

***42nd  
Annual Report  
2012-13***



**MANAGEMENT****BOARD OF DIRECTORS**

(As on May 17,2013)

Mr R K Rajgarhia, Chairman  
Mr R S Bajoria  
Mr S K S Narayan  
Mr U K Khaitan  
Mr S G Rajgarhia, Managing Director  
Mr P P Khanna, Executive Director  
Mr R K Khanna, President

**BANKERS**

HDFC Bank  
State Bank of India

**AUDITORS**

S R Batliboi & Co. LLP

**REGISTERED OFFICE**

1307, Chiranjiv Tower  
43, Nehru Place, New Delhi-110 019  
e-mail: ho@oalindia.com  
website: www.orientabrasives.com

**REGISTRAR & TRANSFER AGENT**

Skyline Financial Services Private Limited,  
D-153 A, 1st Floor, Okhla Industrial Area,  
Phase - I, New Delhi - 110 020

**WORKS**

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

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## NOTICE

Notice is hereby given that the FORTY SECOND 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 Thursday, July 18, 2013 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, 2013 and the report of the Directors' and Auditors' thereon.
2. To appoint a director in place of Mr P P Khanna, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a director in place of Mr S K S Narayan, who retires by rotation and being eligible offers himself for re-appointment.
4. To declare a 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.

for **Orient Abrasives Limited**

**New Delhi**  
**May 17, 2013**

**R K Rajgarhia**  
Chairman

### NOTES

1. The relevant details as required by clause 49 of the listing agreements entered into with the stock exchanges, of persons seeking re-appointment as directors under item nos. 2 and 3 of the notice are annexed.
2. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED AT THE COMPANY'S REGISTERED OFFICE NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE MEETING. PROXIES SUBMITTED ON BEHALF OF LIMITED COMPANIES, SOCIETIES, ETC., MUST BE SUPPORTED BY APPROPRIATE RESOLUTIONS/ AUTHORITY, AS APPLICABLE.
3. **THE REGISTER OF MEMBERS AND SHARES TRANSFER BOOK OF THE COMPANY WILL BE CLOSED FROM THURSDAY, JULY 11, 2013 TO THURSDAY, JULY 18, 2013, BOTH DAYS INCLUSIVE.**
4. Members holding shares in dematerialised form are requested to intimate all changes pertaining to their bank details, National Electronic Clearing Service (NECS), Electronic Clearing Service (ECS), mandates, nominations, power of attorney, change of address, change of name and e-mail address, etc., to their depository participant. Changes intimated to the depository participant will then be automatically reflected in the Company's records which will help the Company and the Company's Registrar and Transfer Agent to provide efficient and better services. Members holding shares in physical form are requested to intimate such changes to the Company's Registrar and Transfer Agent.
5. Members holding shares in physical form are requested to consider converting their holding to dematerialized form to eliminate all risks associated with physical shares and for ease in portfolio management. Members can contact the Company or the Company's Registrar and Transfer Agent for assistance in this regard.
6. Members holding physical shares in identical order of names in more than one folio are requested to send to the Company or the Company's Registrar and Transfer Agent, the details of such folios together with the share certificates for consolidating their holding in one folio. A consolidated share certificate will be returned to such members after making requisite changes thereon.
7. Members desiring any information as regards the accounts are requested to write to the Company at an early date so as to enable the management to keep the information ready at the meeting.
8. Pursuant to Sections 205A and 205C and other applicable provisions, if any, of the Companies Act, 1956, all unclaimed/unpaid dividends, remaining unclaimed/unpaid for a period of seven years from the date they became due for payment, have been transferred to the Investor Education and Protection Fund (IEPF) established by the Central Government. No claim shall lie against the IEPF or the Company for the amounts so transferred nor shall any payment be made in respect of such claim.

