by rotation, be and is hereby appointed as a Director of the Company."

By Order of the Board  
For IFGL Refractories Limited

Kolkata  
19th May 2012

**R Agarwal**  
*Company Secretary*

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### NOTES

1. **A member entitled to attend and vote at the meeting is also entitled to appoint a Proxy to attend and vote instead of himself/herself and the Proxy need not be a member. Proxies in order to be effective, must be lodged with the Company not less than 48 (forty eight) hours before the commencement of ensuing Annual General Meeting (AGM).**
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of business set out at Item Nos. 6 and 7 above is annexed hereto.
3. Corporate Members are requested to send to the Company's Corporate and Head Office, a duly certified copy of the Board Resolution authorizing their representative to attend and vote at the AGM.

## NOTICE OF ANNUAL GENERAL MEETING (Contd.)

4. Brief profile of the Directors seeking re-appointment/appointment at the ensuing AGM is annexed hereto in compliance of Clause 49(IV)(G)(i) of the Listing Agreement with Stock Exchanges.
5. The Register of Members and Share Transfer Register will remain closed from Tuesday, 21st August 2012 to Friday, 24th August 2012, both days inclusive, in connection with ensuing AGM and dividends proposed to be declared thereat.
6. If dividends, as recommended by the Board of Directors, are declared at ensuing AGM, payment, subject to provisions of Section 206A of the Companies Act, 1956, will be made on or after Wednesday, 29th August 2012, to those Shareholders whose names shall appear on the Company's Register of Members.
  - i) as Beneficial Owners as at end of business hours on Monday, 20th August 2012 as per the list to be furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) in respect of shares held in Dematerialized Form.
  - ii) as Members in Register of Members of the Company after giving effect to valid Share Transfers lodged with the Company, on or before Monday, 20th August 2012.
7. In order to avoid risk of loss/interception of Dividend Warrants in postal transit and/or fraudulent encashment of Dividend Warrants, Shareholders are advised to avail of NECS facility whereby Dividend will be directly credited electronically to their respective Bank Accounts. This will ensure speedier credit of Dividend. You may download 'NECS Mandate Form' from Company's website [www.ifglref.com](http://www.ifglref.com) and forward said Form duly filled and signed to the Company or its Registrars and Share Transfer Agent or Depository Participants, as the case may be, to avail benefit from this Service.
8. Pursuant to provisions of Section 205A, in force till 30th October 1998, of the Companies Act, 1956, all unclaimed/unpaid dividends for financial year ended 31st March 1995 of erstwhile Indo Flogates Ltd have been transferred to the General Revenue Account of the Central Government. Shareholders, who have not yet encashed their Dividend Warrants for said year are requested to forward their claims in prescribed Form No. II of the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978 to the Registrar of Companies, Orissa, 3rd Floor, Corporate Bhawan, Plot No. 9(P), Sector : 1, CDA, Cuttack, Odisha 753 014.
9. Shareholders who have not yet encashed their Dividend Warrant(s) for financial years ended 31st March 2005, 31st March 2006, 31st March 2007, 31st March 2008, 31st March 2010 and 31st March 2011 issued by the Company are requested to make their claims to the Company accordingly, without any delay. No claims received for Unclaimed Dividend relating to financial year 2004-2005 will be entertained by the Company on and after Saturday, 1st September 2012 since thereafter same will be transferred to Investor Education and Protection Fund (IEPF).
10. Equity Shares of the Company are available for dematerialisation both with the NSDL and CDSL.
 

Members holding shares in physical form are requested to notify/send following to the Registrars and Share Transfer Agent of the Company to facilitate better service :

  - i) Any change in their address/mandate/bank details.
  - ii) Share Certificate(s), held in multiple accounts in identical names or joint accounts in the same order of names, for consolidation of such shareholdings into one account.

