40th Annual Report 2010-11

ORIENT ABRASIVES LIMITED

MANAGEMENT

BOARD OF DIRECTORS

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
ICICI Bank
Standard Chartered 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.
D-153/A, 1st Floor
Okhla Industrial Area Phase -1
New Delhi – 110 020
Phone : 011 – 30857575 (10 Lines)
Fax : 011 – 30857562
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-301 019

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NOTICE

To the Members of **ORIENT ABRASIVES LIMITED** :

Notice is hereby given that the 40th 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, September 26, 2011 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, 2011 and the report of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr Rajendra Kumar Rajgarhia who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr Umesh Kumar Khaitan who retires by rotation and being eligible offers himself for re-appointment.
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 a Special Resolution :

   "RESOLVED THAT subject to the provisions of Sections 198, 269, 309 and Schedule XIII and other applicable provisions of the Companies Act, 1956, approval of the members of the Company be and is hereby accorded to the appointment of Mr S G Rajgarhia as Managing Director of the Company for a further term of 5 years w.e.f. October 1, 2011 upon the terms and conditions set out below :

   1. Basic Salary – in the limits of Rs. 250000/- to Rs. 400000/- per month. In the first year it shall be Rs. 250000 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, 2012. 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 traveling 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 chauffer 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.

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 three years from the date of appointment."

for ORIENT ABRASIVES LIMITED

Place : New Delhi
Date : July 30, 2011

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 SHALL REMAIN CLOSED FROM SEPTEMBER 17, 2011 (SATURDAY) TO SEPTEMBER 24, 2011 (SATURDAY) - BOTH DAYS INCLUSIVE.
3. THE AMOUNT OF DIVIDEND REMAINING UNPAID FOR THE YEARS 2003-04, 2004-05, 2005-06, 2006-07, 2007-08, 2008—09, 2009-10 AND 2010-11 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 DUE DATES OF TRANSFER OF UNCLAIMED DIVIDEND OF VARIOUS YEARS TO THE ABOVE FUND IS AS FOLLOWS :

YEAR	DATE OF DECLARATION	DUE DATE OF TRANSFER TO IEPF
2003-04	11/08/2004	17/09/2011
2004-05	20/07/2005	26/08/2012
2005-06	02/08/2006	08/09/2013
2006-07	20/09/2007	26/10/2014
2007-08	05/09/2008	12/10/2015
2008-09	03/08/2009	09/09/2016
2009-10	05/08/2010	10/09/2017
2010-11	09/03/2011	14/04/2018

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 FOILIOS AND PINCODE – MEMBERS ARE REQUESTED TO SEND THE SHARES HELD IN IDENTICAL NAMES FOR CONSOLIDATION INTO A SINGLE FOLIO ; ENSURE 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 CERTIICATES 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.

7. PURSUANT TO THE PROCEDURE LAID DOWN IN CLAUSE 5A.II OF THE LISTING AGREEMENT, THE COMPANY HAS ISSUED 3 REMINDERS DATED 08/03/2011, 20/04/2011 AND 15/07/2011 REQUESTING THE SHAREHOLDERS TO CLAIM THE UNCLAIMED PHYSICAL SHARES. IN CASE YOUR SHARES HAVE BEEN NOT CLAIMED WE REQUEST YOU TO KINDLY ACT AS ADVISED IN THESE REMINDERS. IN CASE YOU NEED ANY CLARIFICATION PLEASE CONTACT THE COMPANY OR THE REGISTRAR. THE SHARES REMAINING SO UNCLAIMED SHALL BE TRANSFERRED TO A SUSPENSE DEMAT ACCOUNT.
8. THE MEMBERS ARE REQUESTED TO GET THEIR SHARES DEMATERIALISED. THE COMPANY'S NEW ISIN CODE IS INE569C01020 PURSUANT TO CHANGE IN FACE VALUE.
9. 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.
10. AN EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE ACT IS ANNEXED WITH THE NOTICE.