9. Members, who have not yet encashed their dividend warrant for the financial years 2005-06 and onwards, are requested to make their claims without any delay to the Company. Members' attention is particularly drawn to the "Corporate Governance" section of the annual report in respect of unclaimed dividend.
10. The Ministry of Corporate Affairs (vide circular nos. 17/2011 and 18/2011 dated April 21, 2011 and April 29, 2011 respectively), has undertaken a 'Green Initiative in Corporate Governance' and allowed companies to share documents with its shareholders through an electronic mode. A recent amendment to the listing agreement with the stock exchanges permits companies to send soft copies of the annual report to all those shareholders who have registered their email address for the said purpose. Members are requested to support this 'Green Initiative' by registering/updating their e-mail addresses for receiving electronic communications.
11. 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 Company's Registrar and Transfer Agent.

for **Orient Abrasives Limited**

**New Delhi**  
**May 17, 2013**

**R K Rajgarhia**  
Chairman

**DETAILS OF DIRECTORS SEEKING RE-APPOINTMENT AT THE 42nd ANNUAL GENERAL MEETING**

| <b>Particulars</b>                                                                                                                                | <b>Mr S K S Narayan</b>                                    | <b>Mr P P Khanna</b>                                               |
|---------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|--------------------------------------------------------------------|
| Date of Birth                                                                                                                                     | July 07, 1943                                              | April 3, 1939                                                      |
| Date of Appointment                                                                                                                               | June 09, 2007                                              | August 07, 2006                                                    |
| Qualifications                                                                                                                                    | B.E.                                                       | B.Sc., BE, AMIE                                                    |
| Expertise in specific functional areas                                                                                                            | Wide experience of about 43 years in various steel plants. | Wide experience in setting up manufacturing plants of the Company. |
| Directorships held in other public companies (excluding foreign companies and section 25 companies)                                               | Cauvery Iron & Steel (India) Ltd.                          | Nil                                                                |
| Memberships/ Chairmanships of committees of other public companies (includes only Audit Committee and Shareholders/Investors Grievance Committee) | Nil                                                        | Nil                                                                |
| Number of shares held in the Company                                                                                                              | Nil                                                        | 518,949                                                            |

## DIRECTORS' REPORT

Dear Members

Your directors have pleasure in presenting the Forty Second Annual Report of the Company along with the audited financial statements for the financial year ended March 31, 2013.

### FINANCIAL RESULTS

(` in Lacs)

| PARTICULARS                                                 | 2012-2013        | 2011-2012 |
|-------------------------------------------------------------|------------------|-----------|
| Gross Sales & Income                                        | <b>18,456.69</b> | 16,835.61 |
| Profit before depreciation, interest and tax                | <b>3,825.81</b>  | 2,978.10  |
| <b>Less</b> : Depreciation                                  | <b>1,273.98</b>  | 1,231.30  |
| Interest                                                    | <b>489.81</b>    | 489.18    |
| Profit before Income Tax                                    | <b>2,062.02</b>  | 1,257.62  |
| <b>Less</b> : Income Tax                                    | <b>467.18</b>    | 343.57    |
| Net Profit for the year                                     | <b>1,594.84</b>  | 914.05    |
| <b>Add</b> : Balance brought forward from the previous year | <b>4,469.70</b>  | 4,133.75  |
| Amount available for appropriation                          | <b>6,064.54</b>  | 5,047.80  |
| <b>Appropriation</b>                                        |                  |           |
| General Reserve                                             | <b>600.00</b>    | 300.00    |
| Dividend on Equity Shares                                   | <b>418.74</b>    | 239.28    |
| Corporate dividend tax                                      | <b>71.16</b>     | 38.82     |
| Balance carried forward to balance sheet                    | <b>4,974.64</b>  | 4,469.70  |

### DIVIDEND

Based on the Company's performance, your directors are pleased to recommend a final dividend of ` 0.35 per share (i.e. 35%) for the financial year 2012-13 on the capital of 11,96,39,200 equity shares of ` 1.00 each. The final dividend on the equity shares, if approved by the members would involve a cash outflow including dividend distribution tax of ` 489.90 Lacs (Previous year ` 278.10 Lacs).

### OPERATIONS REVIEW AND FUTURE OUTLOOK

During the year under review, the performance of your Company was satisfactory. The gross turnover of the Company increased to ` 20,025.39 Lacs during the year under review from ` 18,360.79 Lacs in the previous year. Accordingly gross profit and net profit were ` 2,062.02 Lacs and ` 1,594.84 Lacs respectively as compared to ` 1,257.62 Lacs and ` 914.05 Lacs respectively in the previous year. The turnover of the abrasives grains decreased to ` 11,456.91 Lacs during the year under review from ` 12,632.44 Lacs in the previous year.

