

*22nd
Annual Report
2003 - 2004*

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RAASI REFRACTORIES LIMITED



RAASI REFRATORIES LIMITED

BOARD OF DIRECTORS

1. Sri. Sanjay Agarwal	Managing Director
2. Sri. K.S.N.Raju	Director
3. Sri. Muralidhar Agarwal	Director
4. Sri Pankaj Shah	Director
5. Sri. Natwar Lath	Director
6. Sri. Pramod Kumar Agarwal	Director

AUDIT COMMITTEE

1. Sri. Natwar Lath	Chairman
2. Sri. Pankaj Shah	Member
3. Sri. Pramod Kumar Agarwal	Member

SHARE HOLDERS / INVESTORS

GRIEVANCE COMMITTEE

1. Sri. Muralidhar Agarwal	Chairman
2. Sri. Natwar Lath	Member
3. Sri. Pramod Kumar Agarwal	Member
4. Sri. Sanjay Agarwal	Member

REMUNERATION COMMITTEE

1. Sri. Pankaj Shah	Chairman
2. Sri. Natwar Lath	Member
3. Sri. Muralidhar Agarwal	Member

AUDITORS

B.N.& Company
Chartered Accountants
8-2-120/112/A/14, Road No.9
Jubilee Hills, Hyderabad - 500 033

BANKERS

State Bank of Hyderabad	Andhra Bank
Industrial Finance Branch	Ashok Nagar Branch
Punjagutta, Hyderabad- 82	Hyderabad-20

REGISTERED OFFICE

6-3-349/20, Alpha Business Centre, IInd Floor,
Road No.1, Banjara Hills, Hyderabad - 500 034

FACTORY

Lakshmpuram, Narketpally, Nalgonda District
Andhra Pradesh -508 254

REGISTRARS & SHARE TRANSFER AGENTS

Aarthi Consultants (P) Ltd,1-2-285,
Domalguda, Hyderabad -- 500 029

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RAASI REFRATORIES LIMITED

NOTICE

Notice is hereby given that the Twenty Second Annual General Meeting of the members of Raasi Refractories Limited will be held on **Friday, the 24th September, 2004** at 11.00 a.m. at Bhaskara Auditorium, B.M. Birla Science Centre, Adarsh Nagar, Hyderabad – 500 063 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, 2004 and the Profit and Loss Account for the Financial Year ended on that date and the reports of the Director's and Auditor's thereon.
2. To appoint a Director in the place of Sri. K.S.N. Raju who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint M/s. SRB & Associates, Chartered Accountants, Bhubaneswar having Branch at Hyderabad as Statutory Auditors in place of M/s. B.N. & Co., Chartered Accountants, Hyderabad, the retiring Auditors and to fix their remuneration.

To consider and, if thought fit, to pass with or without modifications, the following Resolution as an Ordinary Resolution:

"RESOLVED THAT M/s. SRB & Associates, Chartered Accountants, Bhubaneswar, Orissa having Branch Office at Hyderabad be and are hereby appointed as Statutory Auditors of the Company, in place of M/s B.N. & Co. Chartered Accountants, Hyderabad the retiring Statutory Auditors of the Company, on a remuneration as may be fixed by the Board of Directors at its discretion"

"RESOLVED FURTHER THAT a written certificate pursuant to the provisions of Section 224 (1) having been received from M/s. SRB & Associates, Chartered Accountants, they shall hold office until the conclusion of next Annual General Meeting"

SPECIAL BUSINESS:

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

"RESOLVED THAT pursuant to the provisions of Section 257 of Companies Act, 1956 Sri Sanjay Agarwal, who was appointed as Additional Director of the company pursuant to section 260 of the Companies Act, 1956 and who holds office upto the date of this Annual General Meeting and in respect of whom the company has received a notice in writing proposing his candidature for the office of a director, be and is hereby appointed as Director of the Company.

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

"RESOLVED THAT pursuant to the provisions of Section 257 of Companies Act, 1956 Sri. Pankaj Shah, who was appointed as Additional Director of the company pursuant to section 260. of the Companies Act, 1956 and who holds office upto the date of this Annual General Meeting and in respect of whom the company has received a notice in writing proposing his candidature for the office of a director, be and is hereby appointed as Independent Director of the Company subject to retirement by rotation under the Articles of Association of the Company."

