

ORIENT ABRASIVES LIMITED

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34th

Annual Report 2004-05

ORIENT ABRASIVES LIMITED**MANAGEMENT****BOARD OF DIRECTORS**(as on 25th May, 2005)

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. : 011-29848352
 E mail : admin@skylinerta.com

WORKS

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

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

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

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NOTICE

To the Members:

Notice is hereby given that the 34th 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 20th day of July, 2005 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, 2005 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 appoint a Director in place of Mr Rama Shanker Bajoria who retires by rotation and being eligible offers himself for reappointment.
4. To declare a dividend on preference shares.
5. To declare a dividend on equity shares.
6. 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

7. To consider and if thought fit, to pass the following resolution with or without modification as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Article 48 of the Articles of Association of the company, sub-clause d of clause 1 of Section 94, Section 16 and other relevant provisions of the Companies Act, 1956, SEBI (Disclosure and Investor Protection) Guidelines, 2000, the listing agreement with the stock exchanges and such other provisions and laws as may be applicable and subject to such other permissions/consents as may be required, the Board of Directors of the Company be and is hereby authorised to sub-divide the face value of the equity shares from the present Rs. 10 per share to Re. 1 per share so that there shall be issued 10 equity shares of Re. 1 each fully paid up in lieu of one equity shares of Rs. 10 each fully paid up presently held to the members who on the date decided by the Board, are registered holders of the existing shares of Rs.10/- each (Rupees ten only) of the company.

RESOLVED FURTHER THAT the share capital of the Company be restructured so that the authorized, issued, subscribed and paid up share capital of the Company after the sub-division shall be 9,75,00,000 equity shares of Re. 1 each, 5,98,39,600 equity shares of Re. 1 each, 5,98,39,600 equity shares of Re. 1 each and 5,98,19,600 equity shares of Re. 1 each respectively.

RESOLVED FURTHER THAT clause 5 of the Memorandum of Association of the Company be and is hereby altered so as to read as follows :

Clause 5

The Authorised Share Capital of the Company shall be Rs. 13,75,00,000/- (Rupees Thirteen Crore Seventy Five Lac only) divided into 9,75,00,000 (nine crore seventy five lac) equity shares of Re. 1 each (Rupee one only) and 4,00,000 (Four Lac only) Preference Shares of Rs. 100/- each (Rupees one hundred only).

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, if any, for the sub-division of equity shares as the Board may in its absolute discretion deem fit."

8. To consider and if thought fit, to pass the following resolution with or without modification, as a Special Resolution:

"RESOLVED THAT Article 3 of the Articles of Association of the Company be and is hereby altered so as to read as follows :

Article 3

The Authorised Share Capital of the Company is Rs. 13,75,00,000/- (Rupees Thirteen Crore Seventy Five Lac only) divided into 9,75,00,000 (nine crore seventy five lac) equity shares of Re. 1 each (Rupee one only) and 4,00,000 (Four Lac only) Preference Shares of Rs. 100/- each (Rupees one hundred only).

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9. To consider and if thought fit, to pass the following resolutions with or without modification, as Special Resolutions:

I. "RESOLVED THAT sub Article II of Article 3 be and is hereby altered so as to read follows :

The Preference shares shall confer on the holders thereof, the right to receive a fixed preferential dividend at such rates as may be fixed from time to time by the preference shareholders at their class meetings on the capital for the time being paid up or credited as paid up thereon and proportionately to such capital paid on the said shares during the period in respect of which a dividend on the said shares is declared and in a winding up to repayment of the capital paid up or credited as paid up thereon, upto the commencement of winding up, in priority to the equity shares of the company, but shall not confer any further or other right on the holders to participate in the profits or assets of the company."

II. "RESOLVED THAT a new Article no. 34 A be inserted after the present Article No. 34, to read as follows :

Article 34 A

Subject to the provisions of section 108 of the Act, the shares of the Company shall be transferred in the form No. 7 B of the Companies (Central Government's) General Rules and Forms, 1956 and in all cases a common share transfer form as aforesaid shall be used."

