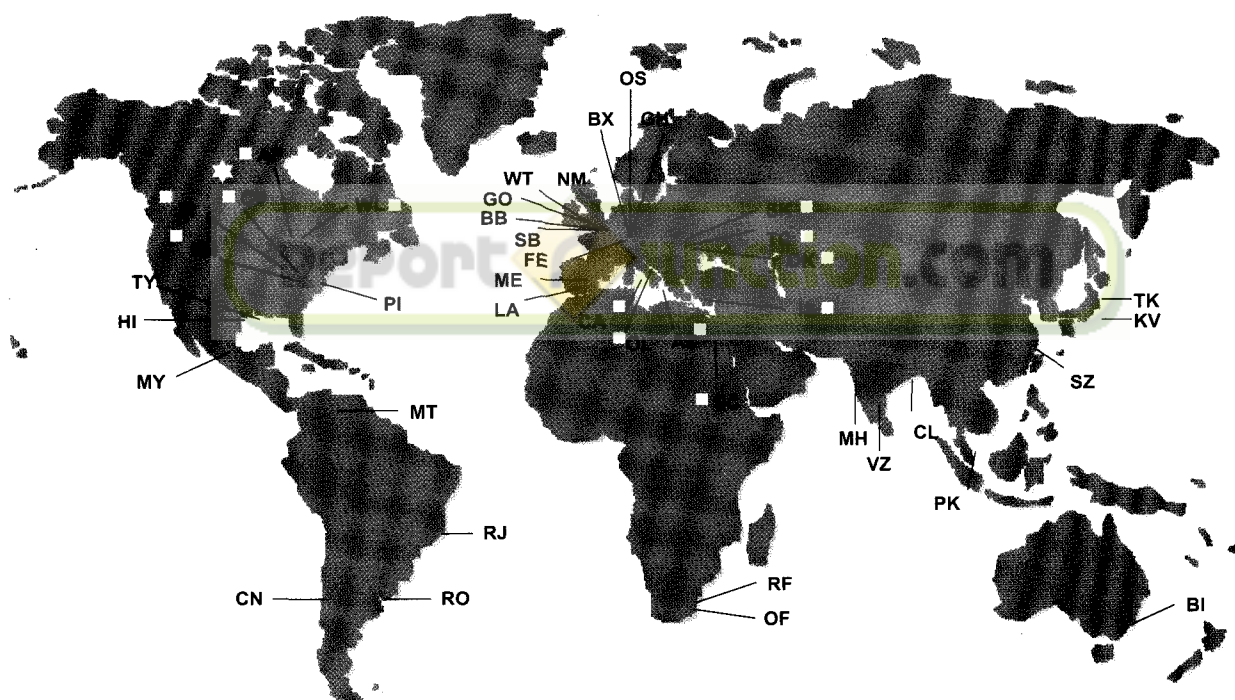

Vesuvius India Ltd.
Annual Report 2004

Report  Junction.com

About Vesuvius

Vesuvius Group Limited of UK, the holding company, is the world leader in the manufacture of ceramic systems which control, protect and monitor liquid steel in the continuous casting process. Through its recent acquisitions, it is also a leader in the manufacture of refractory lining materials for iron and steel-making and for other industrial processes. The Group also provides a variety of specialist ceramic products and refractory linings for use in the glass industry and in ferrous and non-ferrous foundries. Operating globally from over 60 factories and 100 sales offices in 30 countries, the Group's products are sold in every steel, glass or foundry market in the world.

Our Locations



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Cover :

A thin slab caster getting ready for start up. Vesuvius' products are used extensively in such modern casters.