During the year under review, the Company has sold non-plant grade bauxite amounting to ` 2,488.39 Lacs which includes export sale of ` 804.42 Lacs. The management expects that the Company will sale/export non-plant grade bauxite at various mines in Jamnagar district, Gujarat, subject to approval from the state government.

As you aware that your Company has also wind generation power plants having capacity of 11.1 MW, located at Jodhpur & Jaisalmer in Rajasthan and Kalmangi & Gajendragarh in Karnataka. These plants are operating satisfactorily, the power generated by these plants are sold to the respective state power distribution companies. During the year under review gross revenue for sale of power (wind energy) increased to ` 895.57 Lacs from ` 824.13 Lacs.

Your Company has a total thermal power plant capacity of 18 Mega Watt (MW) out of which 9 MW is based on coal and 9 MW on furnace oil. Due to unaffordable price of furnace oil, the furnace oil based power plant is used as and when required and found viable.

Your directors are hopeful that the performance of the Company in the current year will remain satisfactory.

### FIXED DEPOSIT

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

## **AUDITORS**

M/s S R Batliboi & Co. LLP, Chartered Accountants, who are the statutory auditors of the Company, hold office, in accordance with the provisions of the Act up to the conclusion of the forthcoming annual general meeting and offer themselves for re-appointment. They have confirmed that their re-appointment, if made, shall be within the limits laid down in Section 224(1B) of the Companies Act, 1956.

## **AUDITORS' REPORT**

The Auditors' Report read with notes to the financial statements is self-explanatory and does not call for any further explanation by the board.

## **COST AUDITORS**

M/s K G Goyal & Associates was appointed as Cost Auditors u/s 233(1B) of Companies Act, 1956 for the year 2011-12 for conducting Cost audit of business segment related to power division of the Company. The Cost Audit Report was duly filed with the MCA in requisite form on December 28, 2012 well within the extended due date of filing i.e. February 28, 2013.

M/s K G Goyal & Associates, Cost Accountants have further been appointed as Cost Auditor of the Company for the financial year 2013-14 for the products manufactured by the Company.

## **DIRECTORS**

Mr P P Khanna and Mr S K S Narayan, directors retire by rotation at the ensuing annual general meeting and being eligible offer themselves for re-appointment. Mr P P Khanna has also been appointed as an executive director of the Company. 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.

During the period Mr T N Chaturvedi resigned from the board of the Company. The board places on record its gratitude for the services rendered by Mr Chaturvedi during his tenure as member of the Board.

## **DIRECTORS RESPONSIBILITY STATEMENT**

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956 ("Act"), the Directors hereby confirm that:

- (i) in the preparation of the annual accounts for the year 2012-13, the applicable accounting standards have been followed and there are no material departures;
- (ii) 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 of the Company for the financial year;
- (iii) they have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Act. They confirm that there are adequate systems and controls for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities,
- (iv) they have prepared the annual accounts on a going concern basis.

## **CREDIT RATING OF BANK BORROWINGS**

For Long Term Bank Facilities A (Single A) rating have been assigned by Credit Analysis & Research Ltd. (CARE) and Credit Rating Information Services of India Limited (CRISIL). This ratings indicates adequate safety and carries low credit risk.

For Short Term Borrowings A1+ (A One Plus) have been assigned by CARE and A1 (A one) by CRISIL. These ratings indicates very strong degree of safety and carries lowest credit risk.

## **CODE OF CONDUCT**

The Company has laid down a code of conduct for the directors and senior management personnel as specified. The code was adopted in the board meeting held on December 13, 2005. It is available on the website of the Company [www.orientabrasives.com](http://www.orientabrasives.com). A certificate from the managing director that all board members and senior management personnels have affirmed compliance with the code of conduct for the year ended March 31, 2013 is attached as Annexure F.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**

Information relating to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo, required to be made pursuant to 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, is given in Annexure-A and forms part of this report.

**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 given in Annexure-B and forms part of this report.

**MANAGEMENT DISCUSSION AND ANALYSIS**

Notes on Management Discussion and Analysis of the Company have been given in Annexure-C and forms part of this report.

