

*38th
Annual Report
2008-09*

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ORIENT ABRASIVES LIMITED

ORIENT ABRASIVES LIMITED

MANAGEMENT

BOARD OF DIRECTORS

(as on 23/06/09)

Mr. Rajendra Kumar Rajgarhia, Chairman
Mr. Rama Shanker Bajoria
Mr. Tribhuvan Nath Chaturvedi
Mr. Umesh Kumar Khaitan
Mr. Sudhir Kumar Samarendra Narayan
Mr. Shri Gopal Rajgarhia, Managing Director
Mr. Prem Prakash Khanna, Executive Director

BANKERS

HDFC Bank
State Bank of India
Citibank

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.
246, First Floor, Sant Nagar,
East of Kailash
New Delhi – 110 065
Phone : 011-26292682, 011-26292683
Fax : 011-26292681
E mail : admin@skylinerta.com

WORKS

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

Refractories Division :
SP-148A & B, RIICO Industrial Area,
Bhiwadi, Dist Alwar (Rajasthan)

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ORIENT ABRASIVES LIMITED

NOTICE

To the Members of ORIENT ABRASIVES LIMITED :

Notice is hereby given that the 38th Annual General Meeting of the Members of Orient Abrasives Limited will be held at Hindi Bhawan, 11, Vishnu Digambar Marg (Near Bal Bhawan), New Delhi-110 002 on Monday, August 3, 2009 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, 2009 and the report of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr Tribhuvan Nath Chaturvedi who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr Prem Prakash Khanna who retires by rotation and being eligible offers himself for re-appointment.
4. To declare final 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 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 Re.1/- 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. 5,98,19,600/- (Rupees five crore ninety eight lac nineteen thousand six hundred only) standing to the credit of Capital Redemption Reserve Account and General Reserve Account and that accordingly a sum of Rs. 4,00,00,000 from the Capital Redemption Reserve Account and Rs. 1,98,19,600 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. 5,98,19,600/- (Rupees five crore ninety eight lac nineteen thousand six hundred only) be applied for paying up in full equity shares of Re.1/- each of the company not exceeding 5,98,19,600 (five crore ninety eight lac nineteen thousand six hundred only) to the members who on the date decided by the Board, are registered holders of the then existing shares of Re.1/- each (Rupee one 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."

7. 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 the Articles of Association of the Company and section 94 of the Companies Act, 1956 and other applicable provisions, if any, the Authorised Share Capital of the Company be and is hereby increased from Rs. 13,75,00,000 (Rupees thirteen crore seventy five lac) to Rs. 16,00,00,000 (Rupees sixteen crore only) by creation of another 2,25,00,000 equity shares of Re. 1/- each.

RESOLVED FURTHER THAT the existing clause 5 of the Memorandum of Association of the Company be and is hereby deleted and in its place the following clause 5 be substituted:

Clause 5. The Authorised Share Capital of the Company shall be Rs. 16,00,00,000/- (rupees sixteen crore only) divided into 12,00,00,000/- (twelve crore) 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 pursuant to the provisions of section 31 of the Companies Act, 1956 and other applicable provisions, if any, the existing clause 3 of the Articles of Association of the Company be and is hereby deleted and in its place the following clause 3 be substituted :

Clause 3. The Authorised Share Capital of the Company shall be such amount and be divided into such shares as may, from time to time, be provided in Clause 5 of the Memorandum of Association of the Company. The Company will have the power to subdivide, consolidate and increase or decrease and with power, from time to time, to issue any shares of the original capital with and subject to any preferential, qualified or special rights, privileges or conditions as may be thought fit and upon the subdivision of shares, to apportion the right to participate in profits in any manner as between the shares resulting from sub-division."