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BOARD OF DIRECTORS

Dr. Saibal Kanti Gupta
Chairman

Jean-Pierre Malherbe

Claude Dumazeau

Alan John Ridley

Shekhar Datta

Nitendra Mohan Ghose

Biswadip Gupta

Managing Director

BOARD COMMITTEES

Audit Committee

Dr. Saibal Kanti Gupta
Chairman

Shekhar Datta

Nitendra Mohan Ghose

Alan John Ridley

Share Transfer &**Investor Grievance Committee**

Dr. Saibal Kanti Gupta

Shekhar Datta

Nitendra Mohan Ghose

Biswadip Gupta

Finance Committee

Shekhar Datta

Nitendra Mohan Ghose

Biswadip Gupta

COMPANY SECRETARY

Taposh Dominic Roy

Email : Taposh.Roy@in.vesuvius.com

EXECUTIVE COUNCIL

Biswadip Gupta

Managing Director

Tarun Kanti Basu

General Manager - Sales

Susanta Kumar Bandyopadhyay

General Manager - HRD

Bappaditya Chakraborty

General Manager - Manufacturing

Sanjoy Dutta

Controller

Narayan Chandra Mukherjee

Consultant - Director

AUDITORS

Lovelock & Lewes

Plot No. Y-14, Block-EP, Sector -V

Salt Lake Electronic Complex

Bidhan Nagar

Kolkata 700 091

BANKERS

Hongkong Bank

State Bank of India

United Bank of India

REGISTRARS & SHARE

TRANSFER AGENTS

CB Management Services (P) Ltd

P-22 Bondel Road

Kolkata 700 019

Tel : (033) 2280 6692-94/ 2486/ 2937

Fax : (033) 2247 0263

Email : cbmsl1@cal2.vsnl.net.in

REGISTERED OFFICE

P-104 Taratolla Road

Kolkata 700 088

Tel : (033) 2401 2842/ 3898/ 0215

Fax : (033) 2401 3976/ 1235

Email : vesuviusindia@in.vesuvius.com

Kolkata Factory :

P-104 Taratolla Road

Kolkata 700 088

Tel : (033) 2401 2842 / 3898 / 0215

Fax : (033) 2401 1235

Email : Bappaditya.Chakraborty@in.vesuvius.com

Visakhapatnam Factory :

Plot Nos. 13, 14 & 15, Block "E"

IDA Autonagar

Visakhapatnam 530 012

Tel : (0891) 2749120; 2755419; 2755408

Fax : (0891) 2587511

Email : Tumma.Antony@in.vesuvius.com

Mehsana Factory :

212/B, G.I.D.C. Estate

Mehsana 384 002, Gujarat

Tel : (02762) 252948 / 949

Fax : (02762) 252909

Email : Anil.Raut@in.vesuvius.com



Board of Directors



Front row from left:

Jean-Pierre Malherbe, Dr. Saibal Kanti Gupta, Alan John Ridley

Standing from left:

Claude Dumazeau, Nitendra Mohan Ghose, Shekhar Datta, Biswadip Gupta

Executive Council



Front row from left:
Tarun Kanti Basu, Biswadip Gupta, Narayan Chandra Mukherjee
Standing from left:
Bappaditya Chakraborty, Susanta Kumar Bandyopadhyay, Sanjoy Dutta

Vesuvius Diary

Vesuvius Group

Vesuvius Group is a world leader in the supply of advanced flow control refractory products and systems to the iron and steel industry. It is also a leading supplier of refractory lining materials for iron and steel making and other industrial processes. It operates through its four business sectors viz. Iron and Steel, Foundry, Industrial Processes and Glass. The customers and end markets include the world's iron and steel producers, ferrous and non-ferrous foundries, glass manufacturers, renewal energy providers and the cement, petrochemical, power generation and incineration industries. Vesuvius India, being a part of this Vesuvius global family, has progressively provided its customers in India the range of products offered by the Group in all the four business sectors.



▲ Inauguration at Kolkata Plant



▲ Manufacturing Team

Sales Team ▼



Expansion plans

Mr Jean-Pierre Malherbe, Executive Vice President and CFO of the Group and Mr Claude Dumazeau, Vice President Technology & Purchasing of the Group, both Directors of Vesuvius India, inaugurated the new administrative building and extended plant at Kolkata. Plans to increase capacities at Kolkata, Visakhapatnam and Mehsana Plants have already been initiated to meet the future requirements of the industry. The Company continues to look out for opportunities that can add value to its business.

Customer focus

At Vesuvius India we put our products and technology to work in a way that makes our customers' business more efficient and profitable. Building long term relationships with customers continue to remain the focal point of our business strategy. Some examples of our partnership approach are: Vesuvius India undertook the Blast Furnace partial repair work, a unique repair technology of its kind, at Jindal Steel & Power Ltd and at SAIL Visveswaraya Plant and the converter at Jindal Vijaynagar Steels Limited achieved over 4200 heats with refractories and services provided by our Chinese partners. Customers have also financially and organizationally benefited from the total tundish management schemes provided by the Company.

