

*23rd
Annual Report
2004 - 2005*

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RAASI REFRACTORIES LIMITED



RAASI REFRACTORIES LIMITED

BOARD OF DIRECTORS

| | |
|-----------------------------|---------------------------------------|
| 1.Sri. Sanjay Agarwal | Managing Director |
| 2.Sri. Muralidhar Agarwal | Director |
| 3.Sri. Mahesh Kumar Agarwal | Director |
| 4.Sri. Pramod Kumar Agarwal | Director |
| 5.Sri. Natwar Lath | Director |
| 6.Sri. K.S.N.Raju | Director |
| 7.Sri. Pankaj Shah | Director (Resigned w.e.f. 20.07.2005) |

AUDIT COMMITTEE

| | |
|-----------------------------|-------------------------------------|
| 1.Sri. Muralidhar Agarwal | Chairman |
| 2.Sri. Natwar Lath | Member |
| 3.Sri. Pankaj Shah | Member (Resigned w.e.f. 20.07.2005) |
| 4.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. Pramod Kumar Agarwal | Chairman (w.e.f. 20.07.2005) |
| 2. Sri. Natwar Lath | Member |
| 3. Sri. Muralidhar Agarwal | Member |
| 4. Sri. Pankaj Shah | Member (Resigned w.e.f. 20.07.2005) |

AUDITORS

S.R.B. & Associates
Chartered Accountants
G-7, Jayachandra Enclave
6-1-107/1 to 20, Padmarao Nagar,
Secunderabad – 500 025

BANKERS

| | |
|---------------------------------|---------------------|
| State Bank of Hyderabad | Andhra Bank |
| Industrial Finance Branch | Ashok Nagar Branch |
| Punjagutta, Hyderabad - 500 082 | Hyderabad – 500 020 |

REGISTERED OFFICE

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

FACTORY

Lakshmipuram, Narketpally, Nalgonda District.,
Andhra Pradesh –508 254.

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RAASI REFRACTORIES LIMITED

NOTICE

Notice is hereby given that the **Twenty Third Annual General Meeting** of the members of Raasi Refractories Limited will be held on Tuesday, 30th August, 2005 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, 2005 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 Natwar Lath who retires by rotation and being eligible offers himself for reappointment.
3. To consider the appointment of Sri R.C. Biswas in place of Sri K.S.N. Raju, Director who retires by rotation and to pass the following resolution as an Ordinary resolution with or without modification:

"RESOLVED THAT pursuant to the provisions of Section 255, 256 & 257 and any other provisions of the Companies Act, 1956 Sri R.C. Biswas be and is hereby appointed as Director in place of Sri K. S. N. Raju, Director by rotation , whose term of office shall be liable to determination by retirement of directors by rotation "
4. To appoint Auditors and 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, Secunderabad be and are hereby appointed as Statutory Auditors of the Company until 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, to pass with or without modifications, the following Resolution as an Ordinary Resolution :

"RESOLVED THAT Sri. Mahesh 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 in terms of Section 257 of Companies Act, 1956 be and is hereby appointed as Director of the Company whose term of office shall be liable to determination by retirement of directors by rotation."

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 16, 31 & 94 and other applicable provisions, if any, of the Companies Act, 1956, the Authorised Capital of the company be and is hereby increased from Rs.7,50,00,000 (Rupees Seven Crores and Fifty Lakhs only) divided into 75,00,000 (Seventy Five Lakhs) equity shares of Rs.10/- (Rupees Ten) each to Rs.15,00,00,000 (Rupees Fifteen crores only) divided into 1,50,00,000 (One Crore and Fifty Lakhs only) Equity Shares of Rs.10/- (Rupees Ten) each ranking pari passu with the existing equity shares ."

"RESOLVED FURTHER THAT Clause V of Memorandum of Association of the Company be and is hereby altered to be read as follows:

"The Share Capital of the Company is Rs. 15,00,00,000 (Rupees Fifteen crores only) divided into 1,50,00,000 (One Crore and Fifty Lakhs only) Equity Shares of Rs.10/- (Rupees Ten) each.