III. " RESOLVED THAT the present Article no. 126 of the Articles of association be deleted and in its place the following new Article no. 126 be substituted :

Article 126

All dividends unclaimed for a period of 30 days from the date of its declaration shall be transferred to a special account opened in a scheduled bank called 'unpaid dividend account' wherefrom it can be claimed for a further period of 7 years or for such other periods as may be prescribed by the Central Government from time to time from the date of such transfer, whereafter it shall be transferred to the special fund created by the Central Government under section 205 C of the Act."

10. To consider and if thought fit, to pass the following resolution with or without modification as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of clause 49 of the Listing Agreement with the stock exchanges and relevant provisions of the Companies Act, 1956 and Articles of Association of the Company, the Board of directors of the Company be and is hereby authorized to fix the amount of sitting fees payable to the non executive directors of the Company from time to time subject to the ceilings prescribed by the central government in this regard, for attending the meetings of the Board of Directors or sub-committees thereof."

for ORIENT ABRASIVES LIMITED

Place : New Delhi

Date : May 25, 2005

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 JUNE 16, 2005 (THURSDAY) TO JUNE 23, 2005 (THURSDAY) - BOTH DAYS INCLUSIVE. DIVIDEND, IF DECLARED AT THE ANNUAL GENERAL MEETING SHALL BE PAYABLE TO ALL THOSE MEMBERS WHOSE NAMES APPEAR ON THE REGISTER OF MEMBERS AS ON JUNE 23, 2005 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 JUNE 15, 2005 IN THE CASE OF THOSE HOLDING IN DEMAT MODE. IN THE CASE OF PREFERENCE SHARES DIVIDEND SHALL BE PAID TO ALL THOSE MEMBERS WHOSE NAMES APPEAR ON THE REGISTER OF MEMBERS AS ON JUNE 23, 2005.
3. THE AMOUNT OF DIVIDEND REMAINING UNPAID FOR THE YEARS 2002-03 AND 2003-04, 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. AN AMOUNT OF RS. 3,37,727/- BEING UNCLAIMED DIVIDEND OF 1996-97 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 NOS. 7 TO 10 IS ANNEXED.

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956 ITEM NO. 7 TO 10

ITEM NO. 7

In order to further improve the liquidity of the Company's equity shares in the Capital Market and to increase the trading volume on the stock exchanges for the benefit of Company's shareholders and investing public at large it is proposed that the face value of the equity shares be reduced to Re. 1 per share.

Your Board of Directors has also taken into consideration the current capital market trends before deeming it prudent and fit to revise the capital structure. It is expected that the liquidity of the Company's shares would increase following the sub-division as the shares are likely to be available for trading at a much lower price.

At present the authorized, issued & subscribed and paid up share capital of the Company is 97,50,000 equity shares of Re. 10 each, 59,83,960 equity shares of Re. 10 each and 59,81,960 equity shares of Re. 10 each respectively. Consequent to such subdivision, the authorized, issued & subscribed and paid up share capital of the Company after the sub-division shall be 9,75,00,000 equity shares of Re. 1 each, 5,98,39,600 equity shares of Re. 1 each and 5,98,19,600 equity shares of Re. 1 each respectively

The SEBI (Disclosure and Investor Protection) Guidelines, 2000 allows the sub-division provided that the new denomination would not be a decimal of a rupee and that there would be only one denomination for the shares at a time. The proposed sub-division fulfills both the above requirements. Section 94 of the Companies Act, 1956 provides that the sub-division and the consequent alteration in capital clause of the Memorandum of Association may be effected with the consent of members at general meeting by way of ordinary resolution provided that amount paid up and unpaid on the shares of new denomination shall bear the same proportion as to those of the shares of old denomination. Accordingly the shares of new denomination shall be issued as fully paid up shares against the shares of old denomination which are also fully paid up.

