40th
Annual Report
2010-11

ORIENT ABRASIVES LIMITED

MANAGEMENT

BOARD OF DIRECTORS

Mr. Rajendra Kumar Rajgarhia, Chairman
Mr. Rama Shanker Bajoria
Mr. Tribhuvan Nath Chaturvedi
Mr. Umesh Kumar Khaitan
Mr. Sudhir Kumar Samarendra Narayan
Mr. Shri Gopal Rajgarhia, Managing Director
Mr. Prem Prakash Khanna, Executive Director

BANKERS

HDFC Bank
State Bank of India
Citibank
ICICI Bank
Standard Chartered Bank

AUDITORS

S. R. Batliboi & Co.

REGISTERED OFFICE

1307, Chiranjiv Tower
43, Nehru Place
New Delhi-110 019

REGISTRAR & TRANSFER AGENT

Skyline Financial Services Pvt. Ltd.
D-153/A, 1st Floor
Okhla Industrial Area Phase -1
New Delhi – 110 020
Phone : 011 – 30857575 (10 Lines)
Fax : 011 – 30857562
E mail : admin@skylinerta.com

WORKS

Abrasives Grains & Power Division :
GIDC Industrial Area,
Porbandar
Gujarat-360 577

Refractories Division :
SP-148A & B, RIICO Industrial Area,
Bhiwadi, Dist Alwar, Rajasthan-301 019

CONTENTS

NOTICE

To the Members of **ORIENT ABRASIVES LIMITED** :

Notice is hereby given that the 40th Annual General Meeting of the Members of Orient Abrasives Limited will be held at Hindi Bhawan, 11, Vishnu Digambar Marg (Near Bal Bhawan), New Delhi – 110 002 on Monday, September 26, 2011 at 11.00 A.M. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Annual Accounts of the Company for the year ended March 31, 2011 and the report of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr Rajendra Kumar Rajgarhia who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr Umesh Kumar Khaitan who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

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

   "RESOLVED THAT subject to the provisions of Sections 198, 269, 309 and Schedule XIII and other applicable provisions of the Companies Act, 1956, approval of the members of the Company be and is hereby accorded to the appointment of Mr S G Rajgarhia as Managing Director of the Company for a further term of 5 years w.e.f. October 1, 2011 upon the terms and conditions set out below :

   1. Basic Salary – in the limits of Rs. 250000/- to Rs. 400000/- per month. In the first year it shall be Rs. 250000 per month. Thereafter the Board of Directors shall fix annual increments every year within the above ceiling. First increment shall be due from April 1, 2012. Other allowances, bonus and perquisites linked with basic salary shall also proportionately increase.
   2. Bonus/Ex-gratia – 20% of basic salary
   3. Perquisites :
      a) Housing - Rent free furnished accommodation or house rent allowance in lieu thereof, either of which shall be subject to a maximum value of 50% of the basic salary.
      b) Medical reimbursement – reimbursement of medical expenses incurred by self and dependant family members subject to a ceiling of one month's salary in an year or three months' salary over a period of three years.
      c) Leave travel allowance – reimbursement of traveling expenses incurred by self and dependent family members once an year subject to a ceiling of one months' basic salary.
      d) Payment of club membership fees, credit card subscription and periodic bills and other recreational expenses subject to a ceiling of Rs. 20000/- per month.
      e) Provision of chauffer driven car(s) for official and personal purposes; Provision of telephone and internet at home and mobile phone. These facilities, to the extent used for official purposes, as far as can be ascertained, shall not be considered in the computation of limits of remuneration being approved herein.

   The total of perquisites listed from 3 (a) to 3 (e) shall not exceed 100 percent of the basic salary mentioned at 1 above.

   4. Company's contribution to Provident Fund, Super-annuation Fund, Annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961, gratuity payable at a rate not exceeding half months salary for each completed year of service and encashment of leave at end of the tenure shall not be included in the above limits of remuneration provided it is within the limits of section I of Part II of Schedule XIII and also shall not be included in the limits of minimum remuneration, if any, becoming payable in the event of loss or inadequacy of profits.

5. Commission – over and above the remuneration mentioned aforesaid at the rate of 2 % of the net profits or such other percent as the Board of Directors may fix every year, provided that the total remuneration including basic salary, bonus, perquisites and commission shall be within the overall limits laid down in Section 198 and 309 of the Companies Act, 1956.

