



ORIENT ABRASIVES LIMITED



ORIENT ABRASIVES LIMITED

MANAGEMENT

BOARD OF DIRECTORS

(as on July 30, 2003)

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

REGISTRAR & TRANSFER AGENT

Skyline Financial Services Pvt. Ltd.,
123, Vinobapuri,
Lajpat Nagar - II,
New Delhi - 110 024
Phone: 011 2684 7136, 2683 3777
Fax : 011 2691 8352
e-mail : snag@del6.vsnl.net.in

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

NOTICE

To the Members:

Notice is hereby given that the 32nd 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 Wednesday, the 3rd day of September, 2003 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, 2003 and the report of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. T N Chaturvedi who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Mr. R S Bajoria who retires by rotation and being eligible offers himself for reappointment.
4. To declare a dividend on equity shares.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

6. To consider, and if thought fit, to pass the following resolution as a Special Resolution :

"RESOLVED THAT pursuant to the provisions of the listing agreement and other statutory provisions and subject to the necessary approval of the respective Stock Exchanges and other statutory authorities, if any, the equity shares of the Company be de-listed from the Delhi Stock Exchange Association Ltd. and the Calcutta Stock Exchange Association Ltd.

FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorised to take necessary steps to give effect to this resolution and to do all necessary and incidental acts in this regard and also to agree to the terms and conditions, if any, as stipulated by the Stock Exchange(s) in this connection."

For ORIENT ABRASIVES LIMITED

Place : New Delhi
Date : July 30, 2003

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 AUGUST 21, 2003 (THURSDAY) TO SEPTEMBER 3, 2003 (WEDNESDAY) - BOTH DAYS INCLUSIVE.

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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. THOSE ENTITLED MAY CLAIM AT THE EARLIEST AS THE UNCLAIMED DIVIDEND FOR 1995-96 IS LIABLE TO BE TRANSFERRED TO THE STATUTORY FUND VERY SOON.
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 REGISTRAR OF THE COMPANY ON APPLICATION.
6. MEMBERS ARE REQUESTED TO FILL UP THE ECS MANDATE/BANK MANDATE FORM PROVIDED WITH THIS REPORT AND SUBMIT TO THE REGISTRAR AT THE EARLIEST FOR THE PURPOSE OF DIVIDEND CREDIT.
7. EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956 IN RESPECT OF ITEM NO. 6 IS ANNEXED.

**EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956
ITEM NO. 6**

As the members are aware of, the equity shares of the Company are very thinly or not at all traded on the Delhi and the Calcutta Stock Exchanges. Therefore it is proposed to get the equity shares of the Company de-listed from the said Stock Exchanges with a view to economise on the cost and time involved in complying with various complex provisions of the listing agreement.

The recent guidelines of the Securities and Exchange Board of India on de-listing provides that the shares need not remain compulsorily listed on any Stock Exchange and an exit route need not be offered to the shareholders located in the regions wherefrom the shares are de-listed provided that the shares remain listed on a Stock Exchange with nationwide terminals (NSE & BSE). Accordingly, the equity shares are proposed to be got de-listed without providing an exit route to the shareholders located in the Delhi and the Kolkata regions as the equity shares would continue to remain listed on the Mumbai Stock Exchange on which virtually whole of the trading of Company's equity shares takes place.

For de-listing approval of the members by way of special resolution is required. The above resolution is for the same. After approval by the members the Company shall make applications to the respective stock exchanges for de-listing. Your directors recommend that the resolution be passed unanimously. None of the directors of the Company is concerned or interested in the resolution except as member of the Company.

For ORIENT ABRASIVES LIMITED

Place : New Delhi
Date : July 30, 2003

Deepak C. S.
Company Secretary

ORIENT ABRASIVES LIMITED**DIRECTORS' REPORT**

The Members,
Orient Abrasives Limited

Your Directors have pleasure in presenting the 32nd Annual Report of the company along with the Audited statements of accounts for the year ended March 31, 2003.