The resolution at item no. 7 seeks the approval of members to sub-divide the face value of equity shares and to alter the capital clause of Memorandum of association 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.

ITEM NO. 8

The resolution at item no. 8 is aimed at correspondingly altering the articles of association to incorporate the new capital structure of memorandum of association after the proposed sub-division of face value of the equity shares.

Section 31 of the Companies Act requires that any alteration in Articles of Association shall be made only after obtaining consent of the members by way of a special resolution.

The proposed special resolution is for the approval of members to alter the articles of association of the Company as aforesaid. 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.

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ITEM NO. 9

- I. This Resolution is for amending sub-article no. II of Article 3 for providing flexibility regarding the rate of dividend to be paid on the 4,00,000 cumulative preference shares of Rs. 100 each, which has reduced over the years in line with the economic changes. At the time of issue of the preference shares, dividend at the rate of 15% p.a. was payable. Thereafter the rate of dividend has been reduced a few times following the provisions of section 106 of the Companies Act and Article 51 of the Articles of Association of the Company. At present the rate is 7% p.a. which is also proposed to be reduced to 6% p.a. w.e.f. 01/04/2005. It is proposed that this Article may also be altered so as to reflect these changes.
- II. Although a common share transfer form is used in the Company in all cases of transfer pursuant to section 108 of the Companies Act, 1956 and the listing agreement, there is no specific provision regarding the same in the present Articles. The proposed new Article 34 A is for the same.
- III. The present Article No. 126 regarding treatment of unclaimed dividend has become obsolete and redundant with the changes introduced in the Companies Act over the years. The new Article 126 is for making the Articles of the Company in consonance with the said changes. Therefore the present article is proposed to be deleted and in its place the new article is proposed to be inserted.

Section 31 of the Companies Act requires that any alteration in Articles of Association shall be made only after obtaining consent of the members by way of a special resolution.

The proposed special resolutions are for the approval of members to alter the articles of association of the Company as aforesaid. Your Directors recommend unanimous approval of these resolutions.

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

ITEM NO. 10

The amended clause 49 of the Listing Agreement requires that all fees/compensation to be paid to non-executive directors shall be approved by the members prior to such payment.

At present the non-executive directors of the Company are being paid only sitting fees for the meetings attended by the Board of Directors or sub-committees thereof and they are not compensated in any other form. In the wake of the above amendment it has become imperative to seek approval of the shareholders for payment of sitting fees. Although the revised clause comes into effect from December 31, 2005 only it is unlikely that any other general meeting of shareholders shall be held before that date. Through the above resolution the Board of Directors would be given liberty to fix the sitting fees not exceeding the limits prescribed under the Companies Act. At present the limit prescribed under rule 10 B of Companies (Central Government's) General Rules and Forms, 1956 is Rs. 20000 per meeting. The sitting fees being paid to your non-executive directors at present is Rs. 10000 per Board Meeting and Rs. 5000 per committee meetings.

Your Directors recommend passing of the above resolution with requisite majority.

All your directors except Mr S G Rajgarhia may be deemed to be concerned or interested in the resolution.

Brief resume of the Directors being re-appointed :**1. Mr Umesh Kumar Khaitan**

Name	: Mr Umesh Kumar Khaitan
Date of Birth	: 20/12/1948
Date of Appointment	: 11/02/1997
Expertise in field	: Mr Umesh Kumar Khaitan is an accomplished Lawyer practicing both in Supreme Court and the High Courts. He has experience of about 35 years in the field of law. He is also on the Board of some other well known companies.
His Directorship in other Companies	: <ol style="list-style-type: none"> 1. Indorama Synthetic (India) Ltd. 2. Sutlej Industries Ltd. 3. Indo Continental Hotels & Resorts Ltd. 4. Amrit Agro Industries Ltd. 5. Aiyer Manis Rubber Estate Ltd. 6. Nehru Place Hotels Ltd.