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

ITEM NO. 5

Mr. S G Rajgarhia's present term in the office of Managing Director would come to an end on September 30, 2011. The Board of Directors has felt that it is in the interest of the Company to reappoint him for a further period of 5 years w.e.f. October 1, 2011 considering the contribution made by him in the past years in taking the Company to its current position in the industry.

Accordingly a fresh agreement dated July 30, 2011 was entered into between the Company and Mr Rajgarhia subject to members' approval, appointing him as Managing Director for a further term of 5 years. According to Schedule XIII of the Companies Act, 1956, this appointment requires members' approval by way of ordinary resolution. However 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. The proposed special resolution combines both the appointment and payment of minimum remuneration. After a period of three years, the Board of Directors may again approach the members for provision of minimum remuneration. However the appointment and payment of remuneration in the case of adequate profits shall remain intact for 5 years.

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 broadly classified under the engineering industry. It has three business divisions viz. the Abrasive Grains Division which manufactures fused and calcined alumina grains, the Refractory Division which manufactures refractory and monolithic products and the Power Division comprising of the thermal power plant at Porbander works and the wind farms located at various places in India. The refratctory business is proposed to be demerged and the application before the Hon'ble High Court of Delhi is at an advanced stage.

2) Commencement of Commercial Production

Commercial production of Abrasive Grains Division commenced in January 1975. The Refractory Division commenced commercial production in November 1985. The first DG set of the thermal power division was set up in June 1998 and the first wind turbine in March 2009.

3) The financial performance for the year ended March 31, 2011 :

	(Rs. in lac)
Gross sales and income	39957.71
Operating profit	7939.26
Net profit	4683.51
EPS	3.91

II INFORMATION ABOUT THE APPOINTEE

Mr S G Rajgarhia, aged 64 years, is a successful entrepreneur and an accomplished industrialist having over 40 years of experience. He is a chemical engineer by profession; did his post graduate studies in USA acquiring a Masters degree from Massachusetts Institute of Technology (USA). He has been associated with the Company since inception and has been the Executive/Managing Director for the last more than 38 years.

Mr. Rajgarhia has managed the Company competently over the past years and helped it in becoming a successful business entity in the industry. His vast industrial experience and technical and commercial knowledge of the products helped the Company in enduring the difficult phases posed by industrial recession, financial problems, natural calamities and labour problems. Over the years the total turnover and profit have increased manifold. At present the gross turnover is about Rs. 400 crore and the gross profit for the year 2010-11 was about Rs. 60 crore.

Mr S G Rajgarhia is the Managing Director of the Company. He takes all the key policy decisions in consultation with the senior management team and under the supervision of the Board of Directors of the Company. He manages the affairs of the entire Company and also oversees the major day to day events in the Company. Heads of all the functional divisions and departments report to him on such periodic intervals as instructed.

The remuneration proposed to be paid to him is mentioned elsewhere in this Annual Report. The remuneration pad to him during the financial year 2010-2011 is as under :

	(Rs. in lac)
Total remuneration	171.99

The remuneration being paid by the Compnay is comparable to that paid by other entities in the industry.

Pecuniary relationship and relationship with managerial persons –

Mr S G Rajgarhia's pecuniary relationship is limited to the remuneration including commission he receives in the capacity of Managing Director and the dividend or other benefits accruing to shareholders to the extent of his shareholding.

He is related to Mrs. Usha Rajgarhia, Manager (Export) as husband and to Mrs. Anisha Mittal, Sr. Vice President (Corporate) as father.

III OTHER INFORMATION

The profit of the Company during the financial year 2010-11 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 Managing 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 remuneration committee in its meeting held on July 30, 2011.

No director of the Company except Mr. S G Rajgarhia himself and Mr. R K Rajgarhia is interested or concerned in the resolution.

