

**28th**  
**ANNUAL REPORT**  
**2009 -2010**



**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 Natwar Lath	Director
6. Sri R.C. Biswas	Director-Operations
7. Sri Pramod Kumar Agarwal	Director
8. Sri Kirit D. Sanghvi	Director

**AUDIT COMMITTEE**

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

**SHAREHOLDERS'/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 Kirit D. Sanghvi	Member

**AUDITORS**

S.R.B & Associates  
Chartered Accountants  
2A, Druvatara Apartments,  
Behind Medinova Hospital,  
Somajiguda, Hyderabad-500082

**BANKERS**

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

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

State Bank of Hyderabad  
Industrial Finance Branch  
Punjabgutta, Hyderabad – 500 082

Andhra Bank  
Ashok Nagar Branch  
Hyderabad – 500 020

Registered Office	6-3-349/20, Alpha Business Centre, IInd Floor, Road No.1, Banjara Hills, Hyderabad-500 034 E-mail: marketing@raasi.in
Factory	Lakshmipuram, Narketpally, Nalgonda District, Andhra Pradesh-508 254
Registrars & Transfer Agent	Aarthi Consultants Private Limited 1-2-285, Domalguda, Hyderabad Tel No. 91-40-2763 8111, 2763 4445 Fax No. 91-40-2763 2184 <b>Website : <a href="http://www.aarthiconsultants.com">www.aarthiconsultants.com</a></b>
Listing	The Hyderabad Stock Exchange, Bombay Stock Exchange Limited
Annual General Meeting	Date : 27th September, 2010 Time : 11.00 A.M. Venue : Bhaskara Auditorium B.M. Birla Science Centre, Adarshnagar, Hyderabad - 500 063.
Book Closure	21st September 2010 to 27th September 2010

<b>CONTENTS</b>	<b>Page No</b>
Notice	3 - 6
Directors' Report	7 - 19
Report on Corporate Governance	20 - 32
Auditors' Report	33 - 36
Balance Sheet	37
Profit and Loss Account	38 - 43
Schedules to Accounts	
Significant Accounting Policies	44
Notes to Accounts	45 - 47
Cash Flow Statements	48 - 49
Balance Sheet Abstract & Business Profile	50

**NOTICE**

Notice is hereby given that the **Twenty Eighth Annual General Meeting** of the members of Raasi Refractories Limited will be held on Monday, the 27<sup>th</sup> day of September, 2010 at 11:00 am at Bhaskara Auditorium, B.M. Birla Science Centre, Adarsh Nagar, Hyderabad 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 2010, 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 Sanjay Agarwal who retires by rotation and being eligible offers himself for reappointment.
3. To consider the appointment of Sri Natwar Lath 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, 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, to pass with or without modifications, the following

resolution as a Special Resolution.

"RESOLVED THAT, pursuant to the provisions of Section 94 of the Companies Act, 1956 and such other provisions of the Act, as may be applicable, the Authorized Share Capital of the Company be increased from Rs. 15,00,00,000 (Rupees Fifteen Crores only) divided into 1,50,00,000 (One Crore Fifty Lakhs) Equity Shares of Rs.10/- (Rupees Ten) each to Rs. 25,00,00,000 (Rupees Twenty Five Crores only) divided into 2,50,00,000 (Two Crores Fifty Lakh only) Equity Shares of Rs.10/- (Rupees Ten) each."

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 of The Companies Act, 1956, Clause V of Memorandum of Association of the Company be substituted as follows:

**Memorandum of Association:****CLAUSE V:**

(V) The Authorized Share Capital of the Company is Rs. 25,00,00,000 (Rupees Twenty Five Crores only) divided into 2,50,00,000 (Two Crores Fifty Lakh only) Equity Shares of Rs.10/- each (Rupees Ten only) with rights, privileges and conditions attaching thereto as are provided by the Regulations of the Company, for the time being, with power to increase and reduce the Capital of the Company and to divide the shares in the capital for the time being into several classes and to attach thereto respectively such preferential, qualified or special right, privileges or conditions as may be determined by or in accordance with the regulation of the Company and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the Regulations of the Company.

7. 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 Sections 31 of The Companies Act, 1956, Article 3 of Articles of Association of the Company be substituted as follows:

**Articles of Association:-**

**Article 3 (a):-**

The Authorized Capital of the Company is Rs. 25,00,00,000 (Rupees Twenty Five Crores only) divided into 2,50,00,000 (Two Crores Fifty Lakh only) Equity Shares of Rs.10/- (Rupees Ten only) each”.

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

“RESOLVED THAT the consent of the members be and is hereby accorded under the provisions of Section 293(1)(d) of the Companies Act, 1956, and such other provision as maybe applicable(including any amendment, modification, variation or re-enactment thereof) to the Board of Directors of the Company to borrow from time to time such sum or sums of money as they may deem necessary for the purpose of the business of the Company, notwithstanding that the monies already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in ordinary course of business) and remaining outstanding at any point of time will exceed the aggregate of the paid-up share capital of the Company and its free reserves not set apart for any specific purpose; provided that the total amount up to which monies may be borrowed by the Board of Directors and which shall remain outstanding at any given point of time shall not exceed a sum of Rs.100 crores (Rupees Hundred crores only).”

