

# **ORIENT ABRASIVES LIMITED**

Report  junction.com

**33RD ANNUAL REPORT  
2003-04**

**ORIENT ABRASIVES LIMITED****MANAGEMENT****BOARD OF DIRECTORS**

(as on June 11, 2004)

Mr. R. K. Rajgarhia, Chairman  
 Mr. R. S. Bajoria  
 Mr. T. N. Chaturvedi  
 Mr. Umesh Kumar Khaitan  
 Mr. S.G. Rajgarhia, Managing Director

**BANKERS**

UCO Bank  
 HDFC Bank

**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.  
 123, Vinobapuri  
 Lajpat Nagar II  
 New Delhi —110 024  
 Ph. : 011-29847136, 29833777  
 Fax : 011-29818352  
 E mail : agarwalp7@hotmail.com

**WORKS**

Abrasives Grains & Power Division:  
 GIDC Industrial Area  
 Porbandar  
 Gujarat-360 577

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

Refractories Division:  
 SP-148B, RIICO Industrial Area  
 Bhiwadi, Dist. Alwar (Rajasthan)  
 Salem Division:  
 13/1B, Mullathopu  
 Mamangam Post  
 Salem  
 Tamil Nadu-636 302

**CONTENTS**

Notice of Annual General Meeting	1
Directors' Report	4
Corporate Governance Report	8
Management Discussion & Analysis Report	15
Auditors' Report	18
Balance Sheet	21
Profit & Loss Account	22
Schedules to the Accounts (Schedule No. 1 to 22)	23
Notes to the Financial Statements (Schedule No. 23)	30
Cash Flow Statement	40

**ORIENT ABRASIVES LIMITED****NOTICE**

To the Members:

Notice is hereby given that the 33<sup>rd</sup> 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 Wednesday, the 11<sup>th</sup> day of August, 2004 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 31<sup>st</sup> March, 2004 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 declare a 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 recommendation of the Board of Directors of the company and Article 58 of the Articles of Association of the company, and in accordance with the guidelines issued from time to time by Securities and Exchange Board of India (SEBI), and such provisions of the Companies Act, 1956 as may be applicable and subject to such other permissions/consents as may be required pursuant to any agreement/law, the Board of Directors of the Company be and is hereby authorised to issue bonus shares to the equity shareholders of the company in the ratio of one equity share of Rs.10/- each credited as fully paid up for every one fully paid up equity share held by them on the record date to be fixed by the Board, by capitalizing an amount not exceeding Rs.2,99,09,800/- (Rupees two crore ninety nine lac nine thousand eight hundred only) standing to the credit of Capital Redemption Reserve Account, Share Premium Account and General Reserve Account and that accordingly a sum of Rs. 20,00,000 from the Capital Redemption Reserve Account, Rs. 49,09,100 from the Share Premium account and Rs. 2,30,00,700 from the General Reserve Account be transferred to share capital and be set free for distribution as a capital bonus and that accordingly it is hereby declared that a sum of Rs.2,99,09,800/- (Rupees two crore ninety nine lac nine thousand eight hundred only) be applied for paying up in full equity shares of Rs.10/- each of the company not exceeding 29,90,980 (twenty nine lac ninety thousand nine hundred eighty only) to the members who on the date decided by the Board, are registered holders of the then existing shares of Rs.10/- each (Rupees ten only) of the company.

RESOLVED FURTHER THAT the said equity shares to be issued as fully paid up bonus shares are subject to the Memorandum and Articles of Association of the company and shall rank pari-passu in all respects with the existing issued and subscribed shares of the company.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to take all other steps as may be necessary to give effect to the aforesaid resolution and determine all other terms and conditions of the issue of bonus shares as the Board may in its absolute discretion deem fit."