Members holding shares in Demat form are requested to give all instructions directly to their Depository Participants.
11. Members are requested to quote the Folio No. or Client ID and DP ID Nos. in all communications with the Company.
12. Members can avail of the nomination facility, under Section 109A of the Companies Act, 1956, by submitting Form No. 2B of the Companies (Central Govt.'s) General Rules and Forms, 1956 with the Company. Blank forms may be downloaded from Company's website i.e. [www.ifglref.com](http://www.ifglref.com)

## NOTICE OF ANNUAL GENERAL MEETING *(Contd.)*

13. Members are requested to register their e-mail addresses with the Company for receiving various documents including Annual Report in electronic mode, as a measure of support to the Green Initiative in Corporate Governance of the Ministry of Corporate Affairs, Government of India. The Form for such registration can be downloaded from the Company's website [www.ifglref.com](http://www.ifglref.com) and sent to the Company or its Registrar and Share Transfer Agent.
14. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in Securities Market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company or its Registrar and Share Transfer Agent.
15. Presently Equity Shares of the Company are listed both on the Bombay Stock Exchange Limited and National Stock Exchange of India Limited.
16. Reduction and consolidation of Equity Share Capital of the Company was carried out in the year 1996. Members still holding old Share Certificates are requested to surrender the same and obtain fresh Certificates in lieu thereof.
17. Persons who have become members of the Company consequent upon amalgamation of Indo Flogates Ltd, are once again requested to surrender Certificates relating to their holding in said Company for despatch of new Certificates relating to their shareholding in the Company.

### **Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Item Nos. 6 and 7 of the Notice**

#### **Item No. 6**

Mr Yoshihiro Konno, a Senior Executive of Sojitz Corporation, Japan was appointed as a Casual Director as per provisions of Section 262 of the Companies Act, 1956 (the Act) of your Company on Saturday, 5th November 2011 in vacancy caused due to resignation of Mr Osamu Matsuura. Mr Konno hold said office till the date of this Annual General Meeting in accordance with said Section. Your Company has however received a Notice under Section 257 of the Act from a member proposing his candidature for the office of Director for further period liable to retire by rotation. Resolution mentioned at Item No. 6 of the Notice is meant for purpose aforesaid and your Directors recommend passing thereof unanimously. None of the Directors other than Mr Konno is concerned or interested in passing of proposed resolution.

#### **Item No. 7**

Mr Sudhamoy Khasnobis was re-appointed as an Additional Director as per provisions of Section 260 of the Act of your Company on and from Friday, 26th August 2011. Mr Khasnobis hold said office till the date of this Annual General Meeting in accordance with said Section. Your Company has however received Notice under Section 257 of the Act, from a member proposing his candidature for the office of Director for further period liable to retire by rotation. Resolution mentioned at Item No 7 of the Notice is meant for purpose aforesaid and your Directors recommend passing thereof unanimously. None of the Directors other than Mr Khasnobis is concerned or interested in passing of proposed resolution.

## NOTICE OF ANNUAL GENERAL MEETING (Contd.)

### Particulars relating to Directors seeking re-appointment/appointment pursuant to Clause 49(IV)(G)(i) of the Listing Agreement

#### Prof Amar Nath Sadhu

Prof Amar Nath Sadhu, is a Fellow Member of the Institute of Chartered Accountants of India and the Institute of Chartered Accountants of England and Wales. He was Partner of Price Waterhouse, Chartered Accountants from 1st January 1978 and retired therefrom as Managing Partner on 31st March 1996. He was Professor in Finance with Vinod Gupta School of Management, IIT Kharagpur (West Bengal) in India till December 2010. He was appointed as a Director of the Company on 29th January 2001 and continues to hold said office since then. He is also a Director of following Public and Private Companies :

- M M Aqua Technologies Limited
- Tega Industries Limited
- Khadim India Limited
- Tega Industries (SEZ) Limited
- Heritage Health TPA Private Limited

Prof Sadhu is a Member/Chairman of Board Committees of Khadim India Limited and Tega Industries Limited apart from that of the Company.

He is holding both directly and indirectly, 850 Equity Shares of ₹ 10/- each, fully paid-up of the Company.

