

**30th
ANNUAL REPORT
2011-2012**



RAASI REFRATORIES LIMITED

BOARD OF DIRECTORS

- | | |
|------------------------------|---------------------|
| 1. Sri. Ashok Kumar Agarwal | Executive Chairman |
| 2. Sri. Sanjay Agarwal | Director |
| 3. Sri. Muralidhar Agarwal | Director |
| 4. Sri. Mahesh Kumar Agarwal | Director |
| 5. Sri. R.C. Biswas | Director-Operations |
| 6. Sri. Pramod Kumar Agarwal | Director |
| 7. Sri. Kirit D. Sanghvi | Director |

AUDIT COMMITTEE

- | | |
|------------------------------|----------|
| 1. Sri. Muralidhar Agarwal | Chairman |
| 2. Sri. Kirit D. Sanghvi | Member |
| 3. Sri. Pramod Kumar Agarwal | Member |

**SHAREHOLDERS'/INVESTORS'
GRIEVANCE COMMITTEE**

- | | |
|----------------------------|----------|
| 1. Sri. Muralidhar Agarwal | Chairman |
| 2. Sri. Kirit D. Sanghvi | Member |
| 3. Sri. Sanjay Agarwal | Member |

REMUNERATION COMMITTEE

- | | |
|------------------------------|----------|
| 1. Sri. Muralidhar Agarwal | Chairman |
| 2. Sri. Pramod Kumar Agarwal | Member |
| 3. Sri. Kirit D. Sanghvi | Member |

AUDITORS

M/S SRB & Associates
Chartered Accountants
I.C.A.I. Regn. No.310009E
403, Pavani Plaza
5th Floor, 6-2-984,
Khairatabad, Hyderabad-500004

COST AUDITORS

M/S PCR & Associates, Cost Accountants
11-5-293/1, 1st Floor, H.P Road,
Beside Good luck Hotel, Moosapet,
Hyderabad- 500018



RAASI REFRACTORIES LIMITED

BANKERS

State Bank of India
Commercial Branch,
Bank Street, Koti,
Hyderabad - 500 095

State Bank of Bikaner & Jaipur
RP Road,
Secunderabad – 500 003

State Bank of Hyderabad
Industrial Finance Branch
Punjagutta, Hyderabad - 500 082

Andhra Bank
Ashok Nagar Branch
Hyderabad – 500 020

REGISTERED OFFICE

6-3-349/20, Alpha Business Centre, II Floor,
Road No.1, Banjara Hills, Hyderabad-500 034
E-mail: marketing@raasi.in
Website: www.raasi.in

FACTORY

Lakshmipuram, Narketpally, Nalgonda District, Andhra Pradesh-508 254

REGISTRARS & TRANSFER AGENTS

Aarthi Consultants Private Limited
1-2-285, Domalguda, Hyderabad
Tel No. 91-40-27638111, 27634445
Fax No. 91-40-27635184
Website: www.aarthiconsultants.com

LISTING

The Hyderabad Stock Exchange,
Bombay Stock Exchange Limited

ANNUAL GENERAL MEETING

Date: 29th September, 2012
Time: 11.00 A.M
Venue: Bhaskara Auditorium
B.M. Birla Science Centre,
Adarsh Nagar, Hyderabad-500 063

BOOK CLOSURE

22nd September, 2012 to 29th September, 2012.

CONTENTS

Page No

Notice	3 - 5
Directors' Report	6 - 18
Report on Corporate Governance	19 - 31
Auditors Report	32 - 35
Balance Sheet	36
Profit and Loss Account	37
Significant Accounting Policies	38 - 39
Notes to Accounts	40 - 48
Cash Flow Statement	49 - 50
Balance Sheet Abstract & Business Profile	51

NOTICE

Notice is hereby given that the **Thirtieth Annual General Meeting** of the members of M/s Raasi Refractories Limited will be held on Saturday, the 29th day of September, 2012 at 11:00 A.M at Bhaskara Auditorium, B.M. Birla Science Centre, Adarsh Nagar, Hyderabad-500063 to transact the following items of business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March 2012, and the Profit and Loss Account for the Financial Year ended on that date and the reports of the Directors' and Auditors' thereon.
2. To consider the appointment of Sri Pramod Kumar Agarwal who retires by rotation and being eligible offers himself for reappointment.
3. To consider the appointment of Sri. Kirit D Sanghvi who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Auditors and fix their remuneration.
To consider and, if thought fit, to pass with or without modification, the following resolution as an ordinary resolution:

"RESOLVED THAT M/S SRB & Associates, Chartered Accountants, Hyderabad, having I.C.A.I. Registration number 310009E be and are hereby appointed as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting up to the conclusion of the next Annual General Meeting on such remuneration as may be determined by the Board of Directors of the Company and reimbursement of out-of-pocket and incidental expenses"

SPECIAL BUSINESS-

5. To consider and, if thought fit, pass with or without modifications, the following Resolution as a Special Resolution
"RESOLVED THAT pursuant to the provisions of Section 198, 269 and 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 including any statutory modification or re-enactment thereof, approval of the members of the Company be and is hereby accorded for the re-appointment of Sri. Ashok Kumar Agarwal as the Executive Chairman of the Company, whose term is expiring on 14th September, 2012, entrusting him with Executive and Managerial powers, for a period of further three years with effect from 15th September, 2012 on a non remuneration basis"
6. To consider and, if thought fit, to pass with or without modifications, the following Resolution as a Special Resolution
"RESOLVED THAT pursuant to the provisions of Section 198, 269 and 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (including any Statutory modification or re-enactment thereof, that may hereafter be made by the Central Government from time to time), and such other approvals if any, as may be required, consent of the shareholders of the Company be and is hereby accorded for the re appointment of Sri. R.C Biswas as Director-Operations of the Company, whose term of office shall expire on 29th August, 2012 for a period of further three years with effect from 30th August 2012 on the same terms and conditions of remuneration, which shall not exceed the limits specified in Schedule XIII of the Companies Act 1956 (including any Statutory modification or reenactment thereof, that may hereafter be made by the Central Government from time to time)"

REMUNERATION:**A. Salary: Rs.35000****B. PERQUISITES AND ALLOWANCES**

- a) The Company shall provide its own accommodation (furnished or otherwise) together with utilities such as electricity, water, society charges or rented house (furnished or otherwise)/ house rent allowance, together with house maintenance allowance and said utilities as the case may be at the discretion of the Board of Directors
- b) Other perquisites and allowances like medical, leave travel concession, provident fund, gratuity shall be in accordance with the rules of the Company
- c) The Company shall provide car together with running and maintenance expenses at such amount as may be decided by the Board from time to time
- d) The Company shall provide mobile and telephone at residence for effective communication and expenses shall be reimbursed by the Company at such amount as may be decided by the Board
- e) Such perquisites and allowances shall be subject to a maximum of 50% of the annual salary.
- f) For the purpose of calculating the above ceilings, perquisites and allowance shall be evaluated as per the Income Tax Rules wherever applicable. In the absence of any such Rules, perquisites and allowances shall be evaluated at actual cost Provision of Company's accommodation telephones and use of the Company's cars shall not be included in the computation of perquisites for the purpose of calculating the aforesaid ceilings. Gratuity payable as per the rules of the Company and encashment of leave at the end of the tenure shall not be included in the computation of limits for the remuneration of perquisites aforesaid

C. COMMISSION

Such remuneration by way of commission in addition to the salary, perquisites and allowances, calculated at 0.3% on net profits of the Company in a particular financial year or such percentage as may be determined by the Board, subject to the overall ceilings stipulated in the Companies Act, 1956. The commission payable to the Director (Operations) will be determined at the end of each financial year and will be payable annually after the annual accounts have been approved by the Board of Directors and adopted by the Shareholders

D. MINIMUM REMUNERATION

Notwithstanding anything to the contrary herein contained, in the event of loss or inadequacy of profits during any financial year, in the aforesaid period, the Company will pay remuneration by way of salary, perquisites and allowances and incentive remuneration as specified above.