Human Resources

Continued focus on our core value systems and regular investment in our people has resulted in improved sustainable performance as Vesuvius India completes its tenth year of operation. Our Company has adopted the Code of Conduct developed and launched by the Group and conscious efforts have been taken by the management to ensure that the values enshrined in the Code are embraced by employees across all levels of the Company. This will inspire the Company to be more socially responsible. The Code of Conduct forms a legal and ethical standard for all Vesuvius employees to work and live by and ensures that our actions, practices and beliefs never fall short of the Company standards.

Environment Care

Social, environmental and ethical matters are particularly important to the Company as regards the impact such matters may have in risk management. The Company seeks to be a good corporate citizen and respects and takes into account regional and local concerns, customs and traditions wherever

it conducts business. The Company actively engages itself in infrastructure upgradation and greening of the factory surroundings. Being socially aware, every employee of the Company voluntarily contributed to the Tsunami Relief Fund. The Company also made donation and gave relief materials for the Fund. The Company is working towards achieving compliance with ISO 14001 standard.

Notice

Notice is hereby given that the Fourteenth Annual General Meeting of the Company will be held at KALAMANDIR, 48 Shakespeare Sarani, Kolkata 700 017 on Tuesday, April 12, 2005 at 10:30 a.m. to transact the following business:

1. To receive and adopt the Audited Accounts for the year ended on December 31, 2004, and the Reports of the Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr Alan John Ridley, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr Nitendra Mohan Ghose, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors of the Company and to fix their remuneration and, in this connection, to pass with or without modification, the following resolution which will be passed as an Ordinary Resolution:
"RESOLVED that, pursuant to Section 224 of the Companies Act, 1956, Messrs Lovelock & Lewes, Chartered Accountants, be and are hereby re-appointed Auditors of the Company from the conclusion of this meeting until the conclusion of the next Annual General Meeting at a remuneration and on terms plus out-of-pocket expenses as may be determined by the Board of Directors of the Company."

Registered Office :

P-104 Taratolla Road
Kolkata 700 088

February 15, 2005

By Order of the Board of Directors

Taposh Roy

Company Secretary

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Notes :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of self and such proxies need not be a member of the Company. Proxies, in order to be effective, must be received by the Company at the Registered Office not later than 48 hours before the Meeting.
2. The Register of Members of the Company will remain closed from **April 1, 2005 to April 12, 2005**, both days inclusive.
3. The dividend to be declared at this meeting, will, subject to the provisions of Section 206A of the Companies Act, 1956, be deposited with the Bank within April 16, 2005 and dividend warrants will be despatched on or after April 22, 2005 to those members whose names appear on the Register of Members on April 12, 2005 or to their mandatees. In respect of shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by the National Securities Depositories Ltd. and Central Depository Services (India) Ltd., for this purpose.
4. Payment of dividend will be rounded off pursuant to the provisions of Section 288B of the Income Tax Act, 1961 and Rule 23 of the Companies (Central Government's) General Rules & Forms, 1956. Dividend Tax will be paid by the Company pursuant to Section 115O of the Income Tax Act, 1961.
5. Members are requested to contact M/s C B Management Services (P) Ltd, Registrars and Share Transfer Agents of the Company at P-22, Bondel Road, Kolkata 700 019 for recording any change of address, bank mandate, ECS or nominations and for redressal of complaints or contact the Company Secretary at the Registered Office or by email at Taposh.Roy@in.vesuvius.com
6. Notices pursuant to Rule 4A of the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978 have been sent to all members concerned in January 2005.
7. Dividend which was declared at the AGM held on August 10, 1998 and remaining unclaimed will be transferred to the Investor Education and Protection Fund of the Central Government on August 10, 2005 pursuant to the provisions of section 205A of the Companies Act, 1956. Thereafter no claim shall lie on these dividend from the members. Members are requested to lodge their claims with the Registrars & Share Transfer Agents immediately.
8. Pursuant to Clause 49 of the Listing Agreements with the stock exchanges, it is informed that Mr Alan John Ridley and Mr Nitendra Mohan Ghose retire by rotation in accordance with the Articles of Association of the Company at the forthcoming Annual General Meeting, and being eligible, have offered themselves for re-appointment.

Mr Ridley, who had joined the Board in 1997, is the President-Asia Pacific of the parent company and is based in China. He is presently responsible for all the units in the Asia Pacific Region including India. He is Chairman of Vesuvius Advance Ceramics (Suzhou) Co. Ltd., China and Director of Vesuvius KSR SDN BHD. He is not a director of any other company in India. Mr Ridley does not hold any shares in the Company.

