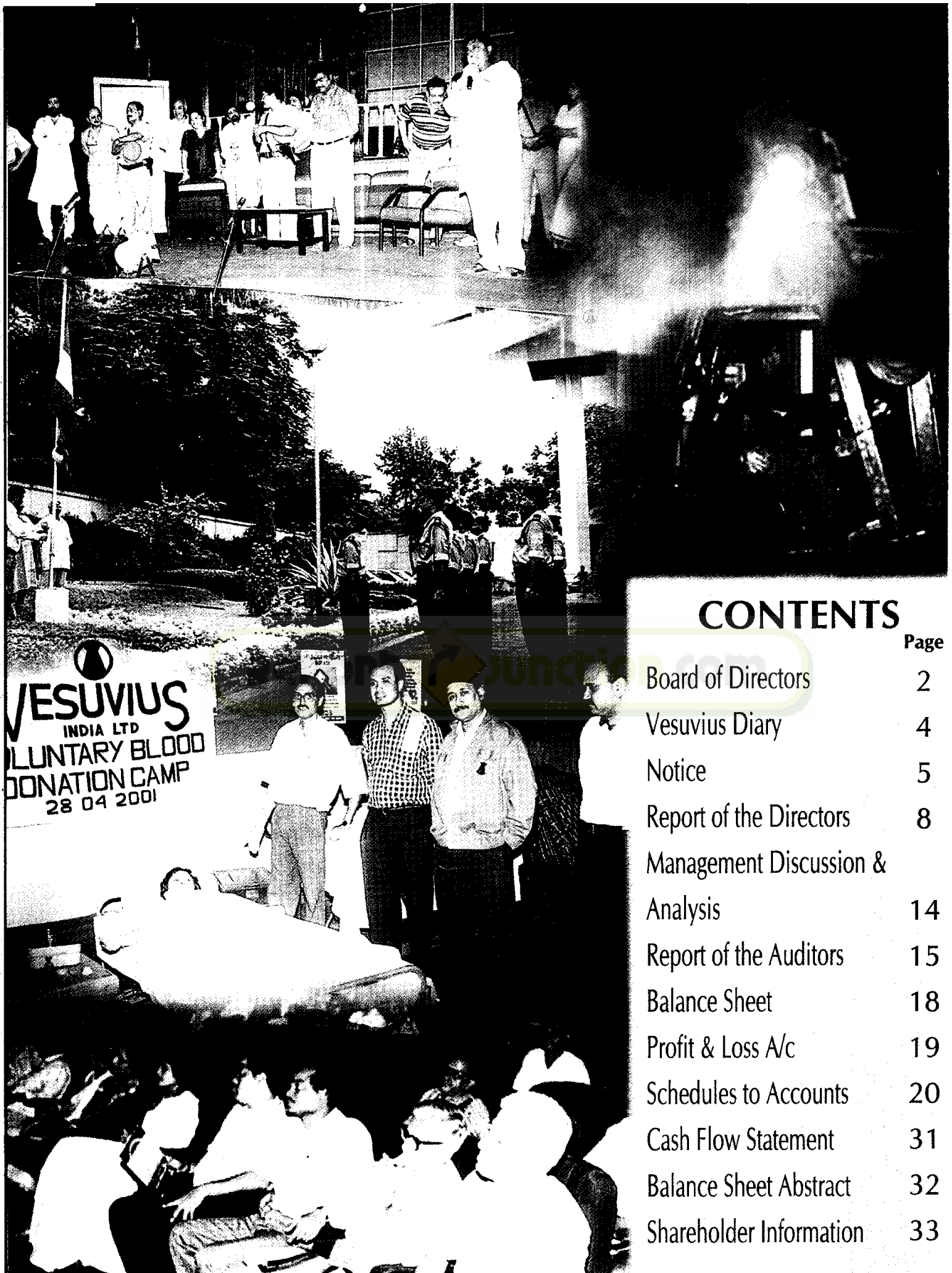


ANNUAL REPORT 2001



VESUVIUS INDIA LIMITED.