FURTHER RESOLVED THAT in the event of loss or inadequacy of profit in any financial year during the tenure of Mr. S G Rajgarhia as Managing Director, the remuneration and perquisites as given above or such remuneration as would be permissible under paragraph 1 (B) of Part II in Section II of Schedule XIII, having regard to the effective paid up capital of the Company, shall be paid to him as minimum remuneration for a period of three years from the date of appointment."

for ORIENT ABRASIVES LIMITED

Place : New Delhi
Date : July 30, 2011

Deepak C S
Company Secretary

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST REACH THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. THE REGISTER OF MEMBERS AND SHARE TRANSFER BOOKS OF THE COMPANY SHALL REMAIN CLOSED FROM SEPTEMBER 17, 2011 (SATURDAY) TO SEPTEMBER 24, 2011 (SATURDAY) - BOTH DAYS INCLUSIVE.
3. THE AMOUNT OF DIVIDEND REMAINING UNPAID FOR THE YEARS 2003-04, 2004-05, 2005-06, 2006-07, 2007-08, 2008—09, 2009-10 AND 2010-11 AND TRANSFERRED TO THE COMPANY'S UNPAID DIVIDEND ACCOUNT, CAN BE CLAIMED FROM THE COMPANY BY THE MEMBERS ENTITLED TO IT FOR A PERIOD OF SEVEN YEARS FROM THE RESPECTIVE DATES OF SUCH TRANSFER AFTER WHICH IT SHALL BE TRANSFERRED TO THE INVESTOR EDUCATION AND PROTECTION FUND CONSTITUTED UNDER SECTION 205 (C) OF THE COMPANIES ACT, 1956.

   THE DUE DATES OF TRANSFER OF UNCLAIMED DIVIDEND OF VARIOUS YEARS TO THE ABOVE FUND IS AS FOLLOWS :

YEAR	DATE OF DECLARATION	DUE DATE OF TRANSFER TO IEPF
2003-04	11/08/2004	17/09/2011
2004-05	20/07/2005	26/08/2012
2005-06	02/08/2006	08/09/2013
2006-07	20/09/2007	26/10/2014
2007-08	05/09/2008	12/10/2015
2008-09	03/08/2009	09/09/2016
2009-10	05/08/2010	10/09/2017
2010-11	09/03/2011	14/04/2018

4. IN ORDER TO AVOID FRAUDULENT ENCASHMENT OF THE DIVIDEND WARRANT(S), MEMBERS ARE ADVISED TO INFORM DETAILS OF THEIR BANK ACCOUNT NUMBER AND NAME AND ADDRESS OF THE BANK, FOR INCORPORATING THE SAME ON THE DIVIDEND WARRANTS.
5. CONSOLIDATION OF MULTIPLE FOILIOS AND PINCODE – MEMBERS ARE REQUESTED TO SEND THE SHARES HELD IN IDENTICAL NAMES FOR CONSOLIDATION INTO A SINGLE FOLIO ; ENSURE THE CORRECT PIN CODE IS INFORMED TO THE COMPANY TO EXPEDITE DELIVERY OF THE MAIL.
6. THE COMPANY SUB-DIVIDED THE FACE VALUE OF EQUITY SHARES FROM RS. 10 TO RE. 1 W.E.F. AUGUST 24, 2005. MEMBERS WERE ADVISED THROUGH A CIRCULAR DATED AUGUST 8, 2005 TO SURRENDER THEIR OLD SHARE CERTIICATES FOR EXCHANGE WITH THE NEW ONES. MEMBERS WHO HAVE NOT ALREADY EXCHANGED THEIR OLD CERTIFICATES WHICH ANYWAY CEASED TO BE VALID FROM THAT DATE, MAY DO SO BY SENDING THE OLD CERTIFICATES TO THE REGISTERED OFFICE OF THE COMPANY. THE COMPANY ALSO ISSUED TWO REMINDERS ON FEBRUARY 11, 2008 AND THEN ON JUNE 11, 2009 TO ALL THOSE WHO HAD NOT CLAIMED THEIR NEW CERTIFICATE. THE OLD CERTIFICATES ARE BEING ASKED FOR TO VERIFY GENUINENESS AND TO PROCURE INDEMNITY IN THE CASE OF LOST SHARE CERTIFICATES.