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do such other acts, deeds and things as may be necessary, proper or expedient to give effect to this Resolution"

By order of the Board
For **RAASI REFRACOTORIES LIMITED**

Date: 13-08-2012
Place: Hyderabad

Ashok Kumar Agarwal
Executive Chairman

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend the meeting and vote instead of him. The Proxy need not be a member of the company. The instrument appointing should however be deposited at the registered office of the company not less than 48 hours before the commencement of the meeting.
2. Members holding shares in Dematerialized mode are requested to intimate the changes with respect to their bank details, mandate, nomination, power of attorney, change of address, change in name etc, to their Depository Participant.
3. Corporate members intending to send their authorized representatives to attend the meeting are requested to send a certified copy of the board resolution authorizing their representatives to attend and vote on their behalf in the meeting.
4. Shareholders having multiple folio numbers either in individual names or in joint names of the same order should intimate RTA/DP's so as to enable them to consolidate such folios into one folio.
5. Members are requested to bring their copy of the Annual Report to the meeting.
6. Register of members of the Company and Share Transfer Books will remain closed from 22nd September, 2012 to 29th September, 2012 (both days inclusive)
7. Members desiring any information as regards accounts are requested to write to the Company at least seven days before the date of the meeting to enable the

management to keep the information ready at the meeting.

8. Members attending the meeting are requested to complete and bring the attendance slips enclosed with the annual report and hand over the same at entrance of the meeting hall, duly signed.

9. Re-appointment of Directors

- A. **Sri. Pramod Kumar Agarwal**, Director of the company retire by rotation at the ensuing Annual General Meeting, and being eligible offer himself for re-appointment.

Sri Pramod Kumar Agarwal aged 33 years is a Graduate in Commerce. He has rich experience in Management and Administration. He has a good exposure in the area of Refractory and Steel Industry.

- B. **Sri Kirit D Sanghvi**, Director of the company retire by rotation at the ensuing Annual General Meeting, and being eligible offer himself for re-appointment.

Sri. Kirit D Sanghvi aged about 59 years is a Bachelor of Commerce has a post Graduate Diploma in Management Studies from North Staffordshire Polytechnic, U.K. He has been involved in International business and his exposure to refractory market in India and abroad is very wide.

By order of the Board
For **RAASI REFRACTORIES LIMITED**

Date: 13-08-2012
Place: Hyderabad

Ashok Kumar Agarwal
Executive Chairman

DIRECTORS' REPORT

Dear Members,

Your Directors present the **Thirtieth Annual Report** on the business and operations of the Company and the audited statements of the accounts for the year ended 31st March 2012.

1. FINANCIAL RESULTS AND OPERATIONS:

The summarized financial results for the year ended 31st March 2012 as compared with the previous year are as under:-

PARTICULARS	(Rs. In lakhs)	
	For the year 2011-12	For the year 2010-11
a. Revenue from operation (excluding excise & sales tax)	2201.07	2567.84
b. Profit before interest, depreciation and taxes	420.50	293.05
c. Interest	303.82	291.69
d. Depreciation	103.36	103.30
e. Profit before tax	13.32	(101.94)
f. Prior period adjustments (net)	0.00	0.00
g. Provision for taxation:		
- Current	10.99	0.00
- Deferred	0.00	8.78
h. Net profit/(loss)	2.32	(110.73)

Your Company has achieved the gross turnover of ₹2455.95 lakhs as against a turnover of ₹2904.64 lakhs achieved during the previous financial year. The Company's export sales decreased from 173.38 Lakhs to ₹ 89.92 Lakhs during the period under review.

The company has earned a Net profit of ₹2.32 lakhs for the year under review as against Net loss of ₹110.73 during the previous financial year

2. MARKETING

The service rendered by your company to the customers, continues to be the best in the industry which can be attributed to the perpetual strive of the service personnel for improvement.

3. INDUSTRY OUTLOOK

With the sustainable growth in steel producing capacities particularly in India and increased demand for quality Iron and Steel particularly from manufacturing, construction and automobile sectors, it is expected that demand for refractories would continue to rise.

4. DIRECTORS

At the ensuing Annual General Meeting. **Sri. Pramod Kumar Agarwal, Sri. Kirit D Sanghvi** Directors of the Company will be retiring by Rotation and being eligible offer themselves for re-appointment in terms of Section 256 of the Companies Act, 1956.

None of the directors of the company are disqualified for being appointed as directors as specified in Section 274 of the Companies Act, 1956. Your Board of Directors recommends their reappointment.