FINANCIAL RESULTS

	Rs. in lacs	
	<u>2002-03</u>	<u>2001-02</u>
Gross Sales & Income	12290.64	10303.61
Profit Before depreciation, Interest and Income-tax	1838.01	1096.62
Less : Depreciation	287.10	273.72
Interest	385.87	479.53
Profit before Income Tax	1165.04	343.37
Less : Provision for Income Tax	126.50	28.41
Add/(Less) : Deferred Tax Credit /(Liability)	(28.86)	14.61
Add : Income-tax Refund for Earlier Years	0.87	-
Net Profit for the year	1010.55	329.57
Add : Balance brought forward from the previous year	447.40	546.78
Amount available for appropriation	1457.95	876.35
Appropriation :		
General Reserve	550.35	100.00
Dividend :		
Preference Shares (paid)	48.00	298.97
Equity Shares (proposed)	149.55	-
Corporate Dividend Tax	25.31	29.98
Balance carried forward to Balance Sheet	684.74	447.40
	1457.95	876.35

DIVIDEND**Preference Shares**

The Company paid an interim dividend on the 4,00,000 preference shares of Rs. 100 each, @ 12% for the year 2002-2003, which was declared by the Board of Directors on April 30, 2003.

The rate of dividend on the preference shares has been reduced from 12% to 9% p.a. w.e.f. April 1, 2003 by way of special resolution passed at the class meeting of preference shareholders held on June 2, 2003.

Equity Shares

Considering the excellent performance of the Company during the year under review, your directors are pleased to recommend a dividend @ 50% i.e. Rs. 5/- per equity share for the year ended on March 31, 2003. The total cash out-flow on account of this dividend payment including distribution tax is Rs.168.71 lac (Previous year NIL).

OPERATIONS REVIEW

The Company has recorded a strong performance during the year 2002-2003. Gross sales, operating & net profit have all registered a very good growth.

ORIENT ABRASIVES LIMITED

The Company's thrust on reducing costs, increasing the production, sales of higher value products and improving operational efficiency have contributed to its improved performance. There is a significant reduction in the interest cost and total debt of the Company.

In the Abrasives Grains Division there was a steady growth in production and sales of Fused Alumina Products. There was a steep increase in the production and sales of calcined products because of a substantial reduction in cost by changing the fuel.

The Power Division continues to meet the energy needs for the production of fused alumina.

The growth of Bonded Abrasives was in line with the industry. An increase in gross sales by about 10% resulted in a corresponding increase in profits.

Refractory Division recorded a very healthy growth. Turnover increased by about 25% and there was a very substantial increase in the profits. Improvement in the steel industry and exports contributed to the performance.

FUTURE PROSPECTS

The operating results of the first quarter of the current year are encouraging. Both steel and engineering industries which consume Company's products are expected to perform better.

An increase in export of refractory products and reduction in interest cost and total debt are expected.

Your directors are hopeful that the good performance of the Company shall be maintained in the current year.

FIXED DEPOSIT

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

DIRECTORS

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

Mr. T N Chaturvedi and Mr. R S Bajoria retire by rotation and being eligible offer themselves for re-appointment. Both these persons were appointed as additional directors on July 30, 2001. Mr. T N Chaturvedi is an accomplished Chartered Accountant who has been in practice for over the last fifteen years. Mr. R S Bajoria is an industrialist with an experience of over 30 years. The Company has benefited by their presence on its Board. Your directors recommend their 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 re-appointed by the members at the 32nd Annual General Meeting.

AUDITORS REPORT

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 was no employee 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 along with proper explanation relating to material departures;
- (ii) that they 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 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 constituted in compliance of the requirements of both the Companies Act, 1956 and the listing agreement meets at due intervals to conduct the required business. At present the committee comprises of Mr. T N Chaturvedi (Chairman), Mr. R S Bajoria and Mr. Umesh Kumar Khaitan, all being independent directors.

ISO CERTIFICATION

During the year under review the Company was awarded ISO 9001 : 2000 certification regarding standardisation of processes and systems at its plants located at Bhiwadi.

DELISTING

In view of the negligible trading of its equity shares on the Delhi and the Kolkata stock exchanges, it is proposed to get de-listed from the said Exchanges. The Company would save on the additional time and cost involved in complying with the provisions of listing agreements with these Stock Exchanges. A special resolution for this purpose has been included in the agenda of the ensuing Annual General Meeting. Your directors recommend that the resolution be passed unanimously.