#### Mr Kunal Dalmia

Mr Kunal Dalmia, is a Graduate from Madras University and has done Ownership/President Management Programme from Harvard Business School in the year 2006. He is a well known businessman based in Kolkata and has extensive knowledge of export and import business. In 2005, he took over the Management of Arcelor Mittal Refractories (formerly known as PMO Komex), a Refractory Plant situated in Poland. He is a Director of the Company since 29th January 2004. He is on the Board of Directors of State Bank of Bikaner and Jaipur as a Non-Executive Director. He is also a Director of several Private Limited Companies. He is not a Member/Chairman of any Board Committee.

He hails from a family who has been in business since two centuries. His grandfather was the co-founder of Central Bank of India, which is now one among the largest banks in India.

He is a person with high degree of intellectual curiosity, self-discipline and good contact. He has travelled widely and is well acquainted with business and cultural activities of many countries. With a pleasing personality and excellent communication skills, he is considered as an effective Entrepreneur.

He does not hold, either directly or indirectly, any Equity Shares of the Company.

#### Mr Yoshihiro Konno

Mr Yoshihiro Konno, a Graduate from Meiji University (Japan), is a Manager of Sojitz Corporation, Japan. He has working experience of more than 20 (twenty) years. He is a Director of the Company since 5th November 2011. He does not hold said office of any other Indian Company.

He also does not hold, either directly or indirectly, any Equity Shares of the Company.

#### Mr Sudhamoy Khasnobis

Mr Sudhamoy Khasnobis, a Engineering (Mechanical) Graduate, is a Career Banker with broad and diversified experience in Development Banking and Project Finance, Structured Finance, Investment Banking and Loan Origination, Stressed Assets Management and Workouts. He is credited with conceptualization and implementation of ARC business model in India by framing business strategies, development of guidelines, framework and policies and familiarizing the Indian Banking System to the concept of ARC business. A self-starter with strong entrepreneurial skills, who has consistently demonstrated innovative restructuring capabilities backed by sound understanding of several business verticals-led large teams of highly skilled professionals-showed a consistent track record.

Mr Khasnobis last held the position of Managing Director & CEO of Asset Reconstruction Company of (India) Limited, the pioneer Asset Reconstruction Company (ARC) in India for 5 years. He is a Director of the Company since 6th August 2011. He is also a Director of several Private Limited Companies. He is not a Member/Chairman of any Board Committee except Company's Investment Committee recently constituted.

He does not hold either, directly or indirectly, any Equity Shares of the Company.

## DIRECTORS' REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS REPORT TO THE SHAREHOLDERS

### *Dear Shareholders*

Your Directors are happy to present the 23rd Annual Report together with Statement of Profit and Loss for financial year ended on 31st March 2012 and Balance Sheet as on that date.

Financial Performance of your Company for financial year ended on 31st March 2012 on Stand-alone and Consolidated basis have been as follows :

	(₹ in Millions)	
	Stand-alone	Consolidated
Revenue from Operations (Net)	2,748	6,039
Other Income	24	26
Total Revenue	<u>2,772</u>	<u>6,065</u>
Less : Total Expenses	<u>2,400</u>	<u>5,287</u>
<b>Profit before Finance Cost and Depreciation</b>	<b>372</b>	<b>778</b>
Less : Finance Cost	47	68
Depreciation and Amortisation Expense	63	129
<b>Profit before Tax</b>	<b>262</b>	<b>581</b>
Less : Provision for Current Tax/Deferred Tax	88	183
<b>Profit after Tax</b>	<b>174</b>	<b>398</b>

Total Revenue, both on Stand-alone and Consolidated basis, are higher by ₹ 661 Millions and ₹ 1,307 Millions compared to that of previous year ended on 31st March 2011. Similarly Profit before Tax is higher by 139% and 78% respectively. Profit after Tax on Stand-alone basis is higher by 136%, Profit after Tax and Minority Interest on Consolidated basis is higher by 64%. Earning per Share, on Stand-alone and Consolidated basis are ₹ 4.79 and ₹ 11.28 which compare favourably with ₹ 1.99 and ₹ 6.87 respectively for the year 2010-2011. Your Company had undertaken several measures to enhance overall operational efficiencies and results therefrom were yielded and reflected in above given financial performance.

