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30th
Annual Report
2000 - 2001

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ORIENT ABRASIVES LIMITED

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MANAGEMENT

BOARD OF DIRECTORS
(As on 30th July, 2001)

Mr. R. K. Rajgarhia, Chairman

Mr. R. S. Bajoria

Mr. T. N. Chaturvedi

Mr. Umesh Khaitan

Mr. S. G. Rajgarhia, Managing Director

Mr. P. P. Khanna, Executive Director

BANKERS

UCO Bank

AUDITORS

S. R. Batliboi & Co.

REGISTERED OFFICE

1212, Chiranjiv Tower,
43, Nehru Place,
New Delhi - 110 019

WORKS

Abrasives Grains & Power Division :
GIDC Industrial Area,
Porbandar (Gujarat)

Bonded Abrasives Division :
SP-148A, RIICO Industrial Area,
Bhiwadi, Distt. Alwar (Rajasthan)

Refractories Division :
SP-148B, RIICO Industrial Area,
Bhiwadi, Distt. Alwar (Rajasthan)

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

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NOTICE

To the Members:

Notice is hereby given that the 30th Annual General Meeting of the Members of Orient Abrasives Limited will be held at Multipurpose Community Centre, Kheda Khurd, Alipur, New Delhi 110 082 on Wednesday, the 26th day of September, 2001 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 31st March, 2001 and the report of the Directors and Auditors thereon.

2. To appoint a Director in place of Mr. R. K. Rajgarhia who retires by rotation and being eligible offers himself for reappointment.

3. 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

4. To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

   "Resolved that Mr. T. N. Chaturvedi be and is hereby appointed as a Director of the Company, whose office shall be liable to retire by rotation."

5. To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

   "Resolved that Mr. R. S. Bajoria be and is hereby appointed as a Director of the Company, whose office shall be liable to retire by rotation."

6. To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

   "Resolved that pursuant to the provisions of Sections 198 and 269, Schedule XIII and other applicable provisions of the Companies Act, 1956, the consent of the members of the Company be and is hereby accorded for the appointment of Mr. S. G. Rajgarhia as Managing Director of the Company for a further term of 5 years with effect from October 1, 2001 on the terms and conditions set out below.

   1. Basic Salary Rs. 55,000/- per month. Further, the Board of Directors is authorised to give an increment subject to a maximum of Rs. 5000/- per month in Basic salary once in an year. The First increment can be given at any time after March 31, 2003.

   2. Bonus/Ex-gratia: 20% of Basic Salary.

   3. Perquisites :

      a) In addition to salary, ex-gratia and commission, the Managing Director shall also be entitled to perquisites like accomodation (furnished or otherwise) or house rent allowance in lieu thereof together with utilities thereof such as gas, electricity, water; He will also be reimbursed medical expenses in accordance with the rules of the Company or as may be agreed to by the Board of Directors and Mr. S. G. Rajgarhia; however, such perquisites shall be restricted to an amount of Basic salary from time to time as 1 above.

      b) For the purpose of calculating the above ceiling, perquisites shall be evaluated as per Income-tax rules wherever applicable. In absence of any such rules perquisites shall be evaluated at actual cost.

         Provision for use of Company's car for official duties and telephone at residence (including payment for local calls and long distance official calls) shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.

      c) Company's contribution to Provident Fund, gratuity fund and superannuation or annuity fund to the extent these either singly or together are not taxable under the Income-tax Act, gratuity payable as per the rules of the company and encashment of leave at the time of end of the tenure shall not be included in the computation of limits for the remuneration or perquisites as aforesaid.

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4. Commission

Commission @ 1% of the net profit of the company over and above salary, Ex-gratia and perquisites as mentioned 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. S. G. Rajgarhia as Managing Director, the remuneration and perquisites as given above shall be paid to him as minimum remuneration and perquisites 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 Part II of Schedule XIII of the Companies Act, 1956."