The Company has the power to increase or reduce the capital from time to time in accordance with the provisions of Companies Act, 1956"

"RESOLVED FURTHER THAT Clause 3 of the Articles of Association of the Company be and is hereby altered to be read as follows:

"The Share Capital of the Company is Rs. 15,00,00,000 (Rupees Fifteen crores only) divided into 1,50,00,000 (One Crore and Fifty Lakhs only) Equity Shares of Rs.10/- (Rupees Ten) each."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to do such



RAASI REFRACOTORIES LIMITED

other acts and deeds as may be necessary for giving effect to this resolution"

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

"RESOLVED THAT subject to the guidelines issued and conditions laid down by the Securities and Exchange Board of India (SEBI) and such other consents, permissions, approvals and sanctions if any, as may be necessary form any other authority under the law for time being in force consent of the Company be and is hereby accorded under section 81 and other applicable provisions of the Companies Act, 1956 to the Board of Directors of the company to make offer, issue and allot 39,42,000 (Thirty Nine Lakhs and Forty Two Thousand only) equity shares of Rs.10/- each at a premium to be fixed / refixed by board in consultation with Lead Managers, on rights basis in the ratio of 1:1 to the equity shareholders of the company whose names appear on the Register of Members on the record date to be fixed by the Board for this purpose."

"RESOLVED FURTHER THAT the Board of Directors of the company be and is hereby authorized in its discretion to accept such conditions and modifications as may be prescribed by the SEBI or other authorities while according their sanctions or consent to the proposed issue including variations if any, in the proposed amount of premium and take such consequential action thereon including the authority to revise/adjust the value/quantum of any portion thereon in such manner as may be beneficial to the company in the event of such variation being considered expedient."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized and empowered to dispose off and allot any of the aforesaid further equity shares (that are not taken-up by the existing equity shareholders who are entitled thereto or such portion of the share capital that is un-disposed) to any person or persons whether shareholder of the Company or not on such terms and at such price or prices as may be decided by the Board of Directors in accordance with the SEBI Guidelines

or such other Guidelines or Provisions as may be applicable"

"FURTHER RESOLVED THAT for the purpose of giving effect to this Resolution, the Board of Directors of the company be and is hereby authorized to do all such acts, deeds, matters and things as it may in its discretion deem necessary or desirable and to settle any question, difficulty or doubt that may arise in regard to the offer, issue and allotment of the said equity shares as it may think fit."

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

"RESOLVED THAT in accordance with 198, 309, 310 and Schedule XIII and other applicable provisions of The Companies Act, 1956 the consent of the Company be and is hereby accorded for increase in remuneration of Mr. Sanjay Agarwal, Managing Director of the Company from Rs.25,000/- per month to Rs.1,00,000/- per month by way of Salary w.e.f. 01.09.2005, other terms and conditions of appointment, including Perquisites and commission remain unchanged."

"RESOLVED FURTHER THAT the remuneration payable as aforesaid shall be paid to Mr. Sanjay Agarwal as Minimum Remuneration in accordance with the provisions of Section 309 (3) read with Section 198(4) and Schedule XIII of The Companies Act, 1956 in the case of absence or inadequacy of Profits in any financial year during the term of his office and the board of directors be and is hereby authorized to vary or increase, augment, reduce or enhance the scope of the remuneration and perquisites including the monetary value thereof as referred to hereinabove, subject to any guidelines regarding payment of Managerial Remuneration under the Companies Act, 1956 from time to time in force and that the agreement between the Company and Mr. Sanjay Agarwal be suitably amended to give effect to those amendments.

By Order of the Board
For RAASI REFRACOTORIES LIMITED.

Date: 20.07.2005
Place: Hyderabad

SANJAY AGARWAL
Managing Director



RAASI REFRACTORIES LIMITED

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.
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. Shareholders having multiple folio numbers either in individual names or in joint names of the same order should intimate the 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 27th August, 2005 to 30th August, 2005 (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. Appointment / Re-appointment of Directors
At the ensuing Annual General Meeting, Sri K.S.N. Raju and Sri Natwar Lath directors of the company retire by rotation. Sri Natwar Lath will be re-appointed. Sri R.C. Biswas will be appointed as Director in place of Sri K.S.N. Raju, retiring Director. Sri Mahesh Kumar Agarwal, who was appointed as Additional Director u/s 260 of The Companies Act, 1956 will be appointed as Director u/s 257 of The Companies Act, 1956. The information or details to be provided for the aforesaid directors under corporate governance code are as under:

Sri Nawar Lath aged 45 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 & Associates, Chartered Accountants. He is a member of Shareholder/ Investors Grievance Committee, Remuneration Committee & Audit Committee. He is also a Director in M/s. Lath Services Private Limited.