for ORIENT ABRASIVES LIMITED

Place : New Delhi  
Date : June 11, 2004

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 JULY 8, 2004 (THURSDAY) TO JULY 15, 2004 (THURSDAY) - BOTH DAYS INCLUSIVE. DIVIDEND, IF APPROVED AT THE ANNUAL GENERAL MEETING SHALL BE PAYABLE TO ALL THOSE MEMBERS WHOSE NAMES APPEAR ON THE REGISTER OF MEMBERS AS ON JULY 15, 2004 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 7, 2004 IN THE CASE OF THOSE HOLDING IN DEMAT MODE.
3. THE AMOUNT OF DIVIDEND REMAINING UNPAID FOR THE YEARS 1996-97 AND 2002-03, 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 1996-97 IS LIABLE TO BE TRANSFERRED TO THE STATUTORY FUND VERY SOON. AN AMOUNT OF RS. 1,12,728 BEING UNCLAIMED DIVIDEND OF 1995-96 WAS TRANSFERRED TO THE FUND LAST YEAR.
4. THE MEMBERS ARE REQUESTED TO GET THEIR SHARES DEMATERIALISED. THE COMPANY'S ISIN CODE IS INE569C01012.
5. 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 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. 5 IS ANNEXED.

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

The Board of Directors of the Company at its meeting held on June 11, 2004 recommended issue of bonus shares in the proportion of one equity share for every one equity share held by the members on the record date to be fixed by the Board, by capitalising the entire amount of Capital Redemption Reserve and Share Premium Account and a part of the General Reserve. Pursuant to the Articles of Association of the Company and the Guidelines issued by the SEBI in this regard, members' approval is required for such bonus issue.

Accordingly, the resolution at item no.5 seeks the approval of members to issue bonus shares on the terms and conditions set out in the resolution. Your Directors recommend unanimous approval of this resolution.

Your directors may be deemed to be concerned or interested in the resolution to the extent of equity shares held by them.

**ORIENT ABRASIVES LIMITED****BRIEF RESUME OF THE DIRECTOR BEING RE-APPOINTED :**

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 40 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

for ORIENT ABRASIVES LIMITED

Place : New Delhi  
Date : June 11, 2004

Deepak C S  
Company Secretary

**DIRECTORS' REPORT**

The Members,  
Orient Abrasives Limited

Your Directors have pleasure in presenting the 33<sup>rd</sup> Annual Report of the company along with the Audited Statements of accounts for the year ended 31<sup>st</sup> March, 2004.

**FINANCIAL RESULTS**

(Rs.in lacs)

	<u>2003-04</u>	<u>2002-03</u>
Gross Sales & Income	15181.71	12290.65
Profit before depreciation,		
Interest and Income-tax	2536.56	1838.01
Less: Depreciation	300.38	287.10
Interest	233.58	385.87
Profit before Income Tax	2002.90	1165.04
Less: Provision for Income Tax	516.00	126.50
Add/(Less) : Deferred Tax Credit/(Liability)	(14.61)	(28.86)
Add : Income-tax refund for earlier years	7.71	0.87
Net Profit for the year	1480.00	1010.55
Add: Balance brought forward from the previous year	684.74	447.40
Amount available for appropriation	<u>2164.74</u>	<u>1457.95</u>
<b>Appropriation :</b>		
General Reserve	1000.00	550.35
Dividend :		
Preference Shares (paid)	36.00	48.00
Equity shares (proposed, last year paid)	299.10	149.55
Corporate Dividend Tax	42.93	25.31
Balance carried forward to Balance Sheet	<u>786.71</u>	<u>684.74</u>
	<u>2164.74</u>	<u>1457.95</u>

**DIVIDEND****Preference Shares**

The Company has paid an interim dividend on the 4,00,000 preference shares of Rs. 100 each, @ 9% for the year 2003-2004, which was declared by the Board of Directors on 26/05/2004.

The rate of dividend on the preference shares has been reduced from 9% to 7% w.e.f. 01/04/2004 by way of special resolution passed at the class meeting of preference shareholders held on June 2, 2004.

**Equity Shares**

Considering the excellent results of the Company during the year under review, your Directors are pleased to recommend a dividend @ 100% i.e. Rs. 10/- per equity share for the year ended on 31/03/2004. The total cash out-flow on account of this dividend payment including distribution tax is Rs. 337.42 lac ( Previous Year Rs. 168.71 lac).

**ORIENT ABRASIVES LIMITED****BONUS ISSUE**

With a view to further reward the equity shareholders who have reposed their confidence in the Company, your directors are pleased to recommend issue of bonus shares in the ratio 1:1 to the equity shareholders as on a record date to be fixed by the Board subsequently.

**OPERATIONS REVIEW**

The Company has recorded an excellent performance during the year ended March 31, 2004 with all the divisions registering increased sales and profitability. The gross turnover increased from Rs. 121.56 crore to Rs. 150.89 crore, registering a growth of about 25% during the year. Profit before tax and profit after tax increased by 72% and 46% respectively over the last year.