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

"RESOLVED THAT subject to the provisions of Section 198, 269, 309, 314 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 be and is hereby accorded to the appointment of Mr Prem Prakash Khanna as a whole-time director of the Company by the Board of Directors, designated as Executive Director, for a period of 3 years w.e.f. May 2, 2009 upon the following terms and conditions

- (i) Basic Salary – in the range of Rs. 165000/- to Rs. 250000/- per month. In the first year, i.e, from 02/05/2009 to 31/03/2010, Rs. 1,65,000 pm will be paid. Thereafter the Board of Directors shall fix annual increments every year within the above scale. First increment shall become due from April 1, 2010. Other allowances, bonus, perquisites etc. shall also increase accordingly.
- (ii) Bonus/Ex-gratia : As may be payable to the senior executives of the Company but not exceeding 20% of the basic salary.
- (iii) A lump-sum payment not exceeding Rs. 10,00,000 per annum as may be approved by the Board, which is payable in every financial year once during the term of Mr P P Khanna. The first of such payments will be made during the financial year 2009-10.
- (iv) 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's salary in an year or three months' salary over a period of three years. He is also entitled to a medical insurance cover for Rs. 2 lac at present which may be increased in due course, under a group mediclaim policy taken by the Company and the proportionate premium on the same may also be taken as a perquisite ;
 - d) Leave travel concession/allowance – Reimbursement of travelling expenses of self and dependent family members once in an 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/internet 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 limits for the remuneration or perquisites.

The total of perquisites listed at (iv) shall not exceed the amount of basic salary payable as above.

FURTHER RESOLVED THAT in the event of loss or inadequacy of profit in any financial year of the Company during the term of office of Mr 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 Section II in Part II of Schedule XIII of the Companies Act, 1956.”

9. To consider, and if thought fit, to pass the following resolution with or without modification as a Special Resolution:
- “RESOLVED THAT the members of the Company, subject to the approval of the Central Government, do hereby accord its approval under section 314 (1B) and other applicable provision of the Companies Act, 1956, and the Rules made thereunder, to the appointment and remuneration of Ms Anisha Mittal, daughter of Mr. S G Rajgarhia, Managing Director of the Company, who holds an office of profit in the Company, for holding and continuing to hold the office or place of profit as Sr. Vice President (Corporate) or such other designation the management may assign in due course on the following terms and conditions of appointment and remuneration:

Validity of Appointment

The appointment will be valid for a period of 3 years from 04/08/2009 to 03/08/2012 ;

Remuneration

- (i) Basic Salary – in the range of Rs. 90000/- to Rs. 150000/- per month. In the first year, i.e, from 04/08/2009 to 31/03/2010, Rs. 90,000 pm will be paid. Thereafter the Board of Directors shall fix annual increments every year within the above ceiling. First increment shall become due from April 1, 2010. Other allowances, bonus, perquisites etc. shall also increase accordingly. The Board of Directors will ensure that the increment in salary shall not be more than that what shall be given to the similarly placed employees in the Company.
- (ii) Bonus/Ex-gratia : As may be payable to the senior executives of the Company but not exceeding 20% of the basic salary.
- (iii) A lump-sum payment not exceeding Rs. 2,00,000 per annum as may be approved by the Board, which is payable in every financial year once during the term of appointment of Ms Anisha Mittal. The first of such payments will be made during the financial year 2009-10, anytime after 04/08/2009. It will be ensured that the said lump-sum payment does not exceed such amount paid to the similarly placed employees. No such payment will be made if such payment is not made to similarly placed employees in any financial year.
- (iv) Perquisites :
 - a) Housing – House rent allowance subject to a maximum value of 40% of the basic salary ;
 - b) Medical reimbursement – Medical expenses incurred for self and family, subject to a ceiling of one month's salary in an year or three months' salary over a period of three years. She is also entitled to a medical insurance cover for Rs. 2 lac at present which may be increased in due course, under a group mediclaim policy taken by the Company and the proportionate premium on the same may also be taken a perquisite ;
 - c) Car with driver and telephone – free use of Company's car(s) with driver and free telephone/internet facility at residence for official as well as personal use. The expenses on car used for official purpose shall be reimbursed on actual basis as per Company rules and shall not be included in the computation of remuneration. However, the cost for driver and cost of maintenance of car excluding that incurred for official purpose will be considered as a perquisite . ;
 - d) Company's contribution to Provident Fund which is at present @ 12% of basic salary, and leave encashment per year which equals 15 days basic salary i.e, 4.66% shall also be paid.