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

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

Brief resume of the Directors being re-appointed :

1. Mr Rajendra Kumar Rajgarhia

Name	:	Mr Rajendra Kumar 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 48 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	:	1. APM Industries Ltd. 2. Perfectpac Ltd. 3. Gini Silk Mills Ltd. 4. Rajgarhia Leasing & Financial Services Pvt. Ltd.
His Committee membership	:	Chairman – Shareholders' Grievances Committee in Orient Abrasives Ltd.
His Committee membership in other Companies	:	NIL
His shareholding in the Company	:	600666 equity shares (0.50 %)

2. 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 the Supreme Court and the High Courts. He has experience of about 42 years in the field of law. He is also on the Board of some other well known companies.
His Directorship in other Companies	:	1. United Holdings Pvt. Ltd. 2. Sutlej Textiles & 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. Ashutosh Holdings Pvt. Ltd. 9. Shreeparna Holdings Pvt. Ltd. 10. K & K Feast Makers Pvt. Ltd. 11. Oriental Bank of Commerce 12. Ferro Alloys Corporation Ltd. 13. Combine Accurate Financial Services(I) Ltd. 14. Numero Uno Clothing Ltd. 15. Geepee Agri Products Pvt. Ltd. 16. Combine Fin Products Pvt. Ltd.
His Committee membership	:	Member – Audit Committee, Remuneration Committee in Orient Abrasives Ltd.
His Committee membership in other Companies	:	None
His shareholding in the Company	:	NIL

Place : New Delhi
Date : July 30, 2011

Deepak C S
Company Secretary

DIRECTORS' REPORT

The Members,

Orient Abrasives Limited

Your Directors have pleasure in presenting the 40th Annual Report of the company along with the Audited Statements of accounts for the year ended 31st March, 2011.

FINANCIAL RESULTS

(Rs.in lacs)

	2011	2010
Gross Sales & Income	**39957.71**	34604.77
Profit before depreciation, Interest and tax	**7939.26**	8417.19
Less : Depreciation	**1298.21**	1080.61
Interest	**697.82**	456.43
Profit before Income Tax	**5943.23**	6880.15
Less : Income Tax	**1259.72**	1763.65
Net Profit for the year	**4683.51**	5116.50
Add : Balance brought forward from the previous year	**3845.34**	3123.95
Amount available for appropriation	**8528.85**	8240.45
Appropriation :		
General Reserve	**3000.00**	3000.00
Dividend on Equity shares	**1196.39**	1196.39
Corporate Dividend Tax	**198.71**	198.71
Balance carried forward to Balance Sheet	**4133.75**	3845.35
	8528.85	8240.45

INTERIM DIVIDEND

The Company paid an interim dividend @ Re. 1 per equity share, declared at the Board Meeting held on March 9, 2011.

The total cash out-flow on account of this dividend payment including distribution tax was Rs. 1395.10 lac (Previous Year Rs. 1395.10 lac)

FINAL DIVIDEND

In order to augment resources and also in view of the interim dividend having been paid, no final dividend is being recommended with respect to financial year ending on March 31, 2011, for consideration of the members at the Annual General Meeting.

OPERATIONS REVIEW AND FUTURE OUTLOOK

Turnover of the Company increased to Rs. 395.68 Cr during the year under review from Rs. 343.70 Cr in the previous year. However, gross profit and net profit declined to Rs. 59.43 Cr and Rs. 46.84 cr respectively during the year under review as compared to Rs. 68.80 Cr and Rs. 51.17 Cr respectively in the previous year. General increase in raw material costs was one of the reasons for decline in the profit. Besides, abnormal rise in fuel costs especially of furnace oil and coal reduced the margins. Increase in financial expenses on account of higher interest rates on borrowings and loss on account of foreign exchange and derivative contracts as against a gain of about Rs. 3.46 Cr last year also contributed to the decrease in profits. The Company could not absorb the increased costs by a corresponding increase in sales price. The Company could also not achieve the expected revenue from the wind farms due to delay in commissioning of the turbines.

Exports grew from Rs. 31.14 Cr to Rs. 40.80 Cr during the year under review, by developing new customers and consolidating existing markets

Both the abrasive grains division and the refractory division performed satisfactory in terms of sales. The thermal power plants at Porbander division fulfilled a major share of the power requirements of the Abrasives Grains Division. The operating cost of these power plants was higher due to a substantial rise in fuel costs

The wind farm capacity of the Company increased to 9.6 mw during the year under review. Another turbine of 1.5 mw was commissioned in June 2011 thereby making the total capacity, 11.1 mw comprising of 6 mw located in Rajasthan and 5.1 mw in Karnataka.

