

31st
Annual Report
2001 - 2002



ORIENT ABRASIVES LIMITED

ORIENT ABRASIVES LIMITED

MANAGEMENT

BOARD OF DIRECTORS (as on 31st July 2002)

Mr. R. K. Rajgarhia, Chairman
Mr. R. S. Bajoria
Mr. T. N. Chaturvedi
Mr. Umesh Kumar 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 - 360 577
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

ORIENT ABRASIVES LIMITED**NOTICE**

To the Members:

Notice is hereby given that the 31st Annual General Meeting of the Members of Orient Abrasives Limited will be held at Gandhi Memorial Hall, Bahadurshah Zafar Marg, New Delhi - 110 002 on Saturday, the 28th day of September, 2002 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, 2002 and the report of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Umesh Kumar Khaitan who retires by rotation and being eligible offers himself for reappointment.
3. To declare a dividend on preference 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 as a special resolution :

"Resolved that subject to the provisions of Section 198, 269, 309 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 is hereby accorded to the appointment of Mr. P P Khanna as a whole time Director of the Company by the Board of Directors, designated as Executive Director, for a further period of three years w.e.f. August 4, 2002, upon the terms and conditions set out in the agreement, submitted to this meeting and initialled by the Chairman for the purpose of identification.

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 Part II in Section II of Schedule XIII of the Companies Act, 1956".

For ORIENT ABRASIVES LIMITED

Place : New Delhi
Date : 31st July, 2002

Deepak C.S.
Company Secretary

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST REACH THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. THE REGISTER OF MEMBERS AND SHARE TRANSFER BOOKS OF THE COMPANY WILL REMAIN CLOSED FROM 24TH SEPTEMBER, 2002 TO 28TH SEPTEMBER, 2002 (BOTH DAYS INCLUSIVE). THE RECORD DATE FOR PAYMENT OF FINAL DIVIDEND, IF ANY, ON PREFERENCE SHARES IS 24TH SEPTEMBER, 2002.
3. THE AMOUNT OF DIVIDEND REMAINING UNPAID FOR THE YEARS, 1994-95, 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. THE COMPANY VIDE A CIRCULAR DATED APRIL 22, 2002 HAD ALSO REQUESTED INDIVIDUALLY TO THE CONCERNED SHAREHOLDERS TO CLAIM THEIR DIVIDEND AT THE EARLIEST.
4. THE MEMBERS ARE REQUESTED TO GET THEIR SHARES DEMATERIALISED. THE COMPANY'S ISIN CODE IS INE569C01012
5. PURSUANT TO THE RECENT AMENDMENTS IN THE COMPANIES ACT, 1956 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 REGISTERED OFFICE OF THE COMPANY ON APPLICATION.

ORIENT ABRASIVES LIMITED**6. 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 2002-2003 HAS BEEN DULY PAID TO THESE STOCK EXCHANGES)

7. EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956 IN RESPECT OF ITEM NO. 5 IS ANNEXED.**EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956****ITEM NO. 5**

The tenure of Mr. P P Khanna as Executive Director comes to an end on August 3, 2002. The Board of Directors appointed him on July 31, 2002 for a further term of 3 years w.e.f. August 4, 2002 as Executive Director and an agreement is proposed to be entered into with him, the principal terms of which are as under :

- i) Salary Rs. 55000/- p.m. in the scale of 55000-5000-70000. The Annual increments will be effective from 1st April each year. Rs. 60000/- p.m. will be effective from 1st April, 2003.
- ii) Bonus/Exgratia : 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 salary in a year or three months salary over a period of three years.
 - d) Leave travel concession :
Reimbursement of travelling expenses of self, wife and dependent children once in a 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 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 computation of limits for the remuneration or perquisites.
The total of perquisites shall not exceed the amount of basic salary payable as above.
- iv) Minimum remuneration :
In the event of absence or inadequacy of profits of the Company in any year, the above referred remuneration or such remuneration as would be permissible under paragraph 1(B) of Part II in Section II of Schedule XIII, having regard to the effective paid up capital of the Company, shall be paid as minimum remuneration.
The information as required to be given as per paragraph 1(B) of Part II in Section 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 :
Broadly, the Company's activities come under the engineering industry. It has three major divisions. The abrasives grains division manufactures fused alumina grains. The Bonded Abrasives Division manufactures Bonded Abrasives (Grinding Wheels) and the Refractory Division manufactures refractory items.