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

"RESOLVED THAT pursuant to the provisions of Section 257 of Companies Act, 1956 Sri. Natwar Lath, who was appointed as Additional Director of the company pursuant to section 260 of the Companies Act, 1956 and who holds office upto the date of this Annual General Meeting and in respect of whom the company has received a notice in writing proposing his candidature for the office of a director, be and is hereby appointed as Independent Director of the Company subject to retirement by rotation under the Articles of Association of the Company."

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

"RESOLVED THAT pursuant to the provisions of Section 257 of Companies Act, 1956 Sri. Muralidhar Agarwal, who was appointed as



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Additional Director of the company pursuant to section 260 of the Companies Act, 1956 and who holds office upto the date of this Annual General Meeting and in respect of whom the company has received a notice in writing proposing his candidature for the office of a director, be and is hereby appointed as Independent Director of the Company subject to retirement by rotation under the Articles of Association of the Company."

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

"RESOLVED THAT pursuant to the provisions of Section 257 of Companies Act, 1956 Sri. Pramod Kumar Agarwal, who was appointed as Additional Director of the company pursuant to section 260 of the Companies Act, 1956 and who holds office upto the date of this Annual General Meeting and in respect of whom the company has received a notice in writing proposing his candidature for the office of a director, be and is hereby appointed as Independent Director of the Company subject to retirement by rotation under the Articles of Association of the Company."

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and 316 read with Schedule XIII and all other applicable provisions 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 be and is hereby accorded for the appointment of Sri Sanjay Agarwal as Managing Director for a period of 5 years w.e.f.29.06.2004 on the following terms and conditions including remuneration, which shall not exceed the limits specified in Schedule XIII 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)".

"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".

A. REMUNERATION:

SALARY : Rs. 25,000/- p.m.

B. PERQUISITES AND ALLOWANCES

- a) In addition to the salary and commission the whole time directors and Managing Director shall also be entitled to perquisites and allowances like :
- ❖ Accommodation (furnished or otherwise), where the company undertakes the upkeep and maintenance of the accommodation together with utilities such as gas, electricity, water, society charges, property tax etc., or house rent allowance, together with house maintenance allowance and utilities allowances.
 - ❖ Reimbursement of expenses or allowance for furnishings, helpers, leave travel for himself and his family, club fees, medical expense and medical / accident insurance and such other perquisites and allowances in accordance with the rules of the Company or as mutually agreed to between the Board of Directors or its Committee and the Managing Director.

Such perquisites and allowances shall be subject to a maximum of 55% of the annual salary where the Company provides accommodation and 125% of the annual salary where the Company does not provide accommodation.

- b) For the purpose of calculating the above ceilings, perquisites and allowances shall be evaluated as per the current Income Tax Rules wherever applicable. In the absence of any such Rules, perquisites and allowances shall be evaluated at actual cost. Provision of Company accommodation as above, telephones and use of the Company's car shall not be included in the computation of perquisites for the purpose of calculating the aforesaid ceilings.
- c) Company's contribution to Provident Fund and Superannuation or Annuity Fund to the extent



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these either singly or together and not taxable under the Income Tax Act, 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. INCENTIVE REMUNERATION

Up to 150% of the annual basic salary to be paid at the discretion of the Board or its Committee, annually, based on certain performance criteria.

D. COMMISSION

Such remuneration by way of commission, in addition to the salary, perquisites and allowances and incentive remuneration, calculated with reference to the net profits of the company in a particular financial year, as may be determined by the Board or its Committee at the end of each financial year based on certain performance criteria to be laid down by the Board of its Committee, subject to the overall ceilings stipulated in Sections 198 & 309 of the Companies Act, 1956. The commission payable to the Managing Director 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.

E. 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.

By Order of the Board
For RAASI REFRACTORIES LIMITED.

