

*24th
Annual Report
2005 - 2006*



RAASI REFRACTORIES LIMITED



RAASI REFRACATORIES LIMITED

BOARD OF DIRECTORS

1.Sri. Ashok Kumar Agarwal	Chairman
2.Sri. Sanjay Agarwal	Managing Director
3.Sri. Muralidhar Agarwal	Director
4.Sri. Mahesh Kumar Agarwal	Director
5.Sri. Natwar Lath	Director
6.Sri. R.C. Biswas	Director

AUDIT COMMITTEE

1.Sri. Muralidhar Agarwal	Chairman
2.Sri. Natwar Lath	Member
3.Sri. R.C. Biswas	Member

SHARE HOLDERS / INVESTORS

GRIEVANCE COMMITTEE

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

REMUNERATION COMMITTEE

1. Sri. Muralidhar Agarwal	Chairman
2. Sri. Natwar Lath	Member
3. Sri. R.C. Biswas	Member

AUDITORS

S.R.B. & Associates
Chartered Accountants
2B, Druvatara Apartments,
Behind Medinova Hospital,
Somajiguda, Hyderabad - 500 082

BANKERS

State Bank of Hyderabad Industrial Finance Branch Punjagutta, Hyderabad - 500 082	Andhra Bank Ashok Nagar Branch Hyderabad - 500 020
State Bank of India Commercial Branch, Bank Street, Koti, Hyderabad - 500 095	State Bank of Bikanar & Jaipur RP Road, Secunderabad - 500 003

REGISTERED OFFICE

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



RAASI REFRACTORIES LIMITED

FACTORY	Lakshmpuram, Narketpally, Nalgonda District., Andhra Pradesh -508 254.
Registrars & Share Transfer Agent	Aarhi Consultants Private Limited, #1-2-285, Domalguda, Hyderabad-500 029 Tel No: 91-40-2763 8111, 27634445 Fax No: 91-40-2763 2184 E-mail: raasi@aarhiconsultants.com. Website: www.aarhiconsultants.com
Listing	The Hyderabad Stock Exchange Limited Bombay Stock Exchange Limited
Annual General Meeting	Date: 15 TH September, 2006 Time: 11.00 A M Day: Friday Venue: Bhaskara Auditorium, B.M. Birla Science Centre, Adarsh Nagar, Hyderabad – 500 063
Book Closure	8 th September, 2006 to 15 th September, 2006
Agenda	Adoption of Accounts for the year 2005-2006 Appointment of Directors Appointment of Auditors & fixation of their remuneration

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RAASI REFRATORIES LIMITED

NOTICE

Notice is hereby given that the Twenty Fourth Annual General Meeting of the members of Raasi Refractories Limited will be held on Friday, the 15th September, 2006 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, 2006 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 appoint a director in place of Sri Muralidhar Agarwal who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a director in place of Sri Mahesh Kumar Agarwal who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Auditors and fix their remuneration.
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 provision of Section 224 and other applicable provisions of the Companies Act, 1956, M/s. SRB & Associates, Chartered Accountants, Hyderabad be and are hereby appointed as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting 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, if any.”

By Order of the Board

Date: 30.06.2006
Place: Hyderabad

Sanjay Agarwal
Managing Director

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 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.
2. 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).
3. Members holding shares in physical form are requested to notify the change of address to the Registrar & Share Transfer Agent quoting their folio numbers.
4. Shareholders having multiple folios number 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. Shareholders holding their shares in physical form may avail the nomination facility as provided u/s 109 A of the Companies Act, 1956 by submitting the Form No. 2 B.
6. Members are requested to bring their copy of the Annual Report to the Meeting. Copy of the annual report will not be distributed at the venue.
7. Register of members of the Company and Share Transfer Books will remain closed from 8th September, 2006 to 15th September, 2006 (both days inclusive).
8. Members desiring any information as regards to 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.
9. As per the guidelines of the statutory authority, Company will not distribute any gifts/compliments to any shareholders.
10. Corporate members intending to send their authorized representatives are requested to send a duly certified copy of the Board Resolution authorizing the representation to attend and vote at the meeting.