ORIENT ABRASIVES LIMITED

- 2) Date of commencement of commercial production :
Commercial production of Alumina Grains commenced in January 1975. The Bonded Abrasives Division commenced its commercial production in November, 1980. The refractory division started commercial production in November 1985.
- 3) The financial performance for the year ended March 31, 2002 : **(Rs. in lacs)**
- | | |
|------------------------|----------|
| Gross Sales and Income | 10303.61 |
| Operating Profit | 1131.14 |
| Net Profit | 329.56 |
| EPS | 8.33 |

II. INFORMATION ABOUT THE APPOINTEE :

Mr P P Khanna, aged 62, is a highly qualified engineer with the degrees BSc, B.E. and AMIE. He has been associated with the company for the last 29 years first in the capacity of a Senior Executive and then as member of the Board of Directors from 1997. The current appointment is for the second 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 their growth. His technical expertise and industry experience has immensely helped the Company in production as well as marketing.

The attributes possessed by him like good business acumen, far-sightedness and leadership has largely propelled the activities of the Company and inspired the workforce. Mr P P Khanna is the keyperson to help co-ordinating 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. For the last five years his performance on the job was exemplary. It would be beneficial to the Company to avail his services for another 3 years .

The remuneration proposed to be paid has been mentioned in the foregoing paragraphs. The remuneration paid during the year 2001-2002 is as under :

Total remuneration :	(Rs. in lacs)
	13.64

Comparative position :

The remuneration being paid by other entities in the industry comparable in terms of turn over 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>
Vesuvius India Ltd.	90.98	29.52
Vanavil Dyes & Chemicals Ltd.	48.41	26.06
Stewarts and Lloyds of India Ltd.	34.41	14.14
The Tata Pigments Ltd.	16.82	17.64
Orient Abrasives Ltd.	103.04	13.64

Mr P P Khanna does not have any pecuniary relationship with the Company.

III. OTHER INFORMATION :

The profits of the Company during the year 2001-2002 was adequate and it is expected that the Company will perform satisfactorily in the coming years, making provision of minimum remuneration redundant.

However, some unforeseen circumstances may hamper 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 elsewhere in this statement. The Report on corporate governance was not applicable to the company during 2001-2002 and hence it does not form part of this Annual Report.

Your directors recommend his appointment. The appointment and the remuneration has been approved by the remuneration committee in its meeting held on 31/07/2002. No director of the company except Mr P P Khanna himself is concerned or interested in the said resolution.

This is also to be regarded as an abstract of the terms of agreement with the whole time Director as aforesaid and the memorandum of interest u/s 302 of the Companies Act, 1956.

For ORIENT ABRASIVES LIMITED

Place : New Delhi
Date : 31st July, 2002

Deepak C.S.
Company Secretary

ORIENT ABRASIVES LIMITED**DIRECTORS' REPORT**

The Members,
Orient Abrasives Limited

Your Directors have pleasure in presenting the 31st Annual Report of the company alongwith the Audited statements of accounts for the year ended 31st March, 2002.

FINANCIAL RESULTS

	<u>Rs. in lacs</u>	
	<u>2001-02</u>	<u>2000-01</u>
Gross Sales & Income	1,03,03.61	9261.91
Profit before depreciation, Finance Charges and Income-tax	1131.14	998.03
Less : Depreciation	273.72	288.88
Finance Charges	514.06	663.18
Profit before Income Tax	343.36	45.97
Less : Provision for Income Tax	28.41	5.00
Add : Deferred Tax Credit	14.61	—
Income-tax Refund for Earlier Years	—	4.32
Net Profit for the year	329.56	45.29
Add : Balance brought forward from the previous year	546.79	501.50
Amount available for appropriation	876.35	546.79
Appropriation :		
General Reserve	100.00	—
Dividend on preference shares :		
Interim (paid)	293.97	—
Final (proposed)	5.00	—
Corporate Dividend Tax	29.98	—
Balance carried forward to Balance Sheet	447.40	546.79
	876.35	546.79

DIVIDEND

An interim dividend for the period from April, 1997 to February, 2002 on the 15% Cumulative Preference Shares amounting to Rs. 4.00 Crores was paid in March, 2002. Your Directors recommend payment of dividend for March 2002 on Preference Shares as final dividend. The dividend on preference shares from April 2002 has been reduced to 12% p.a.

Your directors regret that they are unable to recommend any dividend on equity shares since the profit is inadequate after the payment of dividend on Preference Shares.

OPERATIONS :**ABRASIVES GRAINS DIVISION**

The performance of this division has improved in the year under review. Although the production of Fused Alumina Grains is lower than that in the previous year, sales realisation per metric ton has increased because of higher production of Special Fused Aluminas. In the current year your directors expect a further increase in sales and production of Special Fused Aluminas. This should result in further improvement in the operations of this Division.

BONDED ABRASIVES DIVISION

The market for Bonded Abrasives has remained sluggish during the year under review. Your company retained its market share but better operating efficiency resulted in better performance for the year.

Efforts are continuing to improve the operating efficiency further and to increase market share also.