#### **Dividend**

As a result of a very good performance, your Directors are pleased to recommend payment of Dividend as follows for the year 2011-2012 subject to necessary approvals, including your approval at the ensuing Annual General Meeting :

- a) 5% on Preference Shares of ₹ 100/- each i.e. ₹ 5/- per Preference Share.
- b) 15% on Equity Shares of ₹ 10/- each i.e. ₹ 1.50 per Equity Share.

#### **Indian Operations**

Production of Ceramic Filters for foundries as per Know-how of Hofmann Ceramic GmbH, Germany was stabilized and your Company started manufacturing Big Filters also.

Your Company continued to be recognized for exports and received CAPEXIL's Award for 9th consecutive year for the year

## **DIRECTORS' REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS REPORT TO THE SHAREHOLDERS (Contd.)**

2010-2011. The value of exports (including indirect) for the year 2011-2012 aggregated to ₹ 1,443 Millions.

### **Subsidiary Companies**

Your Company's Subsidiaries are situated across 4 Continents, in Asia (PRC), Europe (Germany, United Kingdom, Czech Republic), North America (USA) and South America (Brazil), which are also engaged in manufacture of Specialized Refractories and Operating Systems for use in the Steel Plants and Foundries. Despite the economic scenario in some of the Western Countries not being too healthy, your Company's Subsidiaries except those in Brazil and Czech Republic performed satisfactorily inasmuch as they contributed 58% and 47% of Total Income and Profit after Tax respectively on Consolidated basis for the year 2011-2012.

IFGL Exports Ltd (IEL), which has become your Company's Subsidiary on and from 30th March 2012, has implemented facilities for manufacture of ISO products i.e. Continuous Casting Refractories (CCR) in the Special Economic Zone in Kandla, Gujarat. Trial production commenced on 1st November 2011 and the same has been stabilized inasmuch as commercial production has recently been started from Tuesday, 1st May 2012. Our long-term partners/Shareholders, Krosaki Harima Corporation (KHC), a Subsidiary of Nippon Steel Corporation of Japan, hold 20% Equity in IEL and also provide technology. This new manufacturing facility in the Western Coast of India will provide synergistical, logistical and operational advantages to your Company.

### **Industry Structure, Developments, Opportunities, Threats, Risks and Concerns and Future Outlook**

Your Directors continue to be optimistic about future of the Iron and Steel Industry both in India and abroad and envisage that going forward, there will be a greater thrust on "Clean Metal" and thus the demand for Specialized Refractories and Operating Systems produced by your Company will continue to grow barring unforeseen circumstances. Your Directors however continue to be concerned about steep increases in cost including manufacturing, selling and employees. Other areas of concern are scarcity of raw-materials and steep fluctuation in Foreign Exchange. As usual, all these factors would continue to be monitored closely and measures necessary will be taken as and when required.

Bio Ceramic business for health particularly Dental, Ophthalmic and Orthopaedic segments, being in the nature of a diversification project for your Company, remained at nascent stage during the year 2011-2012. Several steps however have been taken to up-scale the same and results therefrom are likely to be yielded in the current financial year.

### **Corporate Governance/Internal Control System and their adequacy**

Your Company's motto is to maximize value of its stakeholders and in connection therewith, practices best Corporate Governance policies and procedures, both statutory and otherwise. Terms of reference of Audit Committee are in line with those provided in Clause 49 of the Listing Agreement. Policies and systems for Internal Control, Risk Management and Transfer Pricing have also been adopted and are reviewed and updated from time to time as and when necessary. A detailed Report on Corporate Governance Compliance duly certified by the Company's Statutory Auditors form part of this Report as **Annexure 'A'**.