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Board of Directors

Jahar Sengupta
Chairman
Jean-Pierre Malherbe
Claude Dumazeau
Alan John Ridley
Nitendra Mohan Ghose
Saibal Kanti Gupta
Biswadip Gupta
Managing Director

Board Committees

Audit Committee

Jahar Sengupta
Nitendra Mohan Ghose
Saibal Kanti Gupta

Share Transfer &

Investor Grievance Committee

Jahar Sengupta
Nitendra Mohan Ghose
Saibal Kanti Gupta
Biswadip Gupta

Company Secretary

Taposh Dominic Roy

Executive Committee

Biswadip Gupta
Managing Director
Tarun Kanti Basu
General Manager-Sales
Susanta Kumar Bandopadhyay
General Manager-HR
Bappaditya Chakraborty
General Manager-Manufacturing
Sanjoy Dutta
Controller

Auditors

Lovelock & Lewes
4 Lyons Range, Kolkata 700 001

Bankers

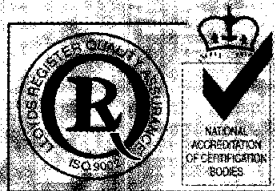
Hongkong Bank
United Bank of India
State Bank of India

Registrars & Share Transfer Agents

CB Management Services Pvt. Ltd.
P-22 Bondel Road
Kolkata 700 019
Tel : (033) 280 6692-94 / 2486 / 2937
Fax : (033) 247 0263
E-mail : cbmsl1@cal2.vsnl.net.in

Registered Office

P-104 Taratolla Road
Kolkata 700 088
Tel : (033) 401 2842 / 3898 / 0215
Fax : (033) 401 2909 / 1235
Kolkata Factory :
P-104 Taratolla Road, Kolkata 700 088
Visakhapatnam Factory :
Plot No. 13, 14 & 15, Block 'E'
IDA Autonagar
Visakhapatnam 530 012
Tel : (0891) 749120/755419/755408
Fax : (0891) 587511



VESUVIUS DIARY



Vesuvius Group

Vesuvius Group continues to be not only the leaders in the world for flow control, but also one of the best overall performing refractory companies. It continues to invest in Research & Development, an area of excellence for Vesuvius, to maintain its technological edge. The combination of innovative products, higher technology and experienced/skilled human resources is the unique formula that Vesuvius can offer to its customers in order to make cost effective products. As a part of the Group, Vesuvius India benefits immensely from these R&D efforts through enlargement of its product range with appropriate technology support.

Social Responsibility

Vesuvius is conscious of its social responsibilities and, in its own way, endeavours to contribute to society. Greening of the environment in and around the factory premises is being made to have a cleaner and pollution free environment. The employees had organized a Blood Donation Camp and with the support of their family, over 80 bottles of blood were donated to the Lions Blood Bank. The Company's Charitable Trust makes donations to NGO's for the welfare of the lesser privileged. Our project to support a girl child is on. The Company has also extended help to a village near Kolkata in providing some basis amenities. The Company also nurtures and supports small business enterprises which are dedicated suppliers and also provides them with technical support, resulting in generation of employment and better living conditions.



Quality and Technology

The market is conscious of the consistent quality products of the Company and the international efforts undertaken to improve upon them. Latest technology innovations and products are being introduced, with the support from the Group, and been well received. These have encouraged the Company to promote the "Made in India" brand abroad for its products which have received recognition and resulted in increased export orders.

Human Resources

Employees continue to be one of our biggest strengths. Training, motivation, empowering and delegation are ongoing processes. Safety and health initiatives have encouraged employees to have worked more than 1000 days without any reportable accident.



Business

Like any other refractory company, Vesuvius India derives most of its demand from steel industry and it is therefore prudent to hedge exposures by developing the non-steel side of the business. A new I/P and Foundry business line has been created which will develop around the existing network and focus on the aluminum, foundry, glass and petrochem industries. The Monolithic business acquired in July 2000 has opportunities in the cement, carbon black and petrochem sectors. With these new business lines and the Premier, U.S.A. range of products now available, Vesuvius India expects to expand its business into the non-steel sector.