7. PURSUANT TO THE PROCEDURE LAID DOWN IN CLAUSE 5A.II OF THE LISTING AGREEMENT, THE COMPANY HAS ISSUED 3 REMINDERS DATED 08/03/2011, 20/04/2011 AND 15/07/2011 REQUESTING THE SHAREHOLDERS TO CLAIM THE UNCLAIMED PHYSICAL SHARES. IN CASE YOUR SHARES HAVE BEEN NOT CLAIMED WE REQUEST YOU TO KINDLY ACT AS ADVISED IN THESE REMINDERS. IN CASE YOU NEED ANY CLARIFICATION PLEASE CONTACT THE COMPANY OR THE REGISTRAR. THE SHARES REMAINING SO UNCLAIMED SHALL BE TRANSFERRED TO A SUSPENSE DEMAT ACCOUNT.
8. THE MEMBERS ARE REQUESTED TO GET THEIR SHARES DEMATERIALISED. THE COMPANY'S NEW ISIN CODE IS INE569C01020 PURSUANT TO CHANGE IN FACE VALUE.
9. MEMBERS CAN AVAIL NOMINATION FACILITY IN RESPECT OF THEIR SHAREHOLDINGS BY APPLYING IN FORM 2 B OF COMPANIES (CENTRAL GOVERNMENT'S_ GENERAL RULES & FORMS, 1956. THE SAID FORMS CAN BE OBTAINED FROM THE REGISTRAR OF THE COMPANY ON APPLICATION.
10. AN EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE ACT IS ANNEXED WITH THE NOTICE.

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956 FOR ITEM NO. 5.

ITEM NO. 5

Mr. S G Rajgarhia's present term in the office of Managing Director would come to an end on September 30, 2011. The Board of Directors has felt that it is in the interest of the Company to reappoint him for a further period of 5 years w.e.f. October 1, 2011 considering the contribution made by him in the past years in taking the Company to its current position in the industry.

Accordingly a fresh agreement dated July 30, 2011 was entered into between the Company and Mr Rajgarhia subject to members' approval, appointing him as Managing Director for a further term of 5 years. According to Schedule XIII of the Companies Act, 1956, this appointment requires members' approval by way of ordinary resolution. However to provide for minimum remuneration in the event of loss or inadequacy of profits in any year, a special resolution is required to be passed by the members approving payment of remuneration for 3 years. The proposed special resolution combines both the appointment and payment of minimum remuneration. After a period of three years, the Board of Directors may again approach the members for provision of minimum remuneration. However the appointment and payment of remuneration in the case of adequate profits shall remain intact for 5 years.

The information required to be given as per paragraph 1 (B) (iv) of Section II of Part II of Schedule XIII of the Companies Act, 1956 in the context of above appointment is given below :

I GENERAL INFORMATION

1) Nature of Industry :

The Company's activities can be broadly classified under the engineering industry. It has three business divisions viz. the Abrasive Grains Division which manufactures fused and calcined alumina grains, the Refractory Division which manufactures refractory and monolithic products and the Power Division comprising of the thermal power plant at Porbander works and the wind farms located at various places in India. The refratctory business is proposed to be demerged and the application before the Hon'ble High Court of Delhi is at an advanced stage.

2) Commencement of Commercial Production

Commercial production of Abrasive Grains Division commenced in January 1975. The Refractory Division commenced commercial production in November 1985. The first DG set of the thermal power division was set up in June 1998 and the first wind turbine in March 2009.

3) The financial performance for the year ended March 31, 2011 :

	(Rs. in lac)
Gross sales and income	39957.71
Operating profit	7939.26
Net profit	4683.51
EPS	3.91

II INFORMATION ABOUT THE APPOINTEE

Mr S G Rajgarhia, aged 64 years, is a successful entrepreneur and an accomplished industrialist having over 40 years of experience. He is a chemical engineer by profession; did his post graduate studies in USA acquiring a Masters degree from Massachusetts Institute of Technology (USA). He has been associated with the Company since inception and has been the Executive/Managing Director for the last more than 38 years.