Date: 18.08.2004
Place: Hyderabad

SANJAY AGARWAL
Managing Director

NOTES:

1. The Explanatory statement pursuant to section 173(2) of the Companies Act, 1956 relating to special business to be transacted at the meeting is annexed hereto.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend the meeting and vote instead of himself. The proxy need not be a member of the company. The instrument appointing proxy should however be deposited at the registered office of the company not less than 48 hours before the commencement of the meeting. A proxy form is appended with the admission slip.
3. Members holding shares in the dematerialized mode are requested to intimate all changes with respect to their bank details, mandate, nomination, power of attorney, change of address, change in name etc., to their Depository Participants (DP).
4. Members are requested to bring their copy of the Annual Report to the Meeting.
5. Register of members of the Company and Share Transfer Books will remain closed from 20.09.2004 to 24.09.2004 (both days inclusive) – as decided by the Board.
6. Pursuant to Section 205 of the Companies Act, 1956, all unclaimed/unpaid dividends declared for the financial year 1993-1994 have been transferred to the General Revenue Account of the Central Government as required by the Companies Unpaid Dividend (Transfer to the General Revenue Account of the Central Government) Rules, 1978. Members who have not claimed or encashed such dividend may approach the Registrar of Companies, Andhra Pradesh for payment of such un-claimed/un-encashed dividend by complying with the prescribed procedures.
7. Pursuant to Section 205A(5) of the Companies Act, 1956 the company had transferred an amount of Rs. 1,00,895/- to the Investor Education and Protection Fund being dividend



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of the financial year 1995-96 remaining unclaimed for a period of seven years from the date of its transfer to the unpaid dividend account of the company.

8. Members are advised to avail the nomination facility under Section 109A of the Companies Act, 1956.
9. 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.
10. **Appointment/Re-appointment of Directors:**

At the ensuing Annual General Meeting, Sri. K.S.N. Raju retires by rotation and being eligible offers himself for re-appointment. Sri. Pankaj Shah, Sri Natwar Lath, Sri Muralidhar Agarwal, Sri Pramod Kumar Agarwal will be appointed as directors liable to retire by rotation. Sri. Sanjay Agarwal, will be appointed as Managing Director for a period of five years as a director not liable to retire by rotation. The information or details to be provided for the aforesaid directors under corporate governance code are as under:

Sri. K.S.N. Raju, aged 58 is the senior most member on the Board of your company. He is a graduate in Mechanical and Electrical Engineering and has vast experience in cement and refractory industries. Sri. K.S.N. Raju is a Director in Mata Cements Limited and Viswam Cements Limited. Sri. K.S.N. Raju is not a member of any of the Board committees in your company.

Sri. Sanjay Agarwal aged 32 years is a Commerce Graduate and has vast experience in the business administration and management. He has acquired an expertise in management and promotion of refractory business. Sri Sanjay Agarwal is a Director in Sarvesh Refractories Pvt. Ltd., Orissa. He is also a member of Shareholders / Investor Grievance Committee

Sri Muralidhar Agarwal aged 45 years is a bachelor of Commerce. He is having vast knowledge in the filed of Mining, Refractories and Metal Industries. He has been associated with

the business of steel and refractory industry and related business for last 25 years. He is also a director on the Boards of Hind Metals & Ind. Co. Pvt. Ltd, Sarvesh Refractory Pvt. Ltd., Thanwas commercial Pvt. Ltd., Sree Metaliks Limited, R.S. Agarwal & Bros. Ltd. He is a member of Remuneration Committee and Chairman of Shareholders / Investor Grievance Committee

Sri Pramod Kumar Agarwal aged 27 years is a Graduate in Commerce. He has rich experience in Management and Administration. He is a director on the Boards of Rourkela Minerals Company (P) Ltd and Sree Metaliks Ltd. He is a member of Shareholders / Investor Grievance Committee and Audit Committee.

Sri Natwar Lath aged 44 years is a bachelor of Commerce and a fellow member of the Institute of Chartered Accountants of India. He also holds a Diploma in Information System Audit. He has vast and rich experience of over 20 years in Income Tax and Audit matters. Sri Natwar Lath is a proprietor of Natwar and Associates, Chartered Accountants. He is a member of Shareholders / Investor Grievance Committee and Remuneration Committee. He is the Chairman of the Audit Committee of your company. He is also a director in M/s. Lath Services (P) Ltd.

Sri Pankaj Shah aged 47 years is a Bachelor of Commerce. He has a vast experience in organizing and administering business. He is a director on the boards of Meena Agency Pvt. Ltd. - Jamnagar, Hindustan Fusal Pvt. Ltd. - Hosur, Hindustan Calcined Metal Pvt.Ltd. - Bellary, Sarvesh Refractory (Guj) Pvt. Ltd. - Ahmedabad and Hem-Jay Construction Co. Pvt. Ltd. - Jamnagar. He is a member of Shareholders / Investor Grievance Committee and Audit committee. He is also Chairman of the Remuneration Committee of your company.