The total of perquisites listed at (iv) shall not exceed the 100% amount of basic salary payable as above.

FURTHER RESOLVED THAT the Board of Directors be and is hereby authorized to vary the terms of appointment including remuneration in due course without approval of the members provided that the total remuneration including all perquisites and allowances accruing from such office of profit shall not be in excess of the limits approved by the Central Government subsequently.”

10. To consider, and if thought fit, to pass the following resolution with or without modification as a Special Resolution:
- “RESOLVED THAT subject to the provisions of Sections 198, 269, 309, 310, 311 and Schedule XIII and other applicable provisions of the Companies Act, 1956, approval of the members of the Company be and is hereby accorded for the remuneration and minimum remuneration to be paid to Mr S G Rajgarhia as Managing Director of the Company for his remaining term of 2 years of the appointment w.e.f. October 1, 2009 to September 30, 2011



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upon the terms and conditions set out below, which is the same as that approved by the members in the 35th Annual General Meeting held on August 2, 2006 :

1. Basic Salary – in the limits of Rs. 100000/- to Rs. 300000/- per month. In the first year it shall be Rs. 1 lac per month. Thereafter the Board of Directors shall fix annual increments every year within the above ceiling. First increment shall be due from April 1, 2007. Other allowances, bonus and perquisites linked with basic salary shall also proportionately increase.
2. Bonus/Ex-gratia – 20% of basic salary
3. 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) Medical reimbursement – reimbursement of medical expenses incurred by self and dependant family members subject to a ceiling of one month's salary in an year or three months' salary over a period of three years.
 - c) Leave travel allowance – reimbursement of travelling expenses incurred by self and dependent family members once an year subject to a ceiling of one months' basic salary.
 - d) Payment of club membership fees, credit card subscription and periodic bills and other recreational expenses subject to a ceiling of Rs. 20000/- per month.
 - e) Provision of chauffeur driven car (s) for official and personal purposes; Provision of telephone and internet at home and mobile phone. These facilities, to the extent used for official purposes, as far as can be ascertained, shall not be considered in the computation of limits of remuneration being approved herein.

The total of perquisites listed from 3 (a) to 3 (e) shall not exceed 100 percent of the basic salary mentioned at 1 above.

4. Company's contribution to Provident Fund, Super-annuation Fund, Annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961, gratuity payable at a rate not exceeding half months salary for each completed year of service and encashment of leave at end of the tenure shall not be included in the above limits of remuneration provided it is within the limits of section I of Part II of Schedule XIII and also shall not be included in the limits of minimum remuneration, if any, becoming payable in the event of loss or inadequacy of profits remuneration herein.
5. Commission – over and above the remuneration mentioned aforesaid, at the rate of 2% of the net profits or such other percent as the Board of Directors may fix every year, provided that the total remuneration including basic salary, bonus, perquisites and commission shall be within the overall limits laid down in Section 198 and 309 of the Companies Act, 1956.

FURTHER RESOLVED THAT in the event of loss or inadequacy of profit in any financial year during the tenure of Mr. S G Rajgarhia as Managing Director, the remuneration and perquisites as given above 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 to him as minimum remuneration for a period of two years w.e.f. October 1, 2009."

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

"RESOLVED THAT pursuant to provisions of Section 293 (1) (d) of the Companies Act, 1956, the consent of the Company is hereby accorded to the Board of Directors of the Company to borrow any sum or sums of money from time to time, on such terms and conditions and with or without security as the Board of Directors may deem fit from banks, financial institutions or any other kind of lenders notwithstanding that the money to be borrowed together with the money already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid up share capital of the Company and its free reserves, that is to say, reserves not so set aside for any specific purposes, provided however that the total amount so borrowed and remaining outstanding at any particular time shall not exceed Rs. 150 crores."