For Orient Abrasives Limited

Place : New Delhi
Date : 20th August, 2001

Deepak C. S.
Company Secretary

Registered Office :
1212, Chiranjiv Tower,
43 Nehru Place,
New Delhi - 110 019

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST REACH THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. THE REGISTER OF MEMBERS AND SHARE TRANSFER BOOKS OF THE COMPANY WILL REMAIN CLOSED FROM SATURDAY 22ND SEPTEMBER, 2001 TO WEDNESDAY 26TH SEPTEMBER, 2001 (BOTH DAYS INCLUSIVE.)
3. THE AMOUNT OF DIVIDEND REMAINING UNPAID FOR THE YEARS, 1995-96 AND 1996-97, 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. PURSUANT TO THE RECENT AMENDMENTS IN THE COMPANIES ACT, 1956. MEMBERS CAN AVAIL NOMINATION FACILITY IN RESPECT OF THEIR SHAREHOLDINGS BY APPLYING IN FORM 2B OF COMPANIES (CENTRAL GOVERNMENT'S) GENERAL RULES & FORMS, 1956. THE SAID FORMS CAN BE OBTAINED FROM THE REGISTERED OFFICE OF THE COMPANY ON APPLICATION.
5. EQUITY SHARES OF THE COMPANY ARE LISTED AT THE FOLLOWING STOCK EXCHANGES :
   a. THE DELHI STOCK EXCHANGE ASSOCIATION LTD.
      DSE HOUSE, 3/1 ASAF ALI ROAD
      NEW DELHI 110 002
   b. THE STOCK EXCHANGE MUMBAI
      PHIROZE JEEJEEBHOY TOWERS
      DALAL STREET
      MUMBAI - 400 001
   c. THE CALCUTTA STOCK EXCHANGE ASSOCIATION LTD.
      7, LYONS RANGE
      CALCUTTA - 700 001

   (THE ANNUAL LISTING FEES FOR THE YEAR 2001-2002 HAS BEEN DULY PAID TO THESE STOCK EXCHANGES)
6. EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956 IN RESPECT OF ITEM NO. 4, 5 & 6 IS ANNEXED.

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EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956.

ITEM NO. 4

Mr. T. N. Chaturvedi was appointed as an Additional Director of the Company by the Board of Directors in its meeting held on July 30, 2001. Mr. Chaturvedi is an experienced Chartered Accountant and the Company would be immensely benefited by his presence in the Board. His term in the office would come to an end on the date of the Annual General Meeting, as per Section 260 of the Companies Act, 1956. It is proposed that the members may appoint him at the annual general meeting as a Director liable to retire by rotation.

A notice proposing his candidature has been given by a member alongwith the necessary security deposit.

Your Directors recommend that Mr. Chaturvedi be appointed as a Director of the Company at the ensuing annual general meeting.

None of the Directors except Mr. T. N. Chaturvedi himself is concerned or interested in the above resolution.

ITEM NO. 5

Mr. R. S. Bajoria was also appointed as an Additional Director of the Company by the Board of Directors on July 30, 2001. His term also comes to an end on the date of the ensuing Annual General Meeting. Mr. Bajoria is an industrialist having rich experience of management for more than 30 years. It is proposed that the members may appoint him at the annual general meeting as a Director liable to retire by rotation.

A notice proposing his candidature has been given by a member alongwith the necessary security deposit.

Your Directors recommend that Mr. R. S. Bajoria be appointed as a Director of the Company at the ensuing annual general meeting.

None of the Directors except Mr. Bajoria himself is concerned or interested in the above resolution.

ITEM NO. 6

As the members are aware of, Mr. S. G. Rajgarhia was re-appointed as Managing Director of the company w.e.f. 31.08.1999, by the members in their 28th Annual General Meeting for a period of 5 years. The Board of directors of the Company in its meeting held on July 30, 2001, after mutual consensus between Mr. S. G. Rajgarhia and the board, decided to discontinue the present employment of Mr. Rajgarhia after September 30, 2001 and to enter into a fresh contract of service with him effective from October 1, 2001.