5. DIRECTORS' RESPONSIBILITY STATEMENT

As per the requirements of section 217(2AA) of the Companies Act, 1956, in respect of the Director's responsibility statement, the Directors of the Company hereby confirm.

- That in the preparation of the accounts for the financial year ended 31st March, 2012; the applicable accounting standards have been followed along with proper explanation relating to material disclosures.
- That the Directors' have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the financial year and of the profit of the Company for the year under review.
- That the Directors have taken proper and sufficient care for the maintenance of the adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the

Company and for preventing and detecting fraud and other irregularities.

- d. That the Director's have prepared the accounts for the financial year ended 31st March, 2012 on a going concern basis.

6. AUDITORS

M/S SRB & Associates, Chartered Accountants, Auditors of the company hold office until the conclusion of the Thirtieth Annual General Meeting and are eligible for re-appointment.

7. COST AUDITORS

Pursuant to the direction from the Ministry of Corporate Affairs and section 224 (1-B) & 233B of the Companies Act, 1956 for appointment of Cost Auditors, your Board of Directors have appointed M/s. PCR & Associates, Cost Accountants, Hyderabad, as the Cost Auditor for the year ending March 31, 2012.

8. FIXED DEPOSITS

The Company has not accepted any fixed deposits from the public within the meaning of section 58A of The Companies Act, 1956 and, as such no amount of principal or interest was outstanding as of the balance sheet date.

9. DIVIDENDS

No dividend is recommended by the Board of Directors for the year under review.

10. PARTICULARS OF EMPLOYEES

No employee of the company was in receipt of remuneration, which requires disclosure under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

11. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO

Particulars pursuant to the provisions of section 217(1)(e) of the Companies Act, 1956

read with the Companies (Disclosures of particulars in the report of Board of Directors) Rules, 1988 are given in the Annexure-A.

12. CORPORATE GOVERNANCE

A separate report on corporate governance along with the Auditors' certificate on its Compliance is attached to this report.

13. MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

Management Discussion and Analysis Report has been included in adherence to the Exchange spirit enunciated in the code of corporate governance approved by the Securities and Exchange Board of India. Management presents herein the industry overview, opportunities and threats, initiatives by the Company and its overall strategy for the future. This outlook is based on the assessment of current business environment, which may vary due to the future economic and other developments both in India and abroad.

(A) Industry Structure and Development:

Refractories are made of naturally-occurring minerals, such as bauxite, kyanite, magnesite, fireclay, chrome ore, etc. Refractories are used either where high temperature or high rate of abrasion/ corrosion/ erosion is involved. Lately, however, the industry has been using man-made raw materials, such as brown-fused alumina, tabular alumina, fused magnesia, silicon carbide, magnesia alumina, etc. It has a wide product range and comprehensive to suit the requirement of different industry segments. These are produced in Special Shapes and are Custom made to suit the requirements of the various industries.

Refractory plays a dynamic role not only for metallurgical but also for shaping up chemical and petrochemical, glass, ceramic, cement and limestone industries. Major research work has so far been concentrated

for the development of new refractory and also for its reduction in consumption for steel industries. But, the industry's efforts have so far proved futile as no major breakthrough has been achieved. Indian refractory industry, meanwhile, is required to upgrade their operations with global technologies which need huge investment. But, in the long run, the investment is bound to fetch higher returns too.

(B) Opportunities and threats

Opportunities in the refractories industry:

With the staggering recovery from last year's downturn in steel industry, the global refractories market is expected to improve marginally. An increasing level of industrialization is fueling growth in the Indian steel industry, providing ample growth opportunities for refractories. Iron and steel remains the major end user market for refractories. However, the declining steel industry usage of refractories bodes well for the growth of refractories in other end user sectors. Growth in the production of cement, ceramics and other mineral products is expected to complement this growing trend in the coming years. In addition, an upsurge in the use of refractories in metal and non-metallic mineral products' production is expected to widen the market's growth prospects.

Threats in the Refractories industry:

The Refractory Industry has to keep pace with steel industry with regard to quality and quantity demands. Meanwhile, with the changed business scenario more and more customers are looking forward to total refractory management which encompasses creation of value added service, responsive supply chain network and understanding of customers' requirement.