7. Hindustan Everest Tools Ltd.
8. Birla Financial Corporation Ltd.
9. Fortis Financial Services Ltd.
10. Noble Grain (I) Pvt. Ltd.
11. Siddharth Soya Products Ltd.
12. RBF Nidhi Ltd.
13. United Holdings Pvt. Ltd.
14. Ashutosh Holdings Pvt. Ltd.
15. Shreeparna Holdings Pvt. Ltd.
16. K & K Feast Makers Pvt. Ltd.
17. AZK Hospitality Pvt. Ltd.

His Committee membership in Orient Abrasives Ltd. : Member – Audit Committee, Remuneration Committee

His Committee membership in other Companies : Indorama Synthetic (India) Ltd. – member in following Committees :

1. Audit Committee
2. Remuneration Committee
3. Shareholders' Grievance Committee
4. Banking and Finance Committee
5. Share Allotment and Transfer Committee
6. Management Committee

His shareholding in the Company : NIL

2. Mr Rama Shanker Bajoria

Name : Mr Rama Shanker Bajoria

Date of Birth : 17/05/1943

Date of Appointment : 30/07/2001

Expertise in field : Mr Rama Shanker Bajoria is an industrialist with experience of over 40 years. His flagship Company, Farseen Rubber Industries Ltd. is the leading manufacturer of automotive tubes in India. The Company is also an ancillary unit of J K Industries, one of the leading tyre manufacturers in the country.

His Directorship in other Companies :

1. Farseen Rubber Industries Ltd.
2. Rajputana Investment & Finance Ltd.
3. Brijbhoomi Farm & Const. Pvt. Ltd.
4. Shreedhan Investment & Trading Pvt. Ltd.

His Committee membership in Orient Abrasives Ltd. : Member – Audit Committee, Remuneration Committee and Shareholders' Grievances Committee

His Committee membership in other Companies : NIL

His shareholding in the Company : 4400 equity shares of Rs. 10 each

for ORIENT ABRASIVES LIMITED

Place : New Delhi
Date : May 25, 2005

Deepak C S
Company Secretary

ORIENT ABRASIVES LIMITED**DIRECTORS' REPORT**

The Members,

Orient Abrasives Limited

Your Directors have pleasure in presenting the 34th Annual Report of the company along with the Audited Statements of accounts for the year ended 31st March, 2005.

FINANCIAL RESULTS

	(Rs.in lacs)	
	<u>2004-05</u>	<u>2003-04</u>
Gross Sales & Income	16850.47	13232.96
Profit before depreciation,		
Interest and Income-tax	3269.20	2536.56
Less : Depreciation	381.07	300.08
Interest	186.86	233.58
Profit before Income Tax	2701.27	2002.90
Less : Provision for Income Tax	715.00	516.00
Add/(Less) : Deferred Tax Credit/(Liability)	42.05	(14.61)
Add : Income-tax Refund for Earlier Years	31.92	7.71
Net Profit for the year	2060.24	1480.00
Add : Balance brought forward from the previous year	786.70	684.74
Amount available for appropriation	<u>2846.94</u>	<u>2164.74</u>
Appropriation :		
General Reserve	1250.00	1000.00
Dividend :		
Preference Shares	28.00	36.00
Equity shares	418.74	299.10
Corporate Dividend Tax	62.68	42.93
Balance carried forward to Balance Sheet	<u>1087.52</u>	<u>786.71</u>
	<u>2846.94</u>	<u>2164.74</u>

DIVIDEND**Preference Shares**

Your Board of Directors recommends a dividend @ 7% on the 4,00,000 cumulative preference shares of Rs. 100 each to be paid as final dividend for the year 2004-05 after approval of the members at the ensuing annual general meeting.

The rate of dividend on the preference shares is proposed to be further reduced to 6% p.a. effective from 01/04/2005 with the approval of preference shareholders through a special resolution at their class meeting to be held on June 24, 2005.