ORIENT ABRASIVES LIMITED**REFRACTORY DIVISION**

There is an overall improvement in the performance of this division during the year under review. The turnover of this division inclusive of the Salem division registered a growth of about 10% over the previous year.

The operations of this division have improved further during the current year. Export turnover is expected to increase substantially. Your directors are hopeful that the production, turnover and profitability of this division shall increase further in the current year.

POWER DIVISION

The Power division at Porbandar is operating at full capacity and provides uninterrupted power supply to the Abrasive Grains Division.

The cost of production of power by the unit is totally dependent on the price of furnace oil which is revised every fortnight. The division still manages to make electricity available to the abrasives grains division at a rate cheaper than that of the state electricity board.

COMPANY PROSPECTS

The company is making a steady progress in all the divisions. Your directors expect a reasonable improvement in the turnover and the profit of the Company in the current year.

FIXED DEPOSIT

Unclaimed fixed deposit to the tune of Rs. 3.15 lac comprising of principal of Rs. 2.51 lac and the rest as interest was transferred to the Investor Education and Protection Fund during the year. As on date there is no unclaimed public fixed deposit.

DIRECTORS

There was no change in the composition of the Board of Directors of the Company during the year under review.

Mr Umesh Kumar Khaitan retires by rotation and being eligible offers himself for re-appointment. The Board recommends his re-appointment at the ensuing Annual General Meeting.

The tenure of Mr P P Khanna in the office of Executive Director comes to an end on August 3, 2002. The Board in its meeting held on 31st July, 2002 after approval by remuneration committee, re-appointed him for a further term of 3 years. Your Directors seek approval from the members for his re-appointment.

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 31st Annual General Meeting.

AUDITORS REPORT

The para no. 1 of the Auditors Report states that complete records in respect of moulds and templates are not being maintained by the Company at the Bhiwadi plant. Such moulds and templates are high in number and are of varying sizes and shapes and hence it is very impractical to maintain their record. Such a problem is peculiar to the type of industry the company belongs to. As suggested by the audit committee, best possible efforts shall be made in due course to maintain record as far as practical and also to include these items to a large extent in the physical verification being conducted by the company.

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

There is no employee of the Company 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.

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.

ORIENT ABRASIVES LIMITED

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;
- (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;

CORPORATE GOVERNANCE

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

However, the Company's corporate governance compliance is virtually complete with various requirements of clause 49 already fulfilled. It is enumerated below :

- i) The Composition of the Board is a non-executive chairman, two executive directors and three other non-executive independent directors. In total there are four independent directors. The Board procedure during the year has also been in compliance of clause 49.
- ii) The composition of the audit committee constituted under section 292 A of the Companies Act, 1956 was changed during the year to make it in compliance with the requirement of both corporate governance and the said section.
At present the committee is comprised of Mr T N Chaturvedi (Chairman), Mr R S Bajoria and Mr Umesh Kumar Khaitan.
- iii) A share holders grievances committee is in place to address investors' queries/complaint comprising of Mr R K Rajgarhia (Chairman), Mr P P Khanna and Mr R S Bajoria.

ACKNOWLEDGEMENT

Your Directors place their sincere appreciation and gratitude on record for the support and co-operation received by the company from its customers, business associates, various government agencies, banks and financial institutions in particular the UCO Bank and the ICICI Bank. They also appreciate the dedication and sincerity shown by the employees at all levels of the organisation in carrying out their duties.

For and on behalf of the Board

New Delhi
31st July, 2002

R.K.Rajgarhia
Chairman

ORIENT ABRASIVES LIMITED**ANNEXURE 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 strives 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.

		<u>Rs.in lacs</u>	
		<u>2001-02</u>	<u>2000-01</u>
A)	Power & Fuel Consumption for Refractories		
1.	ELECTRICITY		
a)	Purchased :		
	Units (in lacs)	20.03	16.36
	Total amount (Rs. in lacs)	93.06	73.91
	Rate/Unit (Rs.)	4.65	4.51
b)	Own generation through D.G.Set		
	Units (in lacs)	2.27	1.37
	Units per ltr. of Diesel oil	3.30	3.20
	Cost/Units (Rs.)	4.97	4.07
2.	LDO/FO/C-9		
	Qty. (Kilo ltr.)	8.00	7.98
	Total cost (Rs. in lacs)	84.41	88.00
	Average/Kilo ltr.(Rs.)	10557	11027
B)	Consumption per Unit of Production for Refractories		
	Electricity (Units)	722	735
	LDO/(Ltr.)	259	331
FOREIGN EXCHANGE EARNINGS AND OUTGO			
	Earned (Rs. in lacs)	57.84	58.51
	Used (Rs. in lacs)	159.56	107.77