By Order of the Board
For RAASI REFRATORIES LIMITED.

Date: 18.08.2004
Place: Hyderabad

SANJAY AGARWAL
Managing Director



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EXPLANATORY STATEMENT PURSUANT TO THE PROVISION OF SECTION 173 (2) OF THE COMPANIES ACT, 1956.

ITEM NO. 3

M/s. B.N. & Co., Chartered Accountants, the Statutory Auditors of the company retire from the office at the conclusion of ensuing Annual General Meeting. The company is in receipt of a notice in terms of section 225, 190 and 188 of the Companies Act, 1956 from shareholders of the company, proposing the appointment of M/s. SRB & Associates, Chartered Accountants, Bhubaneswar having office at Hyderabad as Statutory Auditors in place of M/s B.N. & Co. Chartered Accountants, Hyderabad.

Hence, it is proposed to consider the appointment of M/s. SRB & Associates, Chartered Accountants, Bhubaneswar having branch office at Hyderabad as Statutory Auditors of the company who shall hold office until conclusion of the next Annual General Meeting.

None of the Directors are interested in the Resolution.

ITEM NO. 4

Sri. Sanjay Agarwal was appointed Additional Director of the company w.e.f. 30-12-2003. Pursuant to section 260 of the Companies Act, 1956, Sri. Sanjay Agarwal, will hold office as additional director of the company up to the date of the ensuing Annual General Meeting. The company has received a notice in writing from a member along with a deposit of five hundred rupees proposing the candidature of Sri. Sanjay Agarwal for the office of director of the company under the provisions of section 257 of the Companies Act, 1956.

In view of the expertise of Sri. Sanjay Agarwal as elaborated in point 10 above, it would be in the interest of the company that Sri. Sanjay Agarwal is appointed as Director of the Company.

Your Directors, therefore, recommend the resolution for your approval.

None of the Directors except Sri. Sanjay Agarwal is concerned or interested in the resolution.

ITEM NO. 5 & 6

Sri. Pankaj Shah and Sri Natwar Lath were appointed Additional Directors of the company w.e.f. 09.02.2004.

Pursuant to section 260 of the Companies Act, 1956, they will hold office as additional directors of the company up to the date of the ensuing Annual General Meeting. The company has received notices in writing from shareholders of the Company proposing their candidature for the office of director of the company along with a deposit of Rs.500/- each under the provisions of section 257 of the Companies Act, 1956.

In view of the expertise of the aforesaid persons as elaborated in point 10 above, it would be in the interest of the company that they are appointed as Directors of the Company.

Your Directors, therefore, recommend the resolution for your approval.

None of the Directors except Sri. Pankaj Shah and Sri Natwar Lath are concerned or interested in the resolution relating to their appointment.

ITEM NO. 7 & 8

Sri. Muralidhar Agarwal and Sri Pramod Kumar Agarwal were appointed Additional Directors of the company w.e.f. 28.06.2004. Pursuant to section 260 of the Companies Act, 1956, they will hold office as additional directors of the company up to the date of the ensuing Annual General Meeting. The company has received notices in writing from shareholders of the Company proposing their candidature for the office of director of the company along with a deposit of Rs.500/- each under the provisions of section 257 of the Companies Act, 1956.

In view of the expertise of the aforesaid persons as elaborated in point 10 above, it would be in the interest of the company that they are appointed as Directors of the Company.

Your Directors, therefore, recommend the resolution for your approval.

None of the Directors except Sri. Muralidhar Agarwal and Sri Pramod Kumar Agarwal are concerned or interested in the resolution relating to their appointment.

By Order of the Board
For RAASI REFRATORIES LIMITED.

Date: 18.08.2004
Place: Hyderabad

SANJAY AGARWAL
Managing Director



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DIRECTOR'S REPORT

Dear Members,

Your Directors hereby present the twenty second annual report on the business and operations of the company and the audited statements of accounts for the year ended 31st March 2004.