The financial results of the Company in the first 4 months of the current year was satisfactory. Your directors hope that the sales and profitability of the Company shall improve in the current year.

FIXED DEPOSIT

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

DIRECTORS

Mr Rajendra Kumar Rajgarhia and Mr Umesh Kumar Khaitan having been longer in the office, 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 in the overall interest of the Company.

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 appointed by the members at the 40th Annual General Meeting.

AUDITORS REPORT

The Auditors Report read with notes to the financial statements in schedule 24 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 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 Tribhuvan Nath Chaturvedi (Chairman), Mr Rama Shanker Bajoria and Mr Umesh Kumar Khaitan, all independent directors.

DEMERGER OF REFRACTORY BUSINESS

During the year under review the Company decided to demerge its refractory undertaking situated at SP-148, RIICO Industrial Area, Bhiwadi, Rajasthan with a view to de-risk and segregate the refractory business from the other two businesses viz. abrasive grains and power generation as the economic and market factors guiding the refractory business are distinct from those applicable to the other two. The demerger will also allow a focused strategy in operations of the Refractory Undertaking alongwith providing scope for independent collaboration and expansion without committing the existing organization in its entirety. The demerger would also help in enhancing the stakeholder value with the two businesses growing independently of each other as the management can formulate separate business strategy for each considering the independent characteristics of each entity and without being affected by the constraints faced by each other.

A subsidiary Company named Orient Refractories Ltd. was incorporated on November 26, 2010 for this purpose. The demerger process is at an advanced stage. The equity shareholders, secured creditors and unsecured creditors at their respective meetings held on February 26, 2011 approved the scheme of demerger. The final petition for demerger has been filed before the Hon'ble High Court of Delhi at New Delhi and the date of hearing on the demerger is fixed for September 19, 2011.

CONSOLIDATION OF ACCOUNTS

As required under the Companies Act, 1956 and the listing agreement, the accounts of the Company has been consolidated with that of its subsidiary, Orient Refractories Ltd. as per the applicable accounting standards. Pursuant to the exemption granted by the recent circulars issued by the Ministry of Company Affairs, the financial statements, directors report and other annexure of the subsidiary company as required to be annexed to this Annual Report under Section 212 of the Companies Act, 1956 have not been annexed. The Board of Directors of the Company in its meeting held on July 30, 2011 has given consent to such not attaching the financial statements of the subsidiary Company. Previous year figures have not been given in the said accounts as the subsidiary company had not been incorporated then.

The annual accounts of the subsidiary company and the related detailed information shall be made available to shareholders of the holding and subsidiary companies seeking such information at any point of time. The annual accounts of the subsidiary companies shall also be kept for inspection by any shareholders at the registered office of the Company and the subsidiary Company. The Company shall furnish a hard copy of details of accounts of subsidiaries to any shareholder on demand.

The details in regard to the subsidiary Company required to be disclosed as per general circular no. 2/2011 dated 08/02/2011issued by the Ministry of Corporate Affairs has been given in the Consolidated annual accounts section of the this Annual Report.

PERFORMANCE OF THE SUBSIDIARY COMPANY

The subsidiary Company, Orient Refractories Limited was incorporated on November 26, 2010 for the purpose of vesting the undertaking being demerged. The said Company has not started any commercial operations. Once the scheme of demerger is approved by the Hon'ble High Court, the refractory business of the Company shall be demerged into this Company w.e.f. April 1, 2011, being the appointed date.

Therefore during the year under report, there was no commercial activity by the subsidiary Company to be commented upon.

CREDIT RATING OF BANK BORROWINGS

The Company has been assigned A+ rating on its long term borrowings by both CRISIL and CARE. This rating indicates adequate safety and carry low credit risk.

For short term borrowings P1+ and PR1+ have been assigned by both CRISIL and CARE respectively which is the highest given by these agencies for such facilities and carry lowest credit risk.