CORPORATE GOVERNANCE

The Company is not required to comply with Clause 49 of the Listing Agreement with the Stock Exchange regarding corporate governance as its listed paid up share capital is less than rupees three crore.

However the Company has complied with all the requirements of corporate governance and inter-alia, constitution of various committees like the audit committee, shareholders' grievance committee and the share transfer committee has been made. These committees meet at desired intervals and conduct the business from time to time.

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 efforts and sincerity of the employees of the Company who have made the biggest contribution in the success of the Company over the years.

For and on behalf of the Board

New Delhi
July 30, 2003

R. K. Rajgarhia
Chairman

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>2002-03</u>	<u>2001-02</u>
A) Power & Fuel Consumption for Refractories		
1. ELECTRICITY		
a) Purchased :		
Units (in lacs)	27.21	20.03
Total amount (Rs. in lacs)	120.20	93.06
Rate/Unit (Rs.)	4.42	4.65
b) Own generation through D.G.Set		
Units (in lacs)	0.69	2.27
Units per ltr. of Diesel oil	3.20	3.30
Cost/Units (Rs.)	5.10	4.97
2. LDO/FO/C-9		
Qty. (Kilo ltr.)	11.78	8.00
Total cost (Rs. in lacs)	147.92	84.41
Average/Kilo ltr.(Rs.)	12552	10557
B) Consumption per Unit of Production for Refractories		
Electricity (Units)	718	722
LDO/(Ltr.)	303	259
FOREIGN EXCHANGE EARNINGS AND OUTGO		
Earned (Rs. in lacs)	172.87	57.84
Used (Rs. in lacs)	289.60	159.56

AUDITORS' REPORT**TO THE MEMBERS OF ORIENT ABRASIVES LIMITED**

We have audited the attached Balance Sheet of Orient Abrasives Limited, as at 31st March, 2003, Profit and Loss Account and also 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.

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.

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 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.

1. The Company has maintained proper records of fixed assets showing full particulars including quantitative details and location of its Fixed Assets. As decided earlier, the Company carries out the physical verification of fixed assets once in three years and accordingly, physical verification of fixed assets except for Moulds and templates was carried out last year. Physical verification of Moulds and Templates at its Bonded Abrasive and Refractory Divisions was carried out during the year and no discrepancies stated to have been observed on such verification. In our opinion, the frequency of physical verification is reasonable having regard to the size of the Company and the nature of the assets.
2. None of the fixed Assets of the Company have been revalued during the year.
3.
 - i) The stocks of finished goods, stores & spares, raw materials, have been physically verified by the Management at reasonable intervals during the year.
 - ii) The procedures followed by the Management for such physical verification are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business.
 - iii) The discrepancies between the physical stocks and the book records, which were not material, have been properly dealt with in the books of account.
 - iv) In our opinion, the valuation of stocks is fair and proper in accordance with the generally accepted accounting principles and is on the same basis as in the previous year.
4. The terms and conditions of fixed deposits taken from directors and loans taken from companies in which Directors are interested, as listed in the Register maintained under section 301 of the Companies Act, 1956, and/or from the Companies under the same management as defined under sub-section (1B) of Section 370 of the Companies Act, 1956, are not prima facie prejudicial to the interest of the Company.
5. The Company has not given any loans to the companies, firms or other parties as listed in the register maintained under section 301 of the Companies Act, 1956, and/or to the Companies under the same management as defined under sub-section (1B) of Section 370 of the Companies Act, 1956.
6. In respect of interest free advances in the nature of loans given to employees, the repayment of principal amounts are generally in accordance with stipulations, wherever made.
7. On the basis of our evaluation and according to the information and explanations given to us, we are of the opinion that there are adequate internal control procedures for the purchases of raw materials, stores and spares, plant & machinery, equipment & other assets and for sale of goods commensurate with the size of the Company and the nature of its business.
8. According to the information and explanations given to us, the transactions of purchase of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000 or more in respect of each party, have been made at prices which, in our opinion, are reasonable having regard to the prevailing market prices for such goods, materials and services or the prices at which similar transactions have been made with other parties, as the case may be.
9. As informed to us, the Company has a reasonable system of determination of unserviceable or damaged stores & spares, raw materials and finished goods including goods purchased for re-sale. As explained to us, adequate provision has been made for the loss arising on the items so determined.