1. FINANCIAL RESULTS AND OPERATIONS

The summarized financial results for the year ended 31st March 2004 as compared with the previous year is as under:

(Rs. In lakhs)

PARTICULARS	For the year 2003-04	For the year 2002-03
a. Sales & incentives (excluding excise & sales tax)	840.70	927.03
b. Gross Profit	68.24	53.74
c. Interest	105.60	102.43
d. Depreciation	36.92	36.66
e. Profit before tax	(74.28)	(85.35)
f. Prior period adjustments (net)	(10.25)	2.37
g. Provision for taxation		
- Current	-	(0.25)
- Deferred	3.18	(0.34)
h. Net profit/(loss)	(81.35)	(83.57)

The sales figures of the company has decreased by a margin of 9.31% as compared to that of the sales of previous year which was due to slow down in industrial operations and lack of working capital. The company has been maintaining consistent quality of products by using better quality and value added inputs in order to achieve the standard performance in terms of heat guarantee stipulated by steel plants. Your company is dedicated to maintain consistent quality despite reduction in margins and increase in cost.

The company has incurred a net loss of Rs.81.35 lakhs for the year under consideration.

In view of the loss, the Directors are unable to declare any dividend

2. CORPORATE GOVERNANCE

A detailed report on the Corporate Governance is provided in the Annual Report. Auditor's Report thereon is also enclosed separately.

3. MANAGEMENT DISCUSSION AND ANALYSIS

A detailed Management discussion and Analysis is provided in Annexure - 'A' to this report.

4. INFORMATION TO THE SHAREHOLDERS

The Shareholder related information is provided in the Annual Report.

5. CHANGE OF MANAGEMENT (TAKE OVER)

The Promoters of the Company viz., Sri M. Ravindra Varma and others have entered into a Agreement for Sale of Shares to Sri Sanjay Agarwal and Sri Ashok Kumar Agarwal. The acquirers have made a Public Announcement for purchase of shares on 27.02.2004. The offer closed on 25.06.2004. The process of take-over is on the verge of conclusion.

6. DIRECTORS

Sri. M.V.K.L.N. Raju, M.R. Vikram and P.V.S.R. Murthy resigned as Directors on 15.06.2004, 09.02.2004 and 09.02.2004 respectively. Your Directors record their appreciation for the valuable services rendered by them during their tenure as members of the Board.

Sri. M. Ravindra Varma and M.L. Vijaya Rama Raju, also resigned as Directors on 28.06.2004.

The Board appointed Sri. Sanjay Agarwal as Additional Director on 30.12.2003. Sri Pankaj Shah and Sri Natwar Lath were appointed as Additional Directors on 09.02.2004. Sri Pramod Kumar Agarwal and Sri Muralidhar Agarwal were appointed as Additional Directors with effect from 28.06.2004 to hold office upto the date of this Annual General Meeting.

Sri. K.S.N. Raju retires by rotation at the conclusion of the 22nd Annual General Meeting and being eligible offers himself for re-appointment.

7. DIRECTORS RESPONSIBILITY STATEMENT

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

a. That in the preparation of the accounts for the financial year ended 31st March, 2004, the applicable accounting standards have been followed along with proper explanation relating to material departures.



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- b. 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 state of affairs of the company at the end of the financial year and of the loss of the Company for the year under review.
- c. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safe guarding the assets of the company and for preventing and detecting fraud and other irregularities.
- d. That the Directors have prepared the accounts for the financial year ended 31st March, 2004 on a 'going concern basis'.

8. AUDITORS

M/s B.N. & Company, Chartered Accountants, Auditors of the Company, hold office until the conclusion of the twenty second Annual General Meeting and are eligible for re-appointment.

9. FIXED DEPOSITS

The company has not accepted any fixed deposits from the public within the meaning of section 58A of the Companies Act, 1956.

10. UNCLAIMED DIVIDEND

During the year under review unclaimed dividend amount of Rs.1,00,895.00 in respect of the year 1995-96 had been transferred to the Investor Education and Protection Fund pursuant to section 205A(5) of the Companies Act, 1956.

11. 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.

12. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, AND FOREIGN EXCHANGE EARNING & 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 - 'B'

13. ACKNOWLEDGEMENT

Your Directors wish to place on record the sincere thanks for the co-operation and support received from various agencies of the Central and State Government as also from the company's bankers State Bank of Hyderabad and Andhra Bank and Financial Institutions IFCI, LIC, GIC and its subsidiaries.