Mr. Rajgarhia has managed the Company competently over the past years and helped it in becoming a successful business entity in the industry. His vast industrial experience and technical and commercial knowledge of the products helped the Company in enduring the difficult phases posed by industrial recession, financial problems, natural calamities and labour problems. Over the years the total turnover and profit have increased manifold. At present the gross turnover is about Rs. 400 crore and the gross profit for the year 2010-11 was about Rs. 60 crore.

Mr S G Rajgarhia is the Managing Director of the Company. He takes all the key policy decisions in consultation with the senior management team and under the supervision of the Board of Directors of the Company. He manages the affairs of the entire Company and also oversees the major day to day events in the Company. Heads of all the functional divisions and departments report to him on such periodic intervals as instructed.

The remuneration proposed to be paid to him is mentioned elsewhere in this Annual Report. The remuneration pad to him during the financial year 2010-2011 is as under :

	(Rs. in lac)
Total remuneration	171.99

The remuneration being paid by the Compnay is comparable to that paid by other entities in the industry.

Pecuniary relationship and relationship with managerial persons –

Mr S G Rajgarhia’s pecuniary relationship is limited to the remuneration including commission he receives in the capacity of Managing Director and the dividend or other benefits accruing to shareholders to the extent of his shareholding.

He is related to Mrs. Usha Rajgarhia, Manager (Export) as husband and to Mrs. Anisha Mittal, Sr. Vice President (Corporate) as father.

III OTHER INFORMATION

The profit of the Company during the financial year 2010-11 was adequate and it is expected that the Company will perform satisfactorily in the coming years making provision of minimum remuneration redundant.

However, there could be events or external factors beyond the control of the Company which would influence Company’s profitability. Hence it is necessary to provide for minimum remuneration to adequately compensate the Managing Director in case of any such eventuality.

IV DISCLOSURES

The remuneration package is already explained in the foregoing paragraphs. The report on Corporate Governance which forms part of this Annual Report also gives various details related to remuneration and contract of service as required.

The Board of Directors recommends that his appointment be unanimously approved by the members. The appointment and the remuneration have been approved by the remuneration committee in its meeting held on July 30, 2011.

No director of the Company except Mr. S G Rajgarhia himself and Mr. R K Rajgarhia is interested or concerned in the resolution.

This may also be treated as an abstract of the terms of the contract between the Company and Mr. S G Rajgarhia and of the memorandum of interest under section 302 of the Companies Act, 1956.

The said contract is open for inspection on all working days during business hours at the registered office of the Company.

Brief resume of the Directors being re-appointed :

1. Mr Rajendra Kumar Rajgarhia

Name	:	Mr Rajendra Kumar Rajgarhia
Date of Birth	:	14/08/1938
Date of Appointment	:	09/12/1980
Expertise in field	:	Mr R K Rajgarhia is an eminent industrialist with about 48 years of experience. He is the eldest brother of Company's Managing Director. He has been associated with the Company since 1980 as an ordinary Director. He has been the Chairman of the Company since May, 1998.
His Directorship in other Companies	:	1. APM Industries Ltd. 2. Perfectpac Ltd. 3. Gini Silk Mills Ltd. 4. Rajgarhia Leasing & Financial Services Pvt. Ltd.
His Committee membership	:	Chairman – Shareholders' Grievances Committee in Orient Abrasives Ltd.
His Committee membership in other Companies	:	NIL
His shareholding in the Company	:	600666 equity shares (0.50 %)

2. Mr Umesh Kumar Khaitan

Name	:	Mr Umesh Kumar Khaitan
Date of Birth	:	20/12/1948
Date of Appointment	:	11/02/1997
Expertise in field	:	Mr Umesh Kumar Khaitan is an accomplished Lawyer practicing both in the Supreme Court and the High Courts. He has experience of about 42 years in the field of law. He is also on the Board of some other well known companies.
His Directorship in other Companies	:	1. United Holdings Pvt. Ltd. 2. Sutlej Textiles & Industries Ltd. 3. Indo Continental Hotels & Resorts Ltd. 4. Amrit Agro Industries Ltd. 5. Aiyer Manis Rubber Estate Ltd. 6. Nehru Place Hotels Ltd. 7. Hindustan Everest Tools Ltd. 8. Ashutosh Holdings Pvt. Ltd. 9. Shreeparna Holdings Pvt. Ltd. 10. K & K Feast Makers Pvt. Ltd. 11. Oriental Bank of Commerce 12. Ferro Alloys Corporation Ltd. 13. Combine Accurate Financial Services(I) Ltd. 14. Numero Uno Clothing Ltd. 15. Geepee Agri Products Pvt. Ltd. 16. Combine Fin Products Pvt. Ltd.
His Committee membership	:	Member – Audit Committee, Remuneration Committee in Orient Abrasives Ltd.
His Committee membership in other Companies	:	None
His shareholding in the Company	:	NIL