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11. Documents as referred to in the notice of meeting will be available to the members at the Registered Office of the company between 3.30 PM to 5.30 PM on all working days up to the date of meeting for reference.

Pursuant to clause 49 (IV) (G) of the Listing Agreement with the Stock Exchanges, the following information is furnished with regard to directors proposed to be appointed/re-appointment who are liable to retirement by rotation and eligible for re-appointment.

Sri Muralidhar Agarwal aged around 47 years is a graduate in commerce. He was appointed as a director on 28.6.2004. He is having rich experience in mining, refractories and metal industries for about 27 years. He is a director on the Board of M/s Sree Metaliks Limited, Hind Metal & Industries Pvt. Ltd, RS Agarwal and Brothers Pvt. Ltd & Thanwas Commercial Pvt. Ltd. He is the member of Remuneration, Shareholders/ Investors' Grievances & Audit Committee.

Sri Mahesh Kumar Agarwal aged 42 years, is a graduate in Commerce. He was appointed as director on 29.4.2004. He is having a rich experience in Domestic and International Business for about 12 years. He has vast knowledge and expertise in Steel Industry. He is a Managing Director in Sree Metaliks Ltd. He is also director on the Board of Hind Metal & Industries Pvt. Ltd, Thanwas Commercial Pvt. Ltd, Rourkela Minerals Co Pvt. Ltd & Iceberg Acqua Pvt. Ltd.

By Order of the Board

Date: 30.06.2006

Place: Hyderabad

Sanjay Agarwal
Managing Director

Director's Report

Dear Members,

Your Directors takes pleasure in presenting the Twenty Fourth Annual Report on the business and operations of the company and the Audited Financial Statements of Accounts for the year ended 31st March 2006. The highlights of the financial results are as follows:

1.Financial Results and Operations of the Company

The summarized financial results for the year ended 31st March 2006 as compared with the previous year is as under:

(Rs. In lakhs)

	For the year 2005-06	For the year 2004-05
a. Sales & incentives (excluding excise & sales tax)	3632.89	2292.42
b. Gross Profit	393.69	324.95
c. Interest	120.68	102.57
d. Depreciation	78.61	43.96
e. Profit before tax	194.40	178.42
f. Prior period adjustments (net)	0.12	5.38
g. Provision for taxation		
- Current	10.33	3.81
- Deferred	11.16	15.39
h. Net profit/(loss)	169.82	153.84

Your Company has achieved the gross turnover of Rs.3632.89 lakhs as against a turnover of Rs.2292.42 lakhs achieved during the previous financial year, thus registering a growth level of 58.50% in terms of value. The Company's export sales were reduced from Rs.31.88 lakhs to Rs.26.69 lakhs during the period under review due to stiff competition.

The company has earned a Net Profit of Rs 169.82 as against Rs. 153.84 lakhs for the year under consideration registering a growth level of 10.39% over a previous year. Due to increase in cost of raw materials, there has been pressure on profit.

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 2005-06 and explanation of its variation does not apply to the company.

3. Marketing

Your company has made every effort to improve upon the sales volume and value over previous year in order to develop a niche in the marketing front. The services being rendered by your company to the various customers is the best in the Refractory Industry and quality of product being supplied to various customers has gained much popularity.



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and reputation in the refractory market. Your company is also providing service support to the customers after sales. Your company also provides total ladle management service to the customers.

4. Directors

At the ensuing Annual General Meeting, Sri Muralidhar Agarwal and Sri Mahesh Kumar Agarwal, directors of the company retire by rotation and being eligible to offer themselves for re-appointment in terms of section 256 of the Companies Act, 1956. The information or details to be provided for the aforesaid directors under corporate governance code are as under:

Sri Muralidhar Agarwal aged around 47 years is a graduate in commerce. He is having rich experience in mining, refractories and metal industries for about 27 years. He is a director on the Board of M/s Sree Metaliks Limited, Hind Metal & Industries Pvt. Ltd, RS Agarwal & Brothers Pvt. Ltd & Thanwas Commercial Pvt. Ltd. He is the Chairman of Remuneration, Share Holders / Investors' Grievances & Audit Committee.