Your Director's also take this opportunity to place on record their appreciation of the dedication and sense of commitment shown by the employees at all levels and their contribution towards the performance of the company.

For and on behalf of the Board
For RAASI REFRACTORIES LIMITED.

K.S.N.RAJU
Director

SANJAY AGARWAL
Managing Director

Date: 29.06.2004
Place: Hyderabad

ANNEXURE - A

Management Discussion and Analysis Report

a. Industry Structure & Development:

Refractories are the backbone of industries like steel, glass, cement, petro-chemicals, Ferro Alloys, fertilizers, power & Ceramic i.e. industries wherever the heat application is involved.

Your company is one of the major refractory manufacturer in the South India. Your Company produces foray of refractory items such as fireclay, high alumina, silica and basic refractories. Major consumers of the company's products are steel plants viz., Vishakhapatnam Steel Plant and Bhilai Steel Plant.

Steel industries are major consumers of refractories and account for over 70% of the total refractory consumption. The Cement Industry is the second best with a consumption rate of over 20%. The performance of the Refractory industry is linked with the growth of steel industry. The Refractory industry is gradually improving compared to the previous year in line with growth of user industry.

b. Opportunities and Threats:

With the recent growth in steel sector, new projects like Coke oven & Sponge Iron Plants are coming up all over the country. They are creating a huge demand for refractory products. Our company is geared up to meet the overwhelming demand of



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Refractories and also taken steps for expansion by way of adding infrastructure to meet the maximum range of refractory requirement. The company is looking forward to maximize the utilization of its resources to generate more revenues.

The growth trend of steel industry may continue for some more years. The company has to establish its branded products with new customers with value added services like design, application engineering with continuous support from Research & Development. Any change in demand for steel industry will directly effect the demand for refractory industry.

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: This is a low alumina refractory product and is manufactured by both small and big refractory plants. Hence the market for this product is highly competitive. The price of this product is low and does not require much technology.

High Alumina: This is a high alumina refractory product and ranges from 60% to 98% alumina with varied application. The company has a good brand image in this segment and has performed well at SAIL Plants last year as a result of which it has received additional orders for the current year. The Company has recently developed new products in this range for export.

Basic: This is a basic refractory product and comprises of Mag Carbon and Magnesite bricks. The company has good performance record in this category and is one of the major suppliers under Total Ladle Management (TLM). The Company expects to do well this year under this segment.

Silica: This is a quartzite based silica refractory product and is highly technology oriented. In India only two major units are into manufacturing this product. The company has stabilized the production process and has successfully executed the order from VSP. This year the company plans to enter into the coke oven sector of silica bricks and also manufacture dense and super dense quality for glass industry. The company is also trying for export orders. The company enjoys geographical

advantage for procurement of raw material for manufacture of silica bricks.

d. Outlook

The company enjoys a brand image for its products. With the recent growth in the steel industry, the company is looking at increase in demand for its products.

The company expects to increase its sales in silica in the domestic as well as export markets. The Company procured an Export Order for an amount of Rs. 110 lakhs during the financial year 2004-05. There is an excellent potential for Refractories in Middle East, African Countries and also in Europe. Though there is a tough competition in the International Market, we are confident that, with the improved technology we can meet these challenges. The Company is putting all possible efforts to double the export during this financial year (2004-05).

e. Risks and Concerns:

Reverse in the market trend of the steel industry is a major cause of concern. As most of the raw materials used are imported, any fluctuations in exchange rate, duties, taxes etc., would have a direct bearing on the cost. Further interest burden, fall in net realization, increase in freight and other costs coupled with low capacity utilization and stiff competition are other major factors of concern.

f. Discussion on financial performance with respect to operational performance:

Already discussed elsewhere in this report.

g. Internal control system and their adequacy:

The company has laid down clear policies and procedures for approval and control of various expenditures. The capital expenditure is monitored and controlled by the Board of Directors. The company has adequate internal control to safeguard the assets and for ensuring the optimum utilization of the various resources. The internal control system is designed to ensure that the financial and other records reflect true and correct picture for preparation of financial statements and other MIS to be submitted to various authorities. The internal audit department conducts audit on continuous basis and reviews the policies, procedures and guidelines provided to ensure adequacy of internal control system and adherence