Mr N M Ghose, who joined the Board in 1992, is a mechanical engineer by profession specialising in machine tools and allied products. He has been associated with the Vesuvius Group for the past 32 years. He is the Chairman of Arens Airflow Engineers Private Limited and Director of GBM Manufacturing Private Limited and Bowas-GBM Engineering Private Limited. He holds 5000 shares of the Company in his name and 30,100 shares through a company in which he is interested.

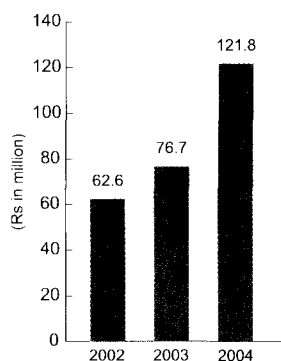
Members are requested to bring their copies of the Annual Report and Admission Slip to the Meeting.

Report of the Directors

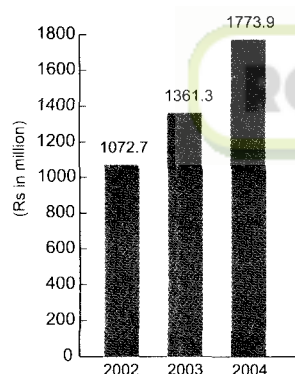
FOR THE YEAR ENDED ON DECEMBER 31, 2004

The Directors have pleasure in submitting their Annual Report together with the Audited Statements of Account for the year ended on December 31, 2004.

Economic Value Added



Total Income



The Year in Retrospect

Financial Results

	Year ended 31.12.2004	Year ended 31.12.2003
Sales (excluding Excise Duty)	17,358	13,494
Other Income	382	119
Total Income	17,740	13,613
Profit before depreciation	4,251	3,060
Depreciation	381	353
Profit after depreciation	3,870	2,707
Provision for Income Tax	1,445	621
Profit after Tax	2,425	2,086
Balance as per last Balance Sheet brought forward	4,428	3,307
Available for appropriation	6,853	5,393
Appropriations made :		
Dividend		
Interim dividend (Special Anniversary Dividend)	203	—
Proposed final dividend	660	609
Dividend Tax	112	147
Transfer to General Reserves	242	209
	1,217	965
Profit & Loss Account Balance	5,636	4,428
	6,853	5,393

Vesuvius Diary

The new administrative building and expansion of the Kolkata plant was inaugurated by Mr Jean-Pierre Malherbe and Mr Claude Dumazeau, Directors, on February 19, 2004.

As a part of its 10th Anniversary celebrations, our Company organized an international Foundry Conference at Mehsana and an international General Managers meet at Kolkata. Representatives of the other plants of the Group who attended these conferences, exchanged ideas and their experiences. Business opportunities and quality issues were also discussed. A blood donation camp was also organized where about 150 persons donated blood.

The employees of our Company had donated their one day's pay towards Chief Minister's Relief Fund for providing relief to those affected by the Tsunami disaster. Our Company also made a

donation to the Fund. In addition, medical supplies, water and other relief material were also provided by our Company. The Group also gave contributions and relief materials directly to the Tsunami victims.

Although the Sarbanes Oxley Act, 2002 of the USA (SOX) is not applicable to Vesuvius India, the Group has taken an initiative to comply with all requirements of SOX and this year our Company has also embarked upon full compliance with SOX and submitting its report on SOX to the Group.

ISO Certification

The Quality Management Systems of the Kolkata and Visakhapatnam plants have been approved by Lloyds Register Quality Assurance to follow IS/ISO 9001: 2000 standards. The process of obtaining ISO 14001 certification for these plants has already been undertaken. The Mehsana plant is also being prepared for ISO certification.

Operating Results

The Kolkata and Visakhapatnam plants, which have undergone de-bottlenecking exercises, are already producing over their plant capacity. Monolithics, one of the prime growth drivers, has increased its volume of business with introduction of pre-shaped products business. The crucible factory at Mehsana has tripled its monthly production since its acquisition and has acquired a larger market. Exports of crucibles has also commenced. Our Company has received a licence to manufacture small crucibles.

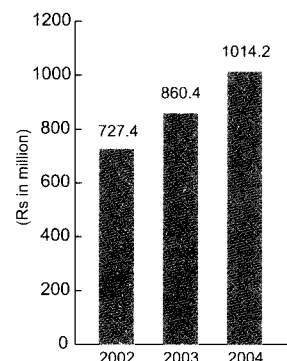
The Company has achieved total income of Rs 177 crores for the current year, i.e an increase by 30% and an increase in PBT by 43%. PAT has increased by 16%. Some income tax benefits to the Company have expired during the year leading to increased tax incidence and thereby reducing the PAT.