Sri Mahesh Kumar Agarwal aged 42 years, is a graduate in Commerce. He is having a rich experience in Domestic and International Business for about 12 years. He has vast knowledge and expertise in Steel Industry. He is a Managing Director in Sri Metalicks Ltd. He is also director on the Board of Hind Metal & Industries Pvt. Ltd, Thanwas Commercial Pvt. Ltd, Rourkela Minerals Co Pvt. Ltd & Iceberg Aqua Pvt. Ltd.

It was thought fit by the Board of Directors of Your Company to utilize the services of Sri Muralidhar Agarwal and Sri Mahesh Kumar Agarwal for the benefit of your Company. Therefore, the Board of Directors of the Company commends the re-appointment of Sri Muralidhar Agarwal and Sri Mahesh Kumar Agarwal in the best interest of the Company at this Annual General Meeting.

5. Auditors:

M/s SRB & Associates, Hyderabad, Chartered Accountants, Statutory Auditors of the company retire at the ensuing Annual General Meeting of the company. Your directors propose to recommend the appointment of M/s SRB & Associates as Statutory

Auditors of the Company to hold the office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting on such remuneration as may be fixed by the Board of Directors of the company.

6. 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, 2006, 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.
- 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.
- That the Directors have prepared the accounts for the financial year ended 31st March, 2006 on a going concern basis.

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 during the period under review.

8. Dividends:

Your Directors did not recommended payment of dividend for the year under review due to insufficiency of disposable profit and past accumulated losses.

9. Buy Back of Securities:

The information as required u/s 217-2B of the Companies Act, 1956 is not applicable.



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10. Particulars of Employees:

None of the company's employee was in receipt of remuneration, which requires disclosure under section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules 1975 during the period under review.

11. Conservation of Energy, Technology Absorption, Foreign Exchange Earning and Outgo:

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, the particulars as required therein are given in the Annexure - A

12. Corporate Governance:

A separate report on Corporate Governance along with Auditor's certificate on its compliance is attached herewith, which form a part of this report. Certificate from Auditor of the Company, SRB & Associates, Chartered Accountants confirming compliance of the conditions of corporate governance as stipulated under clause 49 of Listing Agreement is annexed to this report.

13. Management Discussion and Analysis Report:

a. Industry Structure & Development:

Refractory bricks and monolithic are primary materials applied in the internal lining of industrial furnaces used by steel, glass, cement, petrochemicals, fertilizer and ceramic industries. Refractory bricks and monolithic acts as an agent for heat resistant. Various mineral products goes into the production of refractory bricks and monolithic in different composition in order attain the desired level of quality. The product range is very wide and comprehensive to suit the requirement of different industry segments. The product is manufactured in different sizes and shapes to suit the technical specification of the furnaces being used by the different end users.

Your company is the biggest refractory manufacturer in Andhra Pradesh in terms of installed capacity and turnover and its product range includes fireclay, high alumina, silica and basic refractories.

Major customers of the company are steel plants viz., Vishakhapatnam Steel Plant, SAIL units, JVSL and other major cement industries.

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

b. Opportunities and Threats:

Primarily, the consistent quality, timely delivery of refractory product and prompt service to the end users is determinants of opportunities in the refractory industry. The consistent and continuous growth and development of steel, cement and allied industries would also influence the opportunity to refractory industry. Opportunities are foreseen for turnkey projects since setting up of many refractory based industries are in offing because of liberalization and exponential growth of Indian economy. Opportunities are also foreseen since many existing steel and cement plants are in unweave of expansion programme.

Threats are foreseen from consolidation of branded players, access to overseas process designers and licensors, R & D support and imports. The reduction of custom duty on certain selected refractory products in the Finance Act 2006 may also bring threat to the domestic refractory industry. Any change in the market conditions of steel industry or any change in their production/project policy will have direct impact on 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 beside many un-organized units. 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, this product account nearly 20% of the total sales of the company.