Place : New Delhi
Date : July 30, 2011

Deepak C S
Company Secretary

DIRECTORS' REPORT

The Members,

Orient Abrasives Limited

Your Directors have pleasure in presenting the 40th Annual Report of the company along with the Audited Statements of accounts for the year ended 31st March, 2011.

FINANCIAL RESULTS

(Rs.in lacs)

	2011	2010
Gross Sales & Income	**39957.71**	34604.77
Profit before depreciation, Interest and tax	**7939.26**	8417.19
Less : Depreciation	**1298.21**	1080.61
Interest	**697.82**	456.43
Profit before Income Tax	**5943.23**	6880.15
Less : Income Tax	**1259.72**	1763.65
Net Profit for the year	**4683.51**	5116.50
Add : Balance brought forward from the previous year	**3845.34**	3123.95
Amount available for appropriation	**8528.85**	8240.45
Appropriation :		
General Reserve	**3000.00**	3000.00
Dividend on Equity shares	**1196.39**	1196.39
Corporate Dividend Tax	**198.71**	198.71
Balance carried forward to Balance Sheet	**4133.75**	3845.35
	8528.85	8240.45

INTERIM DIVIDEND

The Company paid an interim dividend @ Re. 1 per equity share, declared at the Board Meeting held on March 9, 2011.

The total cash out-flow on account of this dividend payment including distribution tax was Rs. 1395.10 lac (Previous Year Rs. 1395.10 lac)

FINAL DIVIDEND

In order to augment resources and also in view of the interim dividend having been paid, no final dividend is being recommended with respect to financial year ending on March 31, 2011, for consideration of the members at the Annual General Meeting.

OPERATIONS REVIEW AND FUTURE OUTLOOK

Turnover of the Company increased to Rs. 395.68 Cr during the year under review from Rs. 343.70 Cr in the previous year. However, gross profit and net profit declined to Rs. 59.43 Cr and Rs. 46.84 cr respectively during the year under review as compared to Rs. 68.80 Cr and Rs. 51.17 Cr respectively in the previous year. General increase in raw material costs was one of the reasons for decline in the profit. Besides, abnormal rise in fuel costs especially of furnace oil and coal reduced the margins. Increase in financial expenses on account of higher interest rates on borrowings and loss on account of foreign exchange and derivative contracts as against a gain of about Rs. 3.46 Cr last year also contributed to the decrease in profits. The Company could not absorb the increased costs by a corresponding increase in sales price. The Company could also not achieve the expected revenue from the wind farms due to delay in commissioning of the turbines.

Exports grew from Rs. 31.14 Cr to Rs. 40.80 Cr during the year under review, by developing new customers and consolidating existing markets

Both the abrasive grains division and the refractory division performed satisfactory in terms of sales. The thermal power plants at Porbander division fulfilled a major share of the power requirements of the Abrasives Grains Division. The operating cost of these power plants was higher due to a substantial rise in fuel costs

The wind farm capacity of the Company increased to 9.6 mw during the year under review. Another turbine of 1.5 mw was commissioned in June 2011 thereby making the total capacity, 11.1 mw comprising of 6 mw located in Rajasthan and 5.1 mw in Karnataka.

The financial results of the Company in the first 4 months of the current year was satisfactory. Your directors hope that the sales and profitability of the Company shall improve in the current year.

FIXED DEPOSIT

As on the date of this report there is no unclaimed fixed deposit in the Company.

DIRECTORS

Mr Rajendra Kumar Rajgarhia and Mr Umesh Kumar Khaitan having been longer in the office, retire by rotation at the Annual General Meeting and being eligible offer themselves for re-appointment. A brief resume of the appointees is given in the notice to the Annual General Meeting. Your directors recommend their re-appointment at the ensuing Annual General Meeting in the overall interest of the Company.