**CORPORATE GOVERNANCE**

A separate section on corporate governance for the year ended March 31, 2013 is attached to this report as Annexure-D. A certificate from the Practicing Company Secretary regarding compliance of the conditions of corporate governance as stipulated under clause 49 of the listing agreements with stock exchanges is enclosed as Annexure-E. CEO/CFO certificate is enclosed as Annexure-G.

**CORPORATE SOCIAL RESPONSIBILITY**

The Company will in due course of time shall make efforts contribute to the society and environment by following the voluntary guidelines on Corporate Social Responsibility, 2009 and the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business, 2011 framed by the Ministry of Corporate affairs, in letter and spirit.

**ACKNOWLEDGEMENTS**

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 investors of the Company for their confidence in the Company. They also gratefully acknowledge the continued support received from the customers, business associates, various government agencies, financial institutions and the banks.

For and on behalf of the Board

New Delhi  
May 17, 2013

**R K Rajgarhia**  
Chairman

## ANNEXURE TO DIRECTORS' REPORT

### ANNEXURE-A

**DISCLOSURE 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**

#### CONSERVATION OF ENERGY

The Company has made all efforts to optimize the use of energy and to minimise its wastage. To ensure minimum consumption of energy for a given level of production, operating parameters of production have been standardized. Insulation materials are also being used to avoid energy loss. Form A is not applicable to the Company.

#### TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

The Company is constantly trying to provide its customers with products that incorporate latest available technology. Though indigenously available materials and technology are preferred, efforts are being made, wherever possible, to make use of best contemporary technology.

#### FOREIGN EXCHANGE EARNINGS AND OUTGO

(` in Lacs)

| PARTICULARS | 2012-2013 | 2011-2012 |
|-------------|-----------|-----------|
| Earned      | 824.08    | 72.56     |
| Outgo       | 572.80    | 561.78    |

### ANNEXURE-B

#### STATEMENT OF THE EMPLOYEES PURSUANT TO SECTION 217 (2 A) OF THE COMPANIES ACT, 1956

| Name/Age<br>(Yrs.)             | Remuneration<br>Received<br>(in `) | Designation/<br>Nature of duties          | Qualification &<br>Experience (Yrs.)       | Date of<br>Commencement<br>of employment | Last employment                         |
|--------------------------------|------------------------------------|-------------------------------------------|--------------------------------------------|------------------------------------------|-----------------------------------------|
| Mr S G Rajgarhia<br>(65 Years) | 7,336,467.00                       | Managing Director,<br>Overall Management  | B Tech. (Hons.),<br>S.M. (MIT)<br>42 years | August 01, 1973                          | -                                       |
| Mr P P Khanna<br>(74 Years)    | 6,163,987.00                       | Executive Director,<br>Overall Management | B Sc., B E, AMIE<br>51 years               | July 01, 1973                            | Hindustan Motors Ltd<br>(Works Manager) |

- Above details are of those employee who was employed throughout the accounting year and was in receipt of remuneration of not less than ` 60.00 Lacs per annum.
- Remuneration as above includes salary, contribution to provident fund, leave travel allowance, medical expenses, leave encashment, bonus, actual amount spent on perquisites valued as per income tax rules and in the case of Mr S G Rajgarhia, commission on sales at the limits approved by the members.
- Mr S G Rajgarhia is a relative of Mr R K Rajgarhia, director of the Company and Mr P P Khanna is a relative of Mr R K Khanna, executive director of the Company.
- Employment is non-contractual in nature subject to three months' notice on either side except of Mr S G Rajgarhia.

## **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

### **GENERAL REVIEW**

The Company was incorporated in the year 1971 in New Delhi. The Company has two business divisions namely the Abrasives Grains, Refractory Monolithich Division at Porbandar, Gujarat that manufactures fused alumina grains, calcined products, refractory castables and monolithics and the Power division comprising of thermal power plants and wind turbine generators.

The Abrasives Grains Division, the first of Company's all divisions, was established in the year 1974. The Company established Refractory Division in 1985 at Bhiwadi, Rajasthan, which was demerged in the year 2011-12.

The Company also has a Power Division that generates electricity for captive consumption which was set up in 1998 and expanded in 2007 with the addition of a 9 MW coal based thermal power plant. In 2010, the Company ventured into green energy projects by setting up wind turbines. At present the total commissioned capacity of the wind farms is 11.1 MW. The power generated from the windmills is sold to the state electricity board with which there are power purchase agreements in place.