Equity Shares

Considering the improvement in the performance of the Company during the year under review, your Directors are pleased to recommend a dividend @ 70.% i.e. Rs. 7/- per equity share for the year ended on 31/03/2005. The Dividend shall be paid in full on all the equity shares including the bonus shares issued on 19/10/2004 in the ratio 1 : 1.

The total cash out-flow on account of this dividend payment including distribution tax is Rs. 477.49 lac (Previous Year Rs. 337.42 lac).

SUB-DIVISION OF EQUITY SHARES

Your Board of Directors after considering various aspects in detail has deemed it prudent to restructure the equity share capital of the Company by reducing the face value of equity shares from Rs. 10 to Re. 1 per share, thereby

making the total no. of outstanding shares ten times the present number. The concerned resolutions are placed at item nos. 7 and 8 of the notice to the general meeting for consideration and approval of the members.

It is expected that the proposed sub-division shall bring about increased liquidity of the Company's shares. The interest of company's present shareholders and prospective retail investors have been kept in mind by the Board of Directors while taking the above decision.

The record date for deciding eligibility for sub-division shall be fixed after getting the consent of the members.

OPERATIONS REVIEW

You Company recorded yet another excellent performance during the year under review. It achieved a gross turnover of Rs. 168.50 crore as against Rs. 132.33 crore in the previous year registering a growth of about 27%. The profit before tax and profit after tax increased by 35% and 39% respectively over the previous year.

In the Abrasives Grains Division the production of Fused Aluminium Oxide Grains and Calcined products increased and the total sales of these products increased from Rs. 36.99 crore to Rs. 50.34 crore during the year under review.

In Bonded Abrasive Division, the production and sales increased to 2106 MT and 2076 MT as against 1736 MT and 1779 MT in the previous year.

Refractory Division recorded a very healthy growth during the year under review. Sales of this division increased to Rs. 92.40 crore from Rs. 73.91 crore. Improvement in export turnover from Rs. 3.62 crore to Rs. 11.13 crore also contributed to the good performance of this division.

The capacity of power division was doubled in the year under review after commissioning of another imported reconditioned 4.5 MW DG Set at Porbandar. The power division continues to meet the energy needs for the production of Fused Aluminium Oxide. The company invested about Rs. 17.14 crore for purchase of fixed assets during the year under review which was partly financed by a term loan from HDFC Bank at competitive interest rate. The company has managed to reduce the overall interest cost to Rs. 1.87 crore as against Rs.2.34 crore during last year.

FUTURE PROSPECTS

The operating results of the first two months in the current year are satisfactory. Major steel plants are in the process of expansion and the Company's products are mainly consumed by steel plants. It is expected that exports will increase further during the year.

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

Mr Rama Shanker Bajoria and Mr Umesh Kumar Khaitan retire by rotation at the Annual General Meeting and being eligible offer themselves for re-appointment. A brief resume of the appointees is given in the notice to the Annual General Meeting. Your directors recommend their 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 34th 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.

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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 along with 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 ;

AUDIT COMMITTEE

The audit committee 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 independent directors.

LISTING ON THE NSE

At present the Company's equity shares are listed on the Stock Exchange, Mumbai. Although the Company applied for de-listing from the Calcutta Stock Exchange Association Ltd. long back with all necessary documentary and other compliances it has not been done so far even after repeated reminders.

For the convenience of the investors and to provide increased access to Company's equity shares, the Company has applied to the National Stock Exchange of India Ltd. (NSE) for listing which is under their consideration. In this regard although the preliminary eligibility requirements have apparently been met by the Company, final approval for listing shall be granted by the NSE only after a detailed scrutiny of the eligibility norms.

CORPORATE GOVERNANCE

The Clause 49 of the listing agreement regarding corporate governance is mandatorily applicable to the Company. The present set of corporate governance practices in the Company are being modified to the extent required to adhere to the revised corporate governance clause which will become applicable from December 31st of this year.

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 and the banks.

For and on behalf of the Board of Directors

New Delhi
May 25, 2005

R K Rajgarhia
Chairman