The Company continues to retain its debt-free status and increased its annual cash flows despite capital expenditure incurred for de-bottlenecking of the Kolkata and Visakhapatnam Plants.

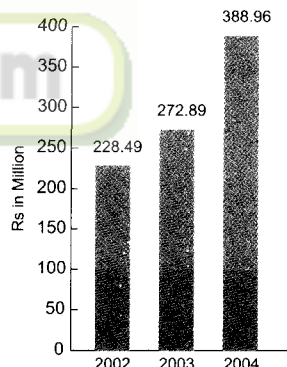
Key indicators

	Growth %	31.12.2004	31.12.2003	31.12.2002	31.12.2001	31.12.2000
EPS (Rs.)	16	11.95	10.28	8.18	6.77	5.97
Operating Profit (Rs. Lakhs)	39	4,271	3,082	2,720	2,291	1,874
EVA (Rs. Lakhs)	59	1,218	767	626	544	383
Net Fixed Assets (Rs. Lakhs)	13	5,140	4,549	3,799	3,817	4,051
Reserves & Surplus (Rs. Lakhs)	20	8,349	6,940	5,611	5,220	4,349

Net Worth



Profit Before Interest & Tax

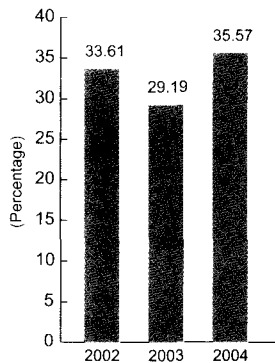


Report of the Directors (Contd.)

Dividend

On the occasion of its 10th Anniversary, the Board of Directors had declared on February 17, 2004 a 10th Anniversary Special Dividend of 10% i.e. Re. 1/- per share. The Record Date for determining the persons eligible for the Special Dividend was March 5, 2004 and dividend was paid on March 8, 2004.

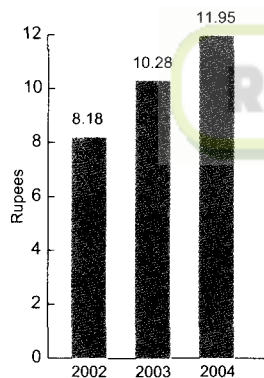
Dividend Payout



For the year under review, the Board of Directors

For the year under review, the Board of Directors are pleased to recommend a final dividend of Rs. 3.25 per share i.e. 32.50%. If this is approved at the forthcoming Annual General Meeting, the dividend will be deposited with the bank within April 16, 2005 and dividend warrants will be despatched on or after April 22, 2005 to those who are members of the Company as on April 12, 2005. In respect of shares held electronically, dividend will be paid on the basis of beneficial ownership as per details furnished by the depositories.

Earnings per Share



Directors

Mr Alan John Ridley and Mr Nitendra Mohan Ghose retire by rotation in accordance with the Articles of Association of the Company at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-appointment.

Mr Ridley, who had joined the Board in 1997, is the President-Asia Pacific of the parent company and is based in China. He is presently responsible for all the units in the Asia Pacific Region including India. He is Chairman of Vesuvius Advance Ceramics (Suzhou) Co. Ltd., China and Director of Vesuvius KSR SDN BHD, Malaysia. He is not a director of any other company in India. Mr Ridley does not hold any shares in the Company. He is a member of the Audit Committee

and is financially literate and has accounting or related financial management expertise.

Mr N M Ghose, who joined the Board in 1992, is a mechanical engineer by profession specialising in machine tools and allied products. He has been associated with the Vesuvius Group for the past 32 years. He is the Chairman of Arens Airflow Engineers Private Limited and Director of GBM Manufacturing Private Limited and Bowas-GBM Engineering Private Limited. He holds 5000 shares of the Company in his name and 30,100 shares through a company in which he is interested. He is a member of the Audit Committee, Share Transfer & Investor Grievance Committee and Finance Committee. He is financially literate and has accounting or related financial management expertise.

The Group's Code of Conduct applicable to the Board and employees of the Company has been adopted by the Board and all Directors have confirmed compliance with the Code of Conduct.

Listing and ISIN No.

The shares of the Company are listed on the Calcutta, Mumbai and National Stock Exchange. The