In the Abrasives Grains Division, there was a substantial improvement in production and sale of calcined products and fused alumina products. Sales of calcined products increased from Rs. 9.68 crore to Rs. 16.95 crore in the year under review.

There was a steady growth in production and sales of Bonded Abrasives. Production and sale of bonded abrasives increased to 1736 MT and 1779 MT respectively during the year as against 1462 MT and 1389 MT in the previous year.

Refractory Division recorded yet another excellent performance during the year under review. Sales increased to Rs. 72.92 crore from 59.59 crore registering a growth of about 22%.

Export turnover of the Company also increased to Rs. 3.62 crore from Rs. 1.73 crore which is higher by 110% over the previous year.

The Power Division continues to operate at full capacity and provides power supply to the Abrasives Grains Division.

Company has repaid the entire term loan to the ICICI and has also reduced other external borrowings resulting in further reduction in interest cost.

**FUTURE PROSPECTS**

The operating results of the first two months in the current year are encouraging. There is an increase in the cost of several inputs especially calcined alumina. The Company is taking steps to offset the increase in cost by improvement in operating efficiency and increase in selling prices wherever possible.

The capacity of power plant is being doubled to meet the anticipated increase in demand of abrasives grains division.

Your directors are hopeful that the production, turnover and profitability of the Company shall improve further in the current year.

**FIXED DEPOSIT**

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

**DIRECTORS**

Mr P P Khanna resigned from directorship on 29/01/2004. Your directors place on record their sincere appreciation for the guidance given by Mr Khanna during his tenure on the Board.

Mr R K Rajgarhia retires by rotation 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.

**AUDITORS**

M/s. S.R.Batlloi & 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 33<sup>rd</sup> Annual General Meeting.

#### AUDITORS REPORT

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 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.

#### DELISTING

The Company's equity shares were de-listed from the Delhi Stock Exchange Association Ltd. w.e.f. 08/03/2004. De-listing from the Calcutta Stock Exchange Association Ltd. is also under progress. The other form of share capital viz. the preference shares of Rs. 4.00 crore is, however unlisted.

#### SHIFTING OF REGISTERED OFFICE

The Company has shifted its registered office to 1307, Chiranjiv Tower, 43, Nehru Place, New Delhi – 110 019 with effect from 26/04/2004.

#### CORPORATE GOVERNANCE

The Company has achieved a net worth in excess of Rs. 25 crore as on March 31, 2004, thereby attracting mandatory applicability of Corporate Governance. The Company had already started employing the corporate governance measures and all the requirements were fulfilled before March 31, 2004. The Report on Corporate Governance is being annexed to this Directors' Report. The Corporate Governance Report has been certified by a firm of Practising Company Secretaries.



## 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, banks and financial institutions.

For and on behalf of the Board of Directors

New Delhi  
June 11, 2004

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 strives to adhere to the highest standards of corporate governance practices. While upholding the principles of transparency, integrity, social accountability and statutory compliance it intends to provide quality services 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 strength of the Board. In all there are three independent directors out of total strength of five 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 2003-04	Whether attended AGM on 03/09/2003	No. of directorships in other public companies as on 11/06/2004		No. of committee positions held in other public companies as on 11/06/2004	
				Chair man	Member	Chair man	Member
Mr R K Rajgarhia	Not independent, non-executive	5	Yes	1	4	0	0
Mr R S Bajoria	Independent, non-executive	1	Yes	0	2	0	0
Mr Umesh Kumar Khaitan	Independent, non-executive	4	No	0	12	0	5
Mr T N Chaturvedi	Independent, non-executive	4	Yes	0	3	1	0
Mr S G Rajgarhia	Promoter, not-independent, executive	5	Yes	0	5	1	3
Mr P P Khanna (ceased w.e.f. 29/01/2004)	Not Independent, executive	3	Yes	N.A.	N.A.	N.A.	N.A.

The dates of Board Meetings held during the year 2003-2004 are 30/04/2003, 28/06/2003, 30/07/2003, 31/10/2003 & 29/01/2004. The gap 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 before the Board meetings.

The non-executive directors, except Mr R K Rajgarhia, do not have any material pecuniary relationship with the