Accordingly a fresh contract of service was entered between the Company and Mr. Rajgarhia on 16.08.2001 appointing him as Managing Director on the terms mentioned in the above resolution. The appointment of Managing Director, as per Schedule XIII requires approval of members by way of ordinary resolution. The proposed resolution is for the same.

None of the Directors except Mr. S. G. Rajgarhia himself and Mr. R. K. Rajgarhia is interested in the above resolution.

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

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

For Orient Abrasives Limited

Place : New Delhi
Date : 20th August, 2001

Deepak C. S.
Company Secretary

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DIRECTORS' REPORT

The Members,
Orient Abrasives Limited

Your Directors have pleasure in presenting the 30th Annual Report of the Company alongwith the Audited statements of accounts for the year ended 31st March, 2001.

FINANCIAL RESULTS

		Rs. in lacs
	2000-01	1999-00
Gross Sales & Income	**9707.45**	9149.61
Extra Ordinary Income	**—**	400.00
Profit before depreciation, Interest and Income Tax	**998.03**	1507.87
Less : Depreciation	**288.88**	276.39
Finance Charges	**663.18**	621.98
Profit before Income Tax	**45.97**	609.50
Less : Provision for Income Tax	**5.00**	88.00
Add : Income-tax Refund for earlier years	**4.32**	—
Net profit for the year	**45.29**	521.50
Add : Balance brought forward from the previous year	**501.50**	—
Amount available for appropriation	**546.79**	521.50
Appropriation :		
General Reserve	**—**	20.00
Balance carried forward to Balance Sheet	**546.79**	501.50
	546.79	521.50

DIVIDEND

In view of the inadequate profit earned by the company during the year under review, your directors do not recommend payment of any dividend.

OPERATIONS :

ABRASIVES GRAINS DIVISION

The Abrasives Grains Division at Porbandar did not fare well during the year under review. The division incurred loss notwithstanding the fact that total sales went up from Rs. 4565.54 lacs in the previous year to Rs. 4884.68 Lacs. The loss was mainly on account of a substantial increase in the cost of power which is a major input in the operations of the division. An additional charge of interest on Sales-tax pertaining to earlier years was imposed during the year due to an amendment in the Central Sales-tax Act with retrospective effect.

The Company is making all out efforts to improve the operations of the division by cutting costs and improving efficiency. The decrease in price of furnace oil in the current year shall also contribute to its profitability.

BONDED ABRASIVES DIVISION

This division came up with an indifferent performance during the year under review with a nominal profit of about Rs. 20 lacs. Recession in the user industries continues to restrict the growth of this division. Efforts are being made to increase the market share. Your Directors are hopeful that turnover of the division will improve in the current year.

REFRACTORY DIVISION

The performance of refractory division was satisfactory during the year under review. The turn over of the division increased to Rs. 33.36 crore from Rs. 27.94 crore in the previous year. The operations of this division are improving at a steady pace during the current year.

Your directors are hopeful that the profitability of this division in the current year shall improve further.

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POWER DIVISION

The Power division at Porbandar set up in 1997-98 is operating at full capacity and provides power to the Abrasive Grains Division.

The increase in furnace oil price has contributed to its high cost of production. Yet the division manages to provide electricity to the abrasives grains division at a cost lower than that from the Gujarat Electricity Board.

FIXED DEPOSITS

Fixed Deposits from public amounting to Rs. 3.87 lacs remain unclaimed upto 30.07.2001.

DIRECTORS

Mr. V. B. Chaturvedi resigned from Directorship of the Company due to personal reasons on 30.07.2001. The Board wishes to place on record its sincere gratitude to Mr. Chaturvedi for the services rendered by him to the company during his tenure on its Board.