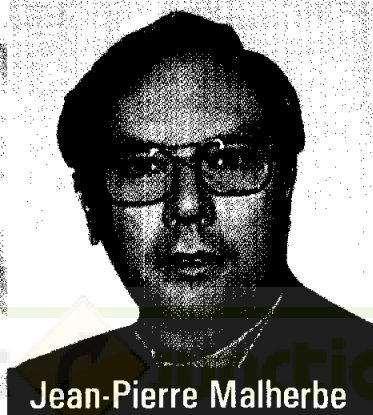
Board of Directors



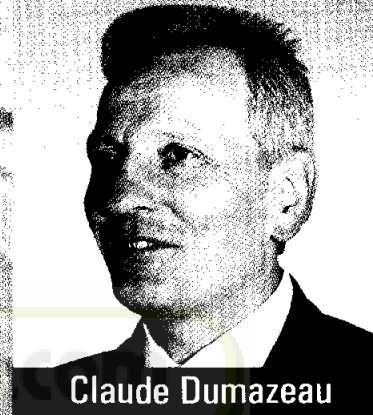
Biswadip Gupta
Managing Director



Jahar Sengupta
Chairman



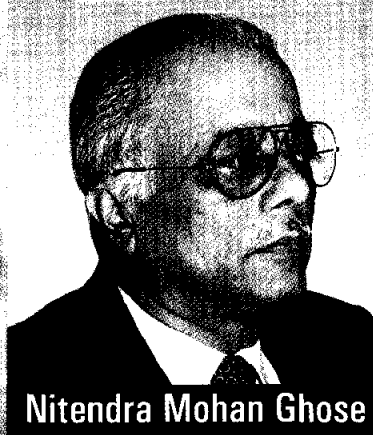
Jean-Pierre Malherbe



Claude Dumazeau



Saibal Kanti Gupta



Nitendra Mohan Ghose

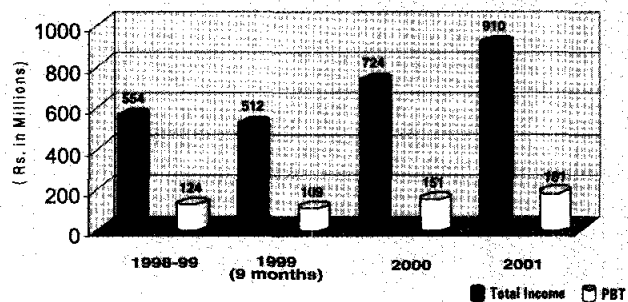


Alan John Ridley

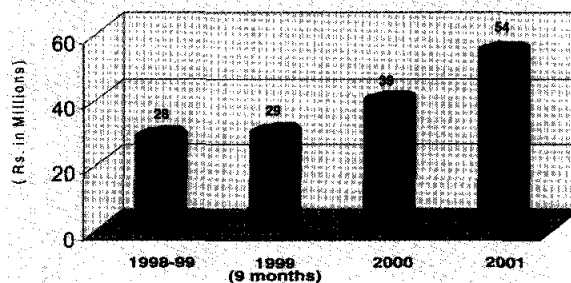
GRAPHS



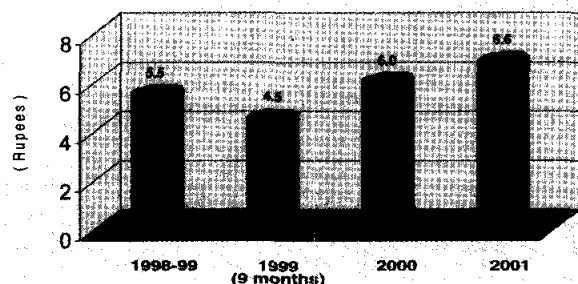
Total Income & PBT



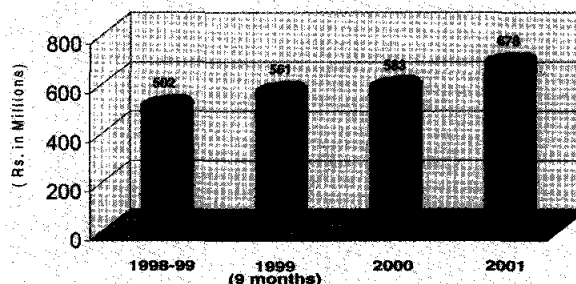
Economic Value Added



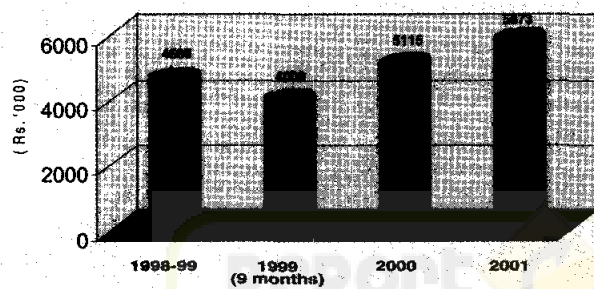
Earnings per Share



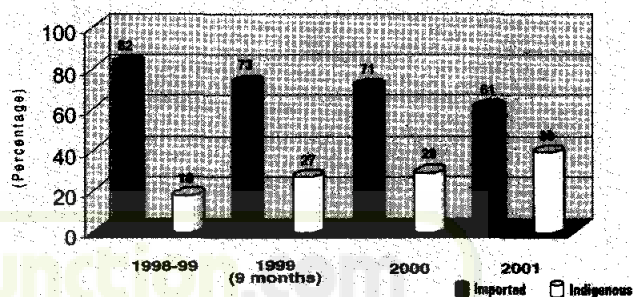
Net Worth



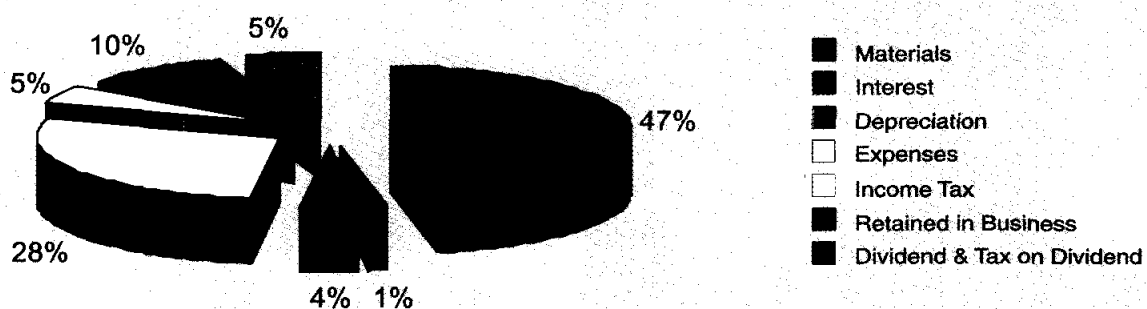
Turnover per Employee



Material Consumption



DISTRIBUTION OF INCOME



NOTICE



Notice is hereby given that the Eleventh Annual General Meeting of the Company will be held at G D Birla Sabhaghar, 29, Ashutosh Chowdhury Avenue, Kolkata 700 019 on Wednesday, April 17, 2002 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, 2001 and the Reports of the Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr. C aude Dumazeau, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. S.K.Gupta, 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 reappointed 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."

SPECIAL BUSINESS

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