Sri R.C. Biswas aged 59 years, is a Bachelor of Science in Ceramic Technology from University of Calcutta. He is also a Fellow Member of Indian Institute of Ceramics (F.I.I. Cera). He has a vast experience of over four decades in Application and Manufacturing of Refractories. He has been associated with Companies like Rourkela Steel Plant, Kesoram Refractories Ltd., IPITATA Refractories Ltd., and Sarvesh Refractory Pvt. Ltd. He is not a Director in any other Company.

Sri Mahesh Kumar Agarwal aged 40 years, is a Bachelor of Commerce (Hons). He has a rich experience of 10 years in Domestic and International Business. He has a thorough knowledge and expertise in Steel Industry. He is also a Managing Director in Sree Metalicks Ltd.

By Order of the Board
For **RAASI REFRACTORIES LIMITED.**

Date: 20.07.2005
Place: Hyderabad

SANJAY AGARWAL
Managing Director



RAASI REFRACTORIES LIMITED

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

ITEM NO. 3

Sri K. S. N. Raju, Director of the Company retires at the ensuing Annual General Meeting in terms of Section 255 & 256 of the Companies Act, 1956. Sri R.C. Biswas is proposed to be appointed as Director in place of Sri K.S.N. Raju, retiring Director. The company has received a notice in writing from a member along with a deposit of five hundred rupees proposing the candidature of Sri. R.C.Biswas for the office of director of the company under the provisions of section 257 of the Companies Act, 1956.

Sri R.C. Biswas aged 59 years, is a Bachelor of Science in Ceramic Technology from University of Calcutta. He is also a Fellow Member of Indian Institute of Ceramics (F.I.I. Cera). He has a vast experience of over four decades in Application and Manufacturing of Refractories. He has been associated with Companies like Rourkela Steel Plant, Kesoram Refractories Ltd., IPITATA Refractories Ltd., and Sarvesh Refractory Pvt. Ltd. Your Directors are confident that his experience and expertise will make a tremendous contribution in Company's growth.

Your directors, therefore, recommend the Resolution for your approval.

None of the Directors is concerned or interested in the resolution.

Item No. 5

Sri. Mahesh Kumar Agarwal was appointed additional director of the company w.e.f. 24.09.2004. Pursuant to section 260 of the Companies Act, 1956, Sri. Mahesh Kumar 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. Mahesh Kumar Agarwal for the office of director of the company under the provisions of section 257 of the Companies Act, 1956.

Sri. Mahesh Kumar Agarwal is a Graduate in Commerce (Honours). He is an efficient Industrialist with an experience of over 10 years in Domestic and International Trade. He has an immense knowledge supported with full exposure in the Steel Industry. He is also a Managing Director of M/s. Sree Metaliks Ltd. He made a remarkable contribution to the Company during his tenure as Director. Your Directors are confident that it would be in the interest of the company to appoint Sri. Mahesh Kumar Agarwal as Director.

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

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

Item No. 6

In view of the proposed expansion plans, your Company is going for augmentation of equity capital base by way of

Rights Offer to part finance the proposed expansion plans and to augment working capital. In order to accommodate such issue the Authorized Capital of the company should be adequately increased to accommodate the proposed augmentation of the Capital Base.

The proposed increase of the Authorized Capital will necessitate the alteration of the Capital Clause in Memorandum of Association and Articles of Association of the company.

None of the Directors is concerned or interested in the resolution.

Item No. 7

The Company is contemplating expansion of the business to a large size. Your directors foresee a tremendous scope for growth as the market for refractory products is highly encouraging. The Company should make efforts to take advantage of the encouraging market scenario to reach fullest potential. This requires a huge capital and fund based inputs. Your Company is desirous of raising the required funds through Rights Issue. After consultation with experts, the company has decided to issue 39,42,000 Equity shares of Rs. 10/- each. Every existing shareholder is offered 1 (One) share on Rights basis for every 1 (One) share held by him. This has to be approved by the shareholders in terms of Section 81 of The Companies Act, 1956. Hence, your directors recommend this resolution.

None of the Directors is concerned or interested in the resolution.

Item No. 8

The Members are aware that your Company has commenced execution of the Expansion Plans. Consequently, the business activities have grown manifold followed by a parallel increase in responsibilities of the Managing Director. The Company's financial position has also improved remarkably under the efficient and dynamic leadership of Sri Sanjay Agarwal, Managing Director of the Company. Considering the increased responsibilities and Company's growth, the Board of Directors based on the recommendations of Remuneration Committee has decided to increase the remuneration payable to Mr. Sanjay Agarwal, Managing Director. The said increase needs to be approved by the members in accordance with the provisions of The Companies Act, 1956. Hence, your directors recommend the resolution for your approval.