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- ★ **High Alumina:** This is a high alumina refractory product and ranges from 45% to 98% alumina with varied application. 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 & SAIL Units. The Company has recently developed new products in this range for exports. During the year under review, this product has accounted nearly 50% of the total sales of the company.
 - ★ **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. During the year under review, this product has accounted nearly 15% of the total sales of the company.
 - ★ **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.
 - ★ **Monolithics:** 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.
- d. Outlook:**
The company enjoys a brand image for its products. With the present growth in the steel and cement 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 charges and other operational costs coupled, low capacity utilization, performance of product and stiff competition are other major factors of concern.

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

Company has achieved the gross turnover of Rs. 3632.89 lakhs as against a turnover of Rs.2292.42 lakhs achieved during the previous financial year, thus registering a growth level of 58.50% in terms of value. The Company's export sales were reduced from Rs.31.88 lakhs to Rs.26.69 lakhs during the period under review due to stiff competition.

The company has earned a Net Profit of Rs 169.82 as against Rs. 153.84 lakhs for the year under consideration registering a growth level of 10.39% over a previous year. Due to increase in cost of raw materials, there has been pressure on profit.

g. Internal control system and their adequacy:

The company has laid down 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 various resources. The internal control system is designed to ensure that the financial and other records reflect true and correct view 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 with reference to the growth and development of the company. The company has cordial relations with employees and staff. As at 31st March 2006, the company has about 226 employees working in its factory and



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various offices. The company always considers its human resources as its most valuable asset.

i. Statement pursuant to Listing Agreement:

The company's securities are listed with Hyderabad and Bombay Stock Exchanges and it has paid the annual listing fees up to date to the respective Stock Exchanges and there no arrears up to financial year 2006-2007.

j. Code of Corporate Governance:

A detailed report on Corporate Governance for the period under review, in terms of SEBI directions, is annexed to this report. The company has received confirmation from Board members and its senior management about compliance with the Code of Conduct as laid down by the Company for the period under review. The Managing Director certified that the company has complied with clause 49 of Listing Agreement.

bankers State Bank of Hyderabad, Andhra Bank, State Bank of India, State Bank of Bikanar & Jaipur and Financial Institutions like IFCI, GIC, NIA & UIIC.

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

For and on behalf of the Board

Date: 30.06.2006
Place: Hyderabad

Ashok Kumar Agarwal
Chairman

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.

14. Safety, Health and Environment:

The company has given utmost importance and priority to the safety, health and environment of the plant and people.

15. Industrial Relation:

Industrial relations have been cordial during the year under review.

16. Listing:

The securities of the company are listed on Stock Exchanges in Mumbai and Hyderabad.

17. Acknowledgement:

Your Directors wish to place on record the sincere thanks for the support and encouragement received from various agencies of the Central and State Government and also from the company's



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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 conservation of energy technology absorption, research and development

	2005-06	2004-05	
A Power and Fuel consumption			
1 Electricity			
a) Purchased			
i Unit(kwh)	20,32,369	20,83,906	
ii Total Amount(Rs.)	81,79,938	80,68,308	
iii Rate/unit (Rs.)	4.02	3.87	
b) Own Generation			
i) Through diesel generator			
Unit(kwh)	13,820	11,040	
Units per ltr.of diesel oil.	2.81	2.56	
Cost / unit (Rs.)	11.51	10.40	
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)	4,985	5,629	
ii. Total Cost (Rs.)	1,24,74,135	1,40,14,800	
iii. Average rate (Rs.)	2,502	2,489	
3 Furnace oil			
i. Quantity (ltrs.)	1,59,939	-	
ii. Total Amount (Rs.)	26,40,590	-	
iii. Average Rate (Rs.)	16.51	-	
4 Others /internal generation	Not Applicable		
i. Quantity			
ii. Total Cost (Rs.)			
iii. Rate/Unit(Rs.)			
B Consumption per unit of production			
	Standards	2005-2006	2004-2005
Products- Refractory all types (in M.T.)	--	25,563	27,298
Electricity (Units)	--	79.50	76
Furnace oil in ltrs	--	10.25	-
Coal - C grade in KGs	--	195	206
Others (Specify)	--		