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12. 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 section 293(1)(a) and other provisions, if any, of the Companies Act 1956, the consent of the Company be and is hereby accorded to the Board of Directors of the Company to mortgage or charge all or any part of immovable or movable properties of the company, where so ever situated, both present and future, and whole or part of the undertakings of the Company of any nature and kind whatsoever and/or creating a floating charge in all or any immovable properties of the company together with the powers to takeover the managements of the business and concern of the company, in certain events, to or in favour of banks, financial institutions any other lenders to secure the amount borrowed/to be borrowed by the Company from time to time for the due payment of the principal monies together with the interest and other charges payable by the company in respect of such borrowings, provided however that the total amount so borrowed and remaining outstanding at any particular time which will be secured by such charge/mortgage shall not exceed Rs. 150 crores.

RESOLVED FURTHER that the Board of directors of the Company be and is hereby authorised to finalise the documents for creating the aforesaid mortgages and/or charges and to do all such acts, deeds, matters and things as may be necessary to give effect to this resolution."

for ORIENT ABRASIVES LIMITED

Place : New Delhi
Date : June 23, 2009

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 3, 2009 (FRIDAY) TO JULY 10, 2009 (FRIDAY) - BOTH DAYS INCLUSIVE. DIVIDEND ON EQUITY SHARES, IF DECLARED AT THE ANNUAL GENERAL MEETING, SHALL BE PAYABLE TO ALL THOSE MEMBERS WHOSE NAMES APPEAR ON THE REGISTER OF MEMBERS AS ON JULY 3, 2009 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 2, 2009 IN THE CASE OF THOSE HOLDING IN DEMAT MODE.
3. THE AMOUNT OF DIVIDEND REMAINING UNPAID FOR THE YEARS 2002-03, 2003-04, 2004-05, 2005-06, 2006-07 AND 2007-08, 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 AMOUNT PERTAINING TO 2002-03 WILL BE TRANSFERRED TO IEPF IN OCTOBER, 2010.
4. IN ORDER TO AVOID FRAUDULENT ENCASHMENT OF THE DIVIDEND WARRANT(S), MEMBERS ARE ADVISED TO INFORM DETAILS OF THEIR BANK ACCOUNT NUMBER AND NAME AND ADDRESS OF THE BANK, FOR INCORPORATING THE SAME ON THE DIVIDEND WARRANTS.
5. CONSOLIDATION OF MULTIPLE FOLIOS AND PINCODE - MEMBERS ARE REQUESTED TO SEND THE SHARES HELD IN IDENTICAL NAMES FOR CONSOLIDATION INTO A SINGLE FOLIO ; ENSURE THAT THE CORRECT PIN CODE IS INFORMED TO THE COMPANY TO EXPEDITE DELIVERY OF THE MAIL.
6. THE COMPANY SUB-DIVIDED THE FACE VALUE OF EQUITY SHARES FROM RS. 10 TO RE. 1 W.E.F. AUGUST 24, 2005. MEMBERS WERE ADVISED THROUGH A CIRCULAR DATED AUGUST 8, 2005 TO SURRENDER THEIR OLD SHARE CERTIFICATES FOR EXCHANGE WITH THE NEW ONES. MEMBERS WHO HAVE NOT ALREADY EXCHANGED THEIR OLD CERTIFICATES WHICH ANYWAY CEASED TO BE VALID FROM THAT DATE, MAY DO SO BY SENDING THE OLD CERTIFICATES TO THE REGISTERED OFFICE OF THE COMPANY. THE COMPANY ALSO ISSUED TWO REMINDERS ON FEBRUARY 11, 2008 AND THEN ON JUNE 11, 2009 TO ALL THOSE WHO HAD NOT CLAIMED THEIR NEW CERTIFICATE. THE OLD CERTIFICATES ARE BEING ASKED FOR TO VERIFY GENUINENESS AND TO PROCURE INDEMNITY IN THE CASE OF LOST SHARE CERTIFICATES.