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

By Order of the Board
For RAASI REFRACTORIES LIMITED.

Date: 20.07.2005

Place: Hyderabad

SANJAY AGARWAL

Managing Director



RAASI REFRACTORIES LIMITED

DIRECTOR'S REPORT

Dear Members,

Your Directors hereby present the twenty third annual report on the business and operations of the company and the audited statements of accounts for the year ended 31st March 2005.

1. FINANCIAL RESULTS AND OPERATIONS

The summarized financial results for the year ended 31st March 2005 as compared with the previous year is as under:

| PARTICULARS | (Rs. In lakhs) | |
|--|----------------------|-----------------------|
| | For the year 2004-05 | For the year 2003-04. |
| a. Sales & incentives (excluding excise & sales tax) | 2291.95 | 840.70 |
| b. Gross Profit | 324.95 | 68.24 |
| c. Interest | 102.57 | 105.60 |
| d. Depreciation | 43.96 | 36.92 |
| e. Profit before tax | 178.42 | (74.28) |
| f. Prior period adjustments (net) | 5.38 | (10.25) |
| g. Provision for taxation | | |
| - Current | 3.81 | -- |
| - Deferred | 15.39 | 3.18 |
| h. Net profit/(loss) | 153.84 | (81.35) |

Your Company has achieved the net turnover of Rs.22.92 crores as against a turnover of Rs.8.41 crores achieved during the previous financial year, thus recording a growth of 172% in terms of value. The Company's export sales have reached to the level of Rs.31.88 lakhs from Rs.2.95 lakhs when compared to corresponding period of previous year, thereby registering an increase of 981 %. The company has been maintaining consistent quality of products by using best available inputs in order to achieve the standard performance in terms of heat guarantee as stipulated by steel plants.

The company has earned a net Profit of Rs 153.84 lakhs for the year under consideration.

2. PROMISES VERSUS PERFORMANCE

Your company has not made any promise or projection in any offer document relating to the issue of securities to the public. Therefore the compliance of clause 43 of the listing agreement of the stock exchanges relating to disclosure of promises Vs performance for the financial year

2004-05 and explanation of its variation does not apply to the company.

3. MARKETING

Your company's marketing team has made a remarkable contribution in taking the sales volume to a new height. The service rendered by your company to the customers, continues to be the best in the Industry which can be attributed to perpetual strive of the service personnel for improvement.

4. DIRECTORS

Sri Ashok Kumar Agarwal and Sri Mahesh Kumar Agarwal were appointed as Additional directors w.e.f. 24.09.2004 to hold office till next annual general meeting. Sri Mahesh Kumar Agarwal, being an Additional Director vacates his Office before the commencement of the ensuing Annual General Meeting, and being eligible is proposed to be appointed as Director u/s 257 of the Companies Act, 1956.

Sri K.S.N. Raju and Sri Natwar Lath, Directors of the Company retire by rotation at the ensuing Annual General Meeting. Your Directors recommend appointment of Sri R.C. Biswas as Director in place of Sri K.S.N. Raju, retiring Director, and reappointment of Sri Natwar Lath, who offers himself for re-appointment.

During the period under review Sri Ashok Kumar Agarwal and Sri Pankaj Shah, Directors of the Company have resigned on 02.04.2005 and 20.07.2005 respectively. Your Board of Directors records its appreciation for the valuable services rendered by them during their tenure as directors.

5. 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.

- That in the preparation of the accounts for the financial year ended 31st March, 2005, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- 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.



RAASI REFRACATORIES LIMITED

- 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, 2005 on a 'going concern basis'.

6. AUDITORS

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

7. FIXED DEPOSITS

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

8. DIVIDENDS

Your Directors have not recommended payment of Dividend for the year in view of the accumulated losses.

9. 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.

10. 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

11. CORPORATE GOVERNANCE

A separate report on corporate governance along with Auditor's certificate on its compliance is attached to this report.

12. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

a. Industry Structure & Development

Refractories are primary material used in the internal lining of industrial furnaces, they are heat resistant products used in steel, glass, cement, petrochemicals, fertilizer and ceramic industries. The product range is very wide and no single manufacturer can cater to the entire requirement.