Scarcity of raw materials continues to remain a major threat. Another major issue for

refractory business is raw materials security especially with China imposing quantitative restrictions on export of raw materials and also jacking up prices over the last year or so.

Another major threat to the refractory industry is reduction in the per capita consumption of refractories and technological upgrading of products and process.

(C) Segment or Product wise Performance:

Your company operates in only one business segment and one product viz., refractories. A brief of the different types of refractories manufactured by the company is given below:

Fire Clay: These are basically aluminosilicate refractories possessing alumina not exceeding 42%. Fire clay refractories earlier used to find use in lining of blast furnaces for hearth and bosh portion due to the dense structure, reheat shrinkage, resistance to slag and load characteristics of these bricks. This is a low alumina refractory product and is manufactured by both small and big refractory plants beside many un-organized units. Fire Clay and Ramming mass have low shrinkage and are resistance to slag, These have low iron content, high volume stability, high resistant to spalling and corrosion and co-disintegration and also resistant to molten metal attack and can be used for special application. Hence the market for this product is highly competitive. The price of this product is low and does not require much technology. The company has a good brand image in this segment.

High Alumina: High Refractoriness increases with increasing alumina content. These bricks have high Mechanical strength and excellent load-bearing properties at high temperatures besides having fair to excellent resistance to spalling. These High Alumina Bricks have high resistance to corrosion by many basic slags and fluxes and fair resistance to acid slags. These High Alumina

Bricks are suitable for Cement Rotary Kilns, Laddle Lining, Glass industries, Blast furnaces Stoves & Checkers, Electric Furnace Roof & Other miscellaneous industries

The company has a good brand image in this segment and has performed well at Integrated Steel Plant last year as a result of which it has received additional orders for the current year and is one of the major suppliers to RINL, JSW, TRL & SAIL Units.

Basic: This is a basic refractory product and comprises of Mag Carbon and Magnesite bricks. The company has good performance record in this category. The company has executed order in SAIL Units & RINL and has reasonable chances for improving its market share for this product.

Monolithics: These refractories are well known to produce joint less structure which are stable from dimensional aspect at high temperatures and are resistant to thermal shock and abrasion. It comprises of castables, plastic mass, ramming mix, mortars, slingor mix and coating material. This is an unfired green refractory material. The quality of product ranges from 30 % to 90% alumina which is being used for varied purpose and applications like Sponge Furnace Kiln, Power Plants etc. Silica Ramming Mass for Induction furnace has been recently introduced in this section.

(D) Outlook:

The increasing level of industrialization is fuelling growth in the Indian steel industry, providing ample growth opportunities for refractories. Iron and steel industry continues to remain the major end-use market for refractories.

Despite the price of several raw materials going up significantly, refractory makers were, till recently, left with little choice but to absorb the shock, resulting in erosion of

bottom lines. But the brighter side of the story is increasing credibility of Indians in the global market, where price realization is relatively better. Although the specific consumption of refractories has gone down from 30 kg per tonne of steel about 20 years ago to 12-13 kg on an average for the steel industry as a whole and as low as 7-8 kg in the case of some more efficient steel units, the scope for growth is good in view of the continuing growth in the Indian economy and the government's focus on infrastructure development.

(E) Risks and Concerns:

India's refractory industry has witnessed a dramatic squeeze in margins amidst poor demand from end users and rising raw material prices. Sudden rise in the price of the raw material is due to dependence of the refractory industry on the raw materials imported from China. It is a matter of great concern as the use of synthetic raw materials is driving the prices of the raw materials higher. Further, the raw material prices are increasing regularly, where as the prices of finished goods are not rising proportionally.

The refractory industry is going through an exciting and complex phase. On one hand, refractory makers are adding capacities with the hope that demand from the steel sector will rise at a fast pace. On the other hand, usage of the new technology processes is leading to reduction in refractories consumption.

A major area of concern is availability of adequately qualified and competent workforce. The industry is facing countless difficulties both in terms of increasing raw-material and other input costs as well as the availability, further the negotiating power of the refractory makers is poor mainly due to their size as it caters to the industries which are far bigger in sizes like aluminum, steel, cement etc.