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7. THE MEMBERS ARE REQUESTED TO GET THEIR SHARES DEMATERIALIZED. THE COMPANY'S NEW ISIN CODE IS INE569C01020 PURSUANT TO CHANGE IN FACE VALUE.
8. 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.

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956 IN RESPECT OF ITEM NOS. 6 TO 12

ITEM NO. 6

The Board of Directors of the Company at its meeting held on June 23, 2009 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 a part of the General Reserve. Pursuant to the *Articles of Association of the Company and the SEBI (DIP) Guidelines in this regard, members' approval is required for such capitalisation of reserves of the Company.*

There are adequate reserves available with Company. As on March 31, 2009, the reserves of the Company stood at Rs. 107.63 crore. Your directors deemed it prudent to recommend issue of the bonus shares to reward the shareholders and to increase liquidity and market capitalisation of the shares of the Company in the secondary market.

The Company has not defaulted in payment of interest or principal of any fixed deposits. There are no debentures in the Company. The Company has also not defaulted in payment of statutory dues to the employees in respect of contribution to PF, gratuity and bonus.

Accordingly, the resolution at item no. 6 seeks the approval of members for capitalisation of reserves and consequent issue of 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.

ITEM NO. 7

At present the authorised share capital of the Company is Rs. 13.75 crore divided into 9,75,00,000 equity shares of Re. 1 each and 4,00,000 preference shares of Rs. 100 each. To accommodate the proposed bonus issue, which will increase the total issued share capital to 11,96,59,200 equity shares of Re. 1 each, it has been proposed to increase the authorised share capital by addition of 2,25,00,000 equity shares to the existing so that the total authorised equity share capital would be 12,00,00,000 equity shares of Re. 1 each.

The proposed resolution seeks to alter clause no. 5 of the Memorandum of Association of the Company. The clause no. 3 of the Articles of Association also requires consequent amendment. It has been proposed to insert a general clause without specifying the no. of shares to do away with alteration of articles in future every time the capital structure is changed. Since alteration of articles of associations requires approval of members by way special resolution, the item at no. 7 has been proposed as a special resolution.

Your directors recommend passing of the above resolution. None of the directors is deemed to be concerned or interested in the above resolution.

ITEM NO. 8

As you are aware of, Mr. Prem Prakash Khanna had been appointed as a whole-time director designated as Executive Director w.e.f. 07/08/2006 for a period of three years by the members at their 36th Annual General Meeting held on 20/09/2007 and accordingly his term would come to an end on 06/08/2009. However, after mutual agreement between Mr Khanna and the Board of Directors, the Board in its meeting held on May 2, 2009 decided to discontinue his present employment as a whole-time director on May 1, 2009 and to reappoint him for a fresh term of 3 years w.e.f. May 2, 2009.

According to Schedule XIII of the Companies Act, 1956, this appointment requires members' approval by way of ordinary resolution. Mr Khanna has just attained 70 years of age and as per Part I of Schedule III, in case the appointee is above 70 years of age, the approval of shareholders by way of special resolution is required. Further, to satisfy the applicability, if any, of Section 314 of the Act, a special resolution is required. Besides, in order to provide for minimum remuneration in the event of loss or inadequacy of profits in any year, a special resolution is required to be passed by the members approving payment of remuneration for 3 years. To meet all these requirements, a special resolution is being proposed. The proposed resolution combines both the appointment and payment of minimum remuneration.



The information required to be given as per paragraph 1 (B) (iv) of Section II of Part 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 :

The Company's activities can be classified under the engineering industry. It has two business divisions viz. the Abrasive Grains Division which manufactures fused and calcined alumina grains and the Refractory Division which manufactures refractory and monolithic products.

2. Commencement of Commercial Production

Commercial production of Abrasive Grains Division commenced in January 1975 while Refractory Division commenced commercial production in November 1985.