### **BUSINESS DIVISIONS/SEGMENTS**

As mentioned above, the Company has two major business segments in terms of the nature of output (i) Fused Aluminium Oxide Grains including Calcined Products and Refractories Monolithics and (ii) Electricity (Power Division), which have been elucidated in the following paragraphs:

#### **Abrasive Grains and Refractory Monolithics**

The Abrasives Grains Division at Porbander is the first manufacturing unit set up by the Company. The Division manufactures calcined bauxite and fused aluminium oxide abrasive grains. Raw bauxite and calcined alumina are the basic raw materials used for the manufacture of abrasive grains. Raw bauxite is procured from mines owned by the Company and others and calcined alumina is purchased from aluminium companies, Hindalco Industries Limited being prominent amongst them. These products are used in the manufacture of refractories and grinding wheels & coated abrasives.

The Company manufactures refractory castables & monolithics used in the cement & steel industries. It is also located in Porbandar, Gujarat.

#### **Power Generation**

The Company has a total thermal power plant capacity of 18 MW out of which 9 MW is based on coal and 9 MW on furnace oil. The thermal power plant based on coal is more economical and is operated at full capacity. The electricity from this power division is meant for captive consumption by the manufacturing division at Porbandar.

The Company also has wind power generation capacity of 11.1 MW. The power generated by these plants is sold to the respective state power distribution companies.

#### **Financials of Segments**

Financials of business segments are given in detail in note 26 (Segment Information) of the Annual Report.

### **FINANCIALS AND INTERNAL CONTROL**

During the year under review the gross turnover of the Company was ` 20,025.39 Lacs and gross profit & net profit were ` 2,062.02 Lacs & ` 1,594.84 Lacs respectively. The turnover of the abrasives grains was ` 11,456.91 Lacs. During the year, the Company has sold/ export non plant grade bauxite amounting to ` 2,488.39 Lacs. The management expects that the Company will sale/export non-plant grade bauxite at various mines in Jamnagar district, Gujarat, subject to approval from the state government. During the year under review gross revenue for sale of power (wind energy) was ` 895.57 Lacs.

The Company has an adequate internal control system which is commensurate with its size and which adopts the best practices prevalent in the industry. Besides conducting internal audit at regular intervals and implementing the measures suggested from time to time there is a statutory audit committee comprising of independent directors in place to oversee the internal control processes in the Company.

## **HUMAN RESOURCES**

The Company believes in the strength of human resources and that it is the best form of business capital which needs to be explored and utilised to full potential. At the Company, constant efforts are made in developing human resources by providing necessary training and taking care of employee welfare. The Company endeavors to keep the employees' motivation level high by providing congenial work atmosphere and rewarding/remunerating adequately.

There are cordial relations between the management and the employees.

## **CONCERNS AND FUTURE OUTLOOK**

The demand for abrasive grains on the domestic front is increasing steadily. The Company has adequate production capacity and technology to meet the increased demand while maintaining the quality.

The abrasive grains division is a power intensive unit and at present it depends on the State supplier and captive thermal power plant to fulfill its energy needs. The in house power plant was set up to economise on the cost of electricity and to avail uninterrupted supply. However since the cost of generation has increased over the years due to steep rise in fuel costs, the capacity availed from the State Electricity Board is being reviewed as an alternative. There was an increase in demand of royalty by the Gujarat Government for the low grade bauxite mined and exported by the Company in the previous years, which is being contested at higher levels by all the affected parties including the Company. The availability of abrasive grade bauxite is a matter of concern. The reserves in our mines are depleting. The Company is making efforts to get more mining leases. Efforts are also underway for importing the raw material.

Except for the above concerns, the future of the Company looks encouraging. The wind turbines have started generation on full scale which will increase the sales and profits in the coming years.

## **CAUTIONARY STATEMENT**

The Management Discussion and Analysis Report contains some forward looking statements based upon the information and data available with the Company, assumptions with regard to global economic conditions, the government policies etc. The Company cannot guarantee the accuracy of assumptions and perceived performance of the Company in future. Hence it is cautioned that the actual results may differ from those expressed or implied in this report.