Your company is the biggest refractory manufacturer in Andhra Pradesh and its product range includes fireclay, high alumina, silica and basic refractories. Major consumers of the company's products are steel plants viz., Vishakhapatnam Steel Plant and SAIL units.

Steel industries are major consumers of refractories and account for over 70% of the total refractory consumption. The future of refractory industry is closely linked to that of the steel industry.

b. Opportunities and Threats

Opportunities in the refractory industry would come through high value, high performing refractories supported by design and application engineering. With the recent growth in the steel sector, increased demand for refractories is foreseen.

Threats are foreseen from consolidation of players who have branded products, access to overseas process designers and licensors and R & D support. Any change in the market conditions of steel industry will directly affect the 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. During the year under review approx. 60% of the total sales of the company was contributed by this product.

★ **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 Bhilai Steel Plant last year as a result of which it has received additional orders for the current year and is one of the major supplier to VSP under Total Ladle Management (TLM). The Company has recently developed new products in this range for exports. During the year under review this product has accounted for approx. 26% of the total sales of the company.



RAASI REFRACTORIES LIMITED

★ **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 trial order in SAIL-BSP and has fair chances for improving its market share for this product.

★ **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 expecting growth in exports. The company enjoys geographical advantage for procurement of raw material for manufacture of silica bricks. During the year under review this product has contributed approx 10% of the total sales.

d. Outlook

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

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 to the above. The internal audit findings and recommendations are reviewed by the audit committee and the Board of Directors.

h. Material developments in Human Resources/ Industrial Relations front, including number of people employed.

The company recognizes the importance and contribution of its employees to the growth and development of the company. The company has cordial relations with employees and staff. As at 31st March 2005 the company has about 226 employees working in its factory and various offices.

Cautionary Statement:

Statements in the management discussion and analysis describing the company's objectives, projections, estimates, expectations may be considered to be forward looking statements actual results could differ materially from those expressed or implied. Factors which could make a significant difference to the company's operations include demand supply conditions, market prices, input component costs and availability, changes in government regulations and tax laws besides other factors such as litigation, over which the company may not have any control.

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.

Your Directors 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.**

MURALIDHAR AGARWAL
Director

SANJAY GARWAL
Managing Director

Date: 20.07.2005

Place: Hyderabad



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Annexure to the Director's Report

Information as required under section 217(1)(e) of the Companies Act, 1956 forming a part of Director's Report.

FORM - A

(See Rule - 2)

Form for disclosure of particulars with respect to technology absorption, research and development

2004-05 2003-04

A Power and Fuel consumption

1 Electricity

a) Purchased

| | | |
|----------------------|-----------|-----------|
| i Unit(kwh) | 20,83,906 | 9,84,844 |
| ii Total Amount(Rs.) | 80,68,308 | 45,30,192 |
| iii Rate/unit (Rs.) | 3.87 | 4.60 |

b) Own Generation

i) Through diesel generator

| | | |
|------------------------------|--------|--------|
| Unit(kwh) | 11,040 | 11,300 |
| Units per ltr.of diesel oil. | 2.56 | 2.07 |
| Cost / unit (Rs.) | 10.40 | 10.92 |

ii) Through steam turbine/generator

Not Applicable

i. Units

ii. Units per ltr.of fuel oil/gas

iii. Cost/Units

2 Coal (specify quality and where used)

'C' Round grade coal used in gas producer plant and also in down draft kilns.

| | | |
|-------------------------|-------------|-----------|
| i. Quantity (tonnes) | 5629 | 2619 |
| ii. Total Cost (Rs.) | 1,40,14,800 | 54,06,057 |
| iii. Average rate (Rs.) | 2,489 | 2,065 |

3 Furnace oil

| | | |
|-------------------------|---|-------|
| i. Quantity (ltrs.) | - | 500 |
| ii. Total Amount (Rs.) | - | 5,170 |
| iii. Average Rate (Rs.) | - | 10.34 |

4 Others /internal generation

Not Applicable

i. Quantity

ii. Total Cost (Rs.)

iii. Rate/Unit(Rs.)

B Consumption per unit of production

| | Standards | 2004-2005 | 2003-2004 |
|--|-----------|-----------|-----------|
| Products- Refractory all types (in M.T.) | -- | 27298 | 7863.00 |
| Electricity (Units) | -- | 76 | 125.25 |
| Furnace oil in ltrs | -- | --- | |
| Coal - C grade in KGs | -- | 206 | 333.00 |
| Others (Specify) | -- | | |