3. The financial performance for the year ended March 31, 2009 :

	(Rs. in lac)
Net sales and other income	30267.31
Operating profit	4903.82
Net profit	3184.42
EPS	5.32

II INFORMATION ABOUT THE APPOINTEE

Mr P P Khanna, aged 70 years, is a highly qualified engineer with the degrees BSc, B.E. and AMIE. He has been associated with the company for the last 36 years in different capacities like a Senior Executive and as member of the Board of Directors. The current appointment is for a fresh 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 in their growth. His technical expertise and industry experience have immensely helped the Company in production, marketing and development. He also played a major part in setting up of the 9 MW thermal power plant at Porbander in 2007, which has considerably reduced the cost of power for the Company.

The attributes possessed by him like good business acumen, far-sightedness and leadership have largely propelled the activities of the Company and inspired the workforce. Mr P P Khanna is the key-person in helping to co-ordinate 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 affairs of the company 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 of Directors. His performance in the Company in various capacities as an executive director and as a senior non-director executive has been commendable. The board of Directors deemed it to be in the interest of the Company to avail the services of Mr Khanna as an Executive Director for another 3 years.

The remuneration proposed to be paid to him is mentioned elsewhere in this Annual Report. The remuneration paid to him during the financial year 2008-2009 is as under :

	(Rs. in lac)
Total remuneration	28.02

The remuneration being paid by other comparable entities in the industry is as under. The figures have been drawn from the published annual reports :



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<u>Name of Company</u>	<u>Turnover (Rs. crore)</u>	<u>Remuneration (Rs. Lac)</u>
Carborundum Universal Ltd.	671.48	69.61
Vesuvius India Ltd.	355.80	96.99
Grindwell Norton Ltd.	524.26	202.76
IFGL Refractories Ltd.	172.16	109.40

Pecuniary relationship & relationship with managerial persons –

Mr P P Khanna's pecuniary relationship is limited to the remuneration he receives in the capacity of Executive Director and the dividend or other benefits accruing to shareholders to the extent of his shareholding.

He is not related to any employee in the Company.

III OTHER INFORMATION

The profit of the Company during the financial year 2008-09 was adequate and it is expected that the Company will perform satisfactorily in the coming years making provision of minimum remuneration redundant.

However, there could be events or external factors beyond the control of the Company which would influence 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 in the foregoing paragraphs. The report on Corporate Governance which forms part of this Annual Report also gives various details related to remuneration and contract of service as required.

The Board of Directors recommends that his appointment be unanimously approved by the members. The appointment and the remuneration have been approved by the Board of Directors and the Remuneration Committee in their respective meetings held on May 2, 2009.

No director of the Company except Mr. P P Khanna himself is interested or concerned in the resolution.

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

An appointment letter dated May 2, 2009 stating the terms and conditions as approved at the Board Meeting and the Remuneration committee meeting has been issued to Mr Khanna, which on having been accepted by him constitutes a contract between him and the Company.

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

ITEM NO. 9

Ms. Anisha Mittal, aged about 34 years, is a commerce graduate with honours with a Masters in Business Administration degree in finance from University of Pittsburgh, USA. She is the daughter of Mr S G Rajgarhia, the Managing Director. She was appointed as Vice President (Corporate) from February 14, 2005 by the Board of Directors and subsequently promoted as Sr. Vice President (Corporate).

The members of the Company, vide a special resolution passed in the 36th Annual General Meeting held on August 2, 2006 had accorded their approval for payment of remuneration not exceeding Rs. 50000 pm to her.

However, now it has been felt that the remuneration being paid to her is inadequate considering her educational qualification, experience, job profile in the Company and also in comparison with the remuneration being paid to similarly placed employees in the Company.

Before joining the Company in 2005, she had worked with Ernst & Young both in India and in the United States for about 8 years. Ms Mittal takes active part in the day to day affairs of the Company. She is involved in the key decisions taken in the Company regarding the finance matters. She helps in co-ordinating with the banks and financial institutions in arranging funds for the Company on terms which are in its best interest. Her experience in the reputed consultancy firm in India and abroad has been beneficial to the Company. She has played a major role in the financial aspects concerning the divestment of bonded abrasives business at Bhiwadi and the setting up of the thermal power plant at Porbander.