"RESOLVED that pursuant to the provisions of Section 309(4) read with Section 309(7) of the Companies Act, 1956, the Directors of the Company (other than the Managing Director) be and are hereby authorised to continue to receive a commission, to be divided between them in such manner as may be determined by the Board of Directors, which shall not exceed in the aggregate one per cent (1%) of the net profits of the Company, computed in the manner prescribed under Section 198(1) of the Companies Act, 1956, in respect of the profits for each of the five financial years of the Company commencing from April 1, 2002."

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

"RESOLVED that, pursuant to the provisions of Sections 198,269,309,Schedule XIII and other provisions of the Companies Act,1956 and subject to the approval of the Central Government, if applicable, consent be and is hereby given to the reappointment of Mr. Biswadip Gupta as the Managing Director of the Company for a further period of five years effective from February 1, 2002 to January 31, 2007 on a remuneration as set out in the Agreement dated February 5, 2002 entered into between the Company of the one part and Mr. Gupta of the other part.

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to modify, determine and/or revise the remuneration and perquisites of Mr. Gupta including his salary, allowances, commission, bonus, perquisites and benefits within the overall ceiling laid down in the Agreement and the Companies Act, 1956".

Registered Office :
P-104 Taratolla Road

Kolkata 700 088
February 5, 2002

By order of the Board of Directors

Taposh Roy
COMPANY SECRETARY

NOTICE (Contd.)