### **Accounts of Subsidiary Companies**

The Ministry of Corporate Affairs (MCA) has granted general exemption under Section 212(8) of the Act for attachment of Statement of the Subsidiaries to its accounts, subject to fulfilment of conditions specified vide General Circular No. 2/2011 dated 8th February 2011, amended to date. In accordance therewith, a statement having financial information of Subsidiary Companies form part of this Annual Report. Shareholders of the Company and those of Subsidiary Companies who are desirous of having complete statement of accounts and related detailed information of Subsidiary Companies, may send their request therefor either to the Company's Registered Office or to Head and Corporate Office. The same are being kept for inspection at Head Offices of your Company and Subsidiary Companies and also available on your Company's website i.e. [www.ifglref.com](http://www.ifglref.com).

## DIRECTORS' REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS REPORT TO THE SHAREHOLDERS (Contd.)

### Directors' Responsibility Statement

Your Directors, in terms of Section 217(2AA) of the Act, state that :

- a) in preparation of statement of accounts for the financial year under review, the applicable Accounting Standards have been followed and in case of departures therefrom, proper explanations relating thereto have been given in the Notes forming part thereof.
- b) Accounting Policies selected have been applied consistently and judgments and estimates made are reasonable and prudent as they give true and fair state of affairs of the Company at the end of the financial year under review and of the Profit of the Company for that period.
- c) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- d) Annual Accounts have been prepared on a Going Concern basis.

Your Company's Statutory Auditors, Messers Deloitte Haskins & Sells, Chartered Accountants have audited the statement of accounts in accordance with Generally Accepted Accounting Standards and Practices as indicated in their Report.

### CSR, Human Resources and Industrial Relations

Your Company is committed to discharge its responsibilities as a good Corporate and in pursuit of the same has taken several programmes for improving health, safety, environment and community adjoining its manufacturing operations. Besides operating free Homeo/Allopathy Clinics, extending financial sponsorship to an Upper Primary School, maintenance of public utilities like bus stand, tree plantation, a public toilet complex is being constructed on the land allotted for the purpose by Orissa Industrial Infrastructure Development Corporation, Rourkela.

In an Annexure forming part of this Report, particulars of employees of your Company drawing remuneration of ₹ 60 lacs or more per annum and ₹ 5 lacs or more per month, if employed for part of the year, are given as per provisions of Section 217(2A) of the Act read with the Companies (Particulars of Employees) Rules, 1975 as amended. However this Annual Report is being sent to Company's Shareholders and others entitled thereto excluding said Annexure in view of provisions of Section 219(1)(b)(iv) of the Act. Any Shareholder interested in obtaining such Annexure may write to the Company Secretary.

During financial year 2011-2012 also, Industrial Relations remained most cordial. Your Company continued to provide conducive working environment to its team members and empowered them by trainings on latest techniques and practices. Compensation packages and benefits provided compared favourably with those offered in the Refractory Industry.

### Consolidated Financial Statements

In accordance with Accounting Standard-21 and General Circular No. 2/2011 dated 8th February 2011 of MCA, Consolidated Financial Statements duly audited by Statutory Auditors, Messers Deloitte Haskins & Sells form part of this Annual Report. Consolidated Financial Statements have been prepared based on Financial Statements (including Consolidated) of immediate two Subsidiary Companies i.e. IFGL Worldwide Holdings Limited and IFGL Exports Limited, as approved by their respective Boards.

### Directors

Directors due to retire by rotation are Prof Amar Nath Sadhu and Mr Kunal Dalmia, who being eligible, offer themselves for re-appointment for further period.

On and from Friday, 26th August 2011, Mr Sudhamoy Khasnobis was appointed as an Additional Director of your Company. On and from Saturday, 5th November 2011, Mr Yoshihiro Konno of Sojitz Corporation, Japan was appointed as a Casual Director of your Company in vacancy caused due to resignation of Mr Osamu Matsuura. Mr Khasnobis and Mr Konno hold