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

“RESOLVED THAT the consent of the members be and is hereby accorded under Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to the Board of Directors of the Company to pledge / mortgage and / or create charge of all or part of immovable and movable properties of the Company; wheresoever situated, present and future, of every nature and kind whatsoever, in favour of Bank(s) or Financial Institution(s) to secure its short term & long terms loans of Rs.100 crores as may be borrowed by the company from time to time, together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, commitment charges, premia on prepayment or on redemption cost, charges, expenses and other monies payable by the company to such Bank or Financial Institutions under the Agreement / Loan Agreement / Subscription Agreement / Credit Facility Agreements / Letter of Sanction / Memorandum of terms and conditions, entered into / to be entered into by the Company in respect of the said facilities.”

“RESOLVED FURTHER THAT Board of Directors be and are hereby authorized to finalize with Banks / Financial Institution, the documents for creating mortgage and / or charge and manner of creation of such mortgage and / or charge and extent of operation thereof and to do all acts and deeds as may be required to give effect to the above resolution.”

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

**Date: 27-08-2010**  
**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 21<sup>st</sup> September, 2010 to 27<sup>th</sup> September, 2010 (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

Sri Sanjay Agarwal and Sri Natwar Lath, Directors of the company retire by rotation at the ensuing Annual General Meeting, and being eligible offer themselves for re-appointment.

The information or details to be provided for the aforesaid directors under Corporate Governance code are as under :

Sri Sanjay Agarwal aged 38 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. He has more than 8 years of experience in iron & steel business.

Sri Natwar Lath aged about 50 years is a Bachelor of Commerce and a fellow member of the Institute Of Chartered Accountants Of India. He also holds diploma in information system audit. He has a 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 Shareholders'/Investors' Grievance Committee, Remuneration Committee & Audit Committee.

## EXPLANATORY STATEMENT IN PURSUANT OF SECTION 173 (2) OF THE COMPANIES ACT, 1956

### ITEM NO.5

In light of the increased operations of the company and growing necessity for additional capital, the Directors of your Company propose to enhance the present Authorized Share Capital of the Company from Rs. 15,00,00,000 to Rs.25,00,00,000. The Authorized Share Capital Company after the proposed increase will be Rs.25,00,00,000 divided into 2,50,00,000 Equity Shares of Rs.10/- each.

**ITEM NO.6**

As the Authorised Share Capital of the company is proposed to be enhanced from Rs. 15,00,00,000/- to Rs.25,00,00,000/-, the approval of Members is required for the alteration of Clause V which is the capital clause of the Memorandum of Association of the company, consequent to the increase in Authorized Share Capital, the Memorandum of Association would require a suitable alteration to reflect the proposed enhancement.

**ITEM NO.7**

As the authorised capital is proposed to be enhanced from Rs. 15,00,00,000/- to Rs 25,00,00,000/-, the approval of Members is required for the alteration of Article 3 of the Articles of Association of the company, consequent to the increase in Authorized Share Capital, the Articles of Association would require a suitable alteration to reflect the proposed enhancement.

**ITEM NO.8**

In view of the increase in volume of business and taking into account the requirement of additional funds, your Directors feel that they should obtain consent from the Shareholders to borrow funds up to a limit of Rs.100 crores.

Section 293(1)(d) of the Companies Act, 1956 requires the consent of the members in the General Meeting for authorizing the Board of Directors to borrow monies (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) in excess of aggregate of the paid up capital and free reserves.

The Board of Directors of company recommends this resolution for your approval. None of the Directors are interested or concerned in the above resolution.

**ITEM NO.9**

In view of company's increased operations the board proposes to borrow up to Rs.100 crores from banks & financial institutions and as per the prevalent practice such institutions may insist for creation of charge on the movable & immovable properties of the company.

The provision for section 293 (1) (a) of the company Act, 1956 require a company to obtain the consent of the member at the General Meeting for creation of charge on the movable and immovable properties of the company.

Hence, this resolution is recommended for your approval. None of the Directors is interested in the resolution whether directly or indirectly.

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

**Date: 27-08-2010**  
**Place: Hyderabad**

**Ashok Kumar Agarwal**  
**Executive Chairman**

**DIRECTORS' REPORT**

Dear Members,

Your Directors present the Twenty Eighth Annual Report on the business and operations of the company and the audited statements of the accounts for the year ended 31st March 2010.

**1. FINANCIAL RESULTS AND OPERATIONS:**

The summarized financial results for the year ended 31st March 2010 as compared with the previous year is as under:-

(Rs. In lakhs)		
Particulars	For the year 2009-10	For the year 2008-09
a. Sales & incentives (excluding excise & sales tax)	<b>3397.08</b>	2957.38
b. Profit before interest, depreciation and taxes	<b>393.90</b>	352.13
c. Interest	<b>263.20</b>	230.02
d. Depreciation	<b>103.45</b>	90.70
e. Profit before tax	<b>27.25</b>	31.41
f. Prior period adjustments (net)	<b>0.00</b>	0.00
g. Provision for taxation		
- Current	<b>8.72</b>	4.10
- Deferred	<b>0</b>	12.07
Provision for Fringe Benefit Tax	<b>0</b>	1.65
h. Net profit/(loss)	<b>18.53</b>	13.59

Your Company has achieved the gross turnover of Rs.3397.08 lakhs as against a turnover of Rs.2957.38 lakhs achieved during the previous financial year, reflecting a growth of 14.87% during the year in terms of value. The Company's export sales Increased from Rs73.26 lakhs to Rs.87.74 lakhs during the period under review.