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 2, 2002 to April 16, 2002, 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 paid on or after April 22, 2002 to those members whose names appear on the Register of Members on April 17, 2002 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. Members are requested to contact M/s C B Management Services Pvt Limited, Registrars and Share Transfer Agents of the Company at P-22, Bondel Road, Kolkata 700 019 for recording any change of address, bank mandate or nominations and for redressal of complaints or contact the Company Secretary at the Registered Office or by email at Taposh_Roy@vesuvius.com.
5. Notices pursuant to Rule 4A of the Companies Unpaid Dividend (Transfer to General Reserve Account of the Central Government) Rules, 1978 have been sent to all shareholders concerned in January, 2002.
6. The explanatory statement pursuant to Section 173 of the Companies Act, 1956 in respect of items No. 6 and 7 is annexed.

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

ANNEXURE TO THE NOTICE CONVENING THE ELEVENTH ANNUAL GENERAL MEETING TO BE HELD ON WEDNESDAY, APRIL 17, 2002.

As the business specified in item nos 6 & 7 of the Notice of even date to which this statement is annexed are items of special business to be transacted at the eleventh Annual General Meeting of the Company, the following facts are set out in compliance with the provisions of Section 173 of the Companies Act, 1956 ('the Act')

ITEM No. 6

By a special resolution passed at the 7th Annual General Meeting held on August 10, 1998 the Directors of the Company, other than the Managing Director, were authorised to receive commission not exceeding in aggregate 1 % of the net profits of the Company for a period of five years from April 1, 1997 to March 31, 2002. It is considered desirable that the Directors do continue to receive commission not exceeding 1 % of the net profits of the Company. This special resolution seeks to obtain renewal of authority for payment of the commission to non-executive Directors pursuant to the provisions of Section 309(4) read with Section 309(7) of the Act.

The non-resident Directors have waived their entitlement to commission for the last five years including for the year ended December 31, 2001.

The Board recommends that the resolution be passed.

All Directors of the Company, other than Mr. Biswadip Gupta, Managing Director, are interested in the resolution to the extent of the remuneration that may be received by them.

ITEM No. 7

At the 6th Annual General Meeting held on August 12, 1997, Mr. Biswadip Gupta was reappointed Managing Director of the Company for a period of five years effective February 1, 1997. His term expired on January 31, 2002.

The Board of Directors at their meeting held on February 5, 2002 reappointed Mr. Gupta as Managing Director of the Company, subject to the approval of the members at the ensuing Annual General Meeting, for a further period of five years from February 1, 2002 to January 31, 2007 on terms of appointment and remuneration as set out in the Agreement dated February 5, 2002 executed between the Company and Mr. Gupta.

Mr. Biswadip Gupta is a BE (Metallurgy) and MBA and has about 30 years experience in the steel and refractory industry. He has received extensive training worldwide in the refractory making industry during his 20 years association with the Vesuvius Group, UK, before being associated with Vesuvius India. Since 1979 he was the Consultant Director, Indian Operations of Vesuvius Corporation SA, Switzerland. Mr. Gupta was the recipient of the Chief Executive's Award for outstanding performance in 1993 from the Group.

Mr. Gupta had joined the Company as a Director in 1991 and is the Managing Director since 1992. He has been instrumental in setting up of the Indian operations and under his leadership and guidance Vesuvius India has established itself as a formidable market leader in India today.

NOTICE (Contd.)

Mr. Gupta is the Deputy Chairman of the Indian Refractory Makers Association and a Committee Member of Bengal Chamber of Commerce and Industry.