Mr. T. N. Chaturvedi and Mr. R. S. Bajoria were appointed as additional Directors of the Company by the Board in its meeting held on 30.07.2001. Their tenure would come to an end at the ensuing annual general meeting. The Board recommends that they be appointed by the members at the annual general meeting.

Further, Mr. R. K. Rajgarhia, Chairman retires by rotation and being eligible offers himself for re-appointment. The Board recommends his re-appointment at the ensuing Annual General Meeting.

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 reappointed by the members at the 30th Annual General Meeting.

AUDITORS REPORT

The Note No.10 of Schedule 17 of the Annual accounts refers to non-compliance of Accounting Standard 2 regarding valuation of stocks. The Basis of valuation could not be changed in the year under review because of the large number and variety of products. Your directors are of the opinion that the change in basis of valuation will have only a marginal, if any, impact on the Profit & Loss account and balance sheet of the company. However, steps are being taken to comply with applicable standard in the current year.

Except for the above, the comments of the auditors in the Auditors Report, read with notes to the accounts in schedule 17 are self-explanatory and do not call for any further explanation by the Board.

PARTICULARS OF EMPLOYEES

Disclosure of particulars of employees as per Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of employees) Rules, 1975 as amended, is as follows :

Statement pursuant to Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of employees) Rules 1975 and forming part of Directors' Report for the year ended 31st March, 2001

S.No.	Name	Age (Years)	Qualification	Experience (Years)	Date of Commencement	Designation	Nature of Duties	Remuneration	Last Employment held/ Designation
1.	P. P. Khanna	62	B.Sc.,B.E., AMIE	39	01.07.1973	Executive Director	Overall Management	12,35,716	Hindustan Motors Ltd. Works Manager (Heavy) Engg. Division)

Notes :

1. Mr. P. P. Khanna was employed throughout the year.
2. Remuneration as above includes salary, company's contribution fund, leave travel concession, reimbursement of medical expenses and actual amount spent by the Company on perquisites.
3. Mr. P. P. Khanna is not a relative of any Director of the Company.
4. Mr. P. P. Khanna has been appointed by members of the company and his present term would come to end on 3.8.2002.

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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 alongwith proper explanation relating to material departures except in the case of accounting standard - 2 relating to the valuation of finished goods and goods in process as stated in note no. 10 of Schedule 17 of the Annual Accounts.

(ii) that the directors have selected such accounting policies and applied them consistently and made judgements 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 the directors 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 the directors have prepared the annual accounts on a going concern basis;

DEPOSITORY SYSTEM

The Company has signed agreements with both the depositories namely, Central Depository Services (India) Ltd. (CDSIL) and National Securities Depository Limited (NSDL) for dematerialisation of its equity shares in accordance with the provisions of the Depositories Act, 1996 which are now fully operational and the members may avail of the facility. The Company's ISIN Code is INE569C01012.

AUDIT COMMITTEE

In compliance of newly inserted Section 292 A of the Companies Act, 1956, an audit committee was constituted by the Board in its meeting held on 16.02.2001. At present the committee is comprised of Mr. R. K. Rajgarhia as Chairman and Mr. T. N. Chaturvedi and Mr. R. S. Bajoria as its members.

CORPORATE GOVERNANCE

The Company is required to comply with Clause 49 of the Listing Agreement with the Stock Exchanges regarding corporate governance, in the financial year 2002-03.

However, the company has already started making compliance of various requirements of the above clause in stages. It is expected to implement all the provisions of the above clause well before the prescribed time.

ACKNOWLEDGEMENT

Your Directors place their sincere appreciation and gratitude on record for the support extended to the company by its customers, business associates, various government agencies, banks and financial institutions. They also appreciate the dedication and sincerity shown in their performance by employees at all levels of the organisation.

For and on behalf of the Board

Place : New Delhi
Date : 30th July, 2001

R. K. Rajgarhia
Chairman

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