The company has earned a Net Profit of Rs 18.53 lakhs as against Rs. 13.59 lakhs for the

year under consideration registering an increase of 36.35% over the previous year, due to cost effective and quality control measures undertaken by the Company.

**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**

While overall market for refractories is declining, a shift is foreseen towards usage of specialized refractories. Market for silica bricks may be declining. However the import of raw material may continue. With the increasing credibility of Indians in global market, where price realization is relatively better, your company has a good brand image.

**4. DIRECTORS**

At the ensuing Annual General Meeting Sri Sanjay Kumar Agarwal and Sri Natwar Lath, Directors of the Company retire by Rotation and being eligible offers 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, 2010; 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 judgment's 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.

- c. 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, 2010 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 Eighth 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 and, as such no amount of principal or interest was outstanding as of the balance sheet date.

#### **8. DIVIDENDS**

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

#### **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 read with the Companies (Particulars of Employees) Rules, 1975.

#### **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 the Auditors' certificate on its Compliance is attached to this report.

#### **12. 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:**

Refractory is a kind of material which is produced from non-metallic minerals. It is a basic material used in the internal lining of industrial furnaces and possess capability to withstand heat and pressure. They are used in steel, aluminum, glass, cement, petrochemicals, non-ferrous metals, thermal power plants and ceramic industries. 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.

The growth of the Indian steel sector is extremely crucial to analyze the future status of Indian refractory makers. The boom is the Indian steel sector may see a boom in yet another industry, that of refractories.

The size of the Indian Refractory industry is estimated at Rs 4,000 crores and it is stated to be growing at 10-12 per cent annually. The Indian refractory comprises over 100 established units, with 11 large, 24 medium and the rest small-scale plants. Currently, the aggregate production capacity of the industry is two million tonnes, with average 60 per cent capacity utilization. About 75 per cent of the refractories produced find application in the steel industry, another 12 per cent in cement, five to six per cent in non-ferrous industry, about three per cent in glass industry and the balance in other industry. The import increased from Rs 983 crores in 2007-08 to Rs 1,441 crore in 2008-09. The exports during the same period increased from Rs 419 crores to Rs 522 crores.

**(B) Opportunities and threats**
**Opportunities in the refractories industry:**

There is a good opportunity for Indian refractory makers to augment their export as China has stopped refund of Value Added Tax (VAT) on refractory exports, which is almost 17 percent. Indian refractories are thus becoming more and more competitive. There is increasing scope for exports. Currently, India exports around 10 percent of its production. But in the existing scenario, this could double in the next three years. It is worth mentioning, that these markets are very particular about the consistency of the quality and their renewed confidence is a signal that assures the quality of Indian products. India is having superior engineering skill, high quality technology and equipment from Germany and Italy, access to superior quality raw materials and all these factors is resulting in superior quality refractory output.

There are opportunities for Refractories in various sectors like monolithic & special products that would dominate the production in future. The best growth opportunities still lie in the less traditional end uses, such as waste-to-energy generation and restaurants. However due to the small size of these markets it has a minimal impact on aggregate refractory demand. Refractory demand from other sectors is rising, apart from steel, demand is rising from sponge iron and cement units too.

**Threats in the refractories industry:**

One of the major threats the industry is facing is from China which is adversely affecting the exports. China has access to cheap but quality raw materials required in manufacturing of refractories. Even most of the plants get tax benefits as several of them are located in special economic zones. The Indian refractory manufacturers are squeezed between the raw material suppliers and steel makers. The negotiating power of refractories makers is very poor, mainly due to its size, as it is catering to an industry far bigger in size, primarily steel. In general, it can be said that all these improvements have resulted in lowering specific consumption of refractories per tonne of steel.

Another major challenge is marketing and packaging. Indian players must focus on better, competitive and customized or tailor-made products for their clients. India is gaining significant reputation in the international market, mainly Europe and the US. Refractory manufacturers should realize that there is no unique refractory solution in steel production. Different types of steel production require different type of refractories. Moreover, wearing rate of refractory depends on several factors including time of exposure, temperature, degree and fluctuation of temperature. All these need to be kept in mind while supplying refractory for optimal utilization.

Paucity of raw materials is a problem for refractory makers across the globe. With the changes in technology in the steel industry, the major thrust has been on maximizing on the use of the materials and improving technology in each area of operation/process where refractories are being used.

**(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. The company has a good brand image in this segment. During the year under review, this product account nearly 48% the total sales of the company.

**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. Ladle Lining, Glass Industries, Blast furnaces Stoves & Checkers. Electric Furnace Roof & Other miscellaneous industries.