The terms of remuneration of Mr. Gupta as per the aforesaid Agreement are as follows:

- | | |
|--------------------------|---|
| (a) Salary | Rs.73,600 per month or such sum not exceeding Rs. 2,00,000 per month as may be determined by the Board. |
| (b) House Rent Allowance | In accordance with the Rules of the Company as may be determined by the Board from time to time. |
| (c) Commission | Commission as may be determined by the Board subject to a maximum commission of 1 % of the net profits of the Company |
| (d) Management Bonus | Such sum as may be approved by the Board under the Management Bonus programme. |
| (e) Perquisites | Mr.Gupta shall also receive the perquisites, benefits and entitlements in accordance with the Rules of the Company applicable to Whole-time Directors including:
Leave Travel Concession, Group Medical Insurance and Domiciliary Medical expenses for self, family and dependent parents, Personal Accident Insurance, Cars with drivers, Club Fees, Telephones at residence, mobile phone, leave encashment, professional memberships etc. |
| (f) Retiral Funds | Mr. Gupta will also be entitled to the following benefits in accordance with the Rules of the Company: Provident Fund, Gratuity Fund and Superannuation Fund. |

Company's contribution to Provident Fund, Gratuity Fund and Superannuation Fund and encashment of leave at the end of the tenure will not be considered or included for the computation of ceiling on remuneration, perquisites and benefits.

The total remuneration payable to Mr. Gupta will be within the overall limits prescribed in the Companies Act, 1956, as amended from time to time. However, if during the currency of his tenure, the Company has no profits or its profits are inadequate in any financial year, Mr. Gupta shall be entitled, subject to the approval of the Central Government, to the same remuneration by way of salary, allowances, commission, bonus, perquisites and benefits as may be approved by the Board from time to time and within the overall limits specified above.

The appointment may be terminated by either party giving to the other six months notice in writing. However, the appointment may be terminated by giving a less than six months notice by mutual agreement between the parties.

The Agreement sets out the mutual rights and obligations of the Company and Mr. Gupta. A copy of the Agreement will be available for inspection of members at the registered office of the Company on any working day during usual business hours of the Company and will also be available at the meeting.

This may be treated as an abstract of the remuneration of Mr. Biswadip Gupta pursuant to Section 302 of the Companies Act, 1956.

The Board recommends that the resolutions be passed.

No Director other than Mr. Biswadip Gupta is concerned or interested in the resolution.

Registered Office:
P-104 Taratolla Road

Kolkata-700 088
February 5, 2002

By order of the Board of Directors

Taposh Roy
COMPANY SECRETARY



REPORT OF THE DIRECTORS



FOR THE YEAR ENDED ON DECEMBER 31, 2001

The Directors have pleasure in submitting their Annual Report together with the Audited Statements of Account for the year ended on December 31, 2001.

The Year in Retrospect

Financial Results

	Year Ended December 31, 2001	(Rs. in lakhs) Year ended December 31, 2000
Sales	9040	7128
Other Income	58	110
Total Income	<u>9098</u>	<u>7238</u>
Profit before depreciation	2170	1807
Depreciation	360	292
Profit after depreciation	<u>1810</u>	1515
Provision for Income Tax	437	303
Profit after tax	1373	1212
Balance as per last Balance Sheet brought forward	2349	1818
Available for appropriation	<u>3722</u>	<u>3030</u>
Appropriations made :		
Dividend recommended	507	457
Dividend tax- net of earlier year write back Rs.56.63 lakhs (2000-Rs. nil)	(5)	103
Transfer to General Reserves	138	121
	<u>640</u>	<u>681</u>
Profit & Loss Account Balance	3082	2349
	<u>3722</u>	<u>3030</u>

Business Environment

Despite a very difficult economic environment, the Company has done better than our expectations. It has been a spirited teamwork, total customer focus laced with good technology support from the parent company and assured performance of our products.

Steel industry continues to be afflicted in a serious downturn in demand, lower revenues and high unused capacity. This is being acutely felt by the flat producers - the long producers doing relatively better. This environment has made the Company to fast track its non-steel market with newer products for industries like aluminium, petrochem etc. Items like carbon blocks, insulating bricks are being pursued. However, globally steel accounts for over 75% of refractory consumption. Therefore, we will continue to support steel with cost effective and high technology products and solutions that can reduce costs. We have already introduced several latest generation products in the market like Tube Changer Device, Robotic Gunning of Blast Furnace Stacks etc. that have resulted in big savings to our customers.

Fully operating monolithics plant at Visakhapatnam has contributed significantly to the Company's growth for the year under review. We expect this to continue. Customers today are demanding more solution based sales, and to this end the monolithic plant helps a lot by completing the supply loop to the customers.

This approach of leveraging Company's and its parent's fundamental strengths in the existing environment has already proved very effective.