AUDITORS

M/s. S.R. Batliboi & Co., Auditors of the Company hold office till the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for reappointment. A certificate under section 224 (1) of the Companies Act, 1956 confirming their eligibility has been obtained from them. Your Directors recommend that they be appointed by the members at the 40th Annual General Meeting.

AUDITORS REPORT

The Auditors Report read with notes to the financial statements in schedule 24 is self-explanatory and does not call for any further explanation by the Board.

PARTICULARS OF EMPLOYEES

The details of employees who drew remuneration either in whole or for a part of the year that attracts disclosure requirements as per Section 217 (2A) of the Companies Act,1956, read with the Companies (Particulars of employees) rules, 1975 as amended, is annexed and forms an integral part of this report .

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

As required under section 217 (1) (e) of the Companies Act,1956 read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988, the particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo are annexed.

DIRECTORS RESPONSIBILITY STATEMENT

In compliance of Section 217(2AA) of the Companies Act, 1956, your Directors confirm:

(i) that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

(ii) that they have selected such accounting policies and applied them consistently and made judgments and estimates that are 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 profit or loss of the company for that period;

(iii) that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

(iv) that they have prepared the annual accounts on a going concern basis ;

AUDIT COMMITTEE

The audit committee meets at due intervals to conduct the required business. At present the committee comprises of Mr Tribhuvan Nath Chaturvedi (Chairman), Mr Rama Shanker Bajoria and Mr Umesh Kumar Khaitan, all independent directors.

DEMERGER OF REFRACTORY BUSINESS

During the year under review the Company decided to demerge its refractory undertaking situated at SP-148, RIICO Industrial Area, Bhiwadi, Rajasthan with a view to de-risk and segregate the refractory business from the other two businesses viz. abrasive grains and power generation as the economic and market factors guiding the refractory business are distinct from those applicable to the other two. The demerger will also allow a focused strategy in operations of the Refractory Undertaking alongwith providing scope for independent collaboration and expansion without committing the existing organization in its entirety. The demerger would also help in enhancing the stakeholder value with the two businesses growing independently of each other as the management can formulate separate business strategy for each considering the independent characteristics of each entity and without being affected by the constraints faced by each other.

A subsidiary Company named Orient Refractories Ltd. was incorporated on November 26, 2010 for this purpose. The demerger process is at an advanced stage. The equity shareholders, secured creditors and unsecured creditors at their respective meetings held on February 26, 2011 approved the scheme of demerger. The final petition for demerger has been filed before the Hon'ble High Court of Delhi at New Delhi and the date of hearing on the demerger is fixed for September 19, 2011.

CONSOLIDATION OF ACCOUNTS

As required under the Companies Act, 1956 and the listing agreement, the accounts of the Company has been consolidated with that of its subsidiary, Orient Refractories Ltd. as per the applicable accounting standards. Pursuant to the exemption granted by the recent circulars issued by the Ministry of Company Affairs, the financial statements, directors report and other annexure of the subsidiary company as required to be annexed to this Annual Report under Section 212 of the Companies Act, 1956 have not been annexed. The Board of Directors of the Company in its meeting held on July 30, 2011 has given consent to such not attaching the financial statements of the subsidiary Company. Previous year figures have not been given in the said accounts as the subsidiary company had not been incorporated then.

The annual accounts of the subsidiary company and the related detailed information shall be made available to shareholders of the holding and subsidiary companies seeking such information at any point of time. The annual accounts of the subsidiary companies shall also be kept for inspection by any shareholders at the registered office of the Company and the subsidiary Company. The Company shall furnish a hard copy of details of accounts of subsidiaries to any shareholder on demand.

The details in regard to the subsidiary Company required to be disclosed as per general circular no. 2/2011 dated 08/02/2011issued by the Ministry of Corporate Affairs has been given in the Consolidated annual accounts section of the this Annual Report.

PERFORMANCE OF THE SUBSIDIARY COMPANY

The subsidiary Company, Orient Refractories Limited was incorporated on November 26, 2010 for the purpose of vesting the undertaking being demerged. The said Company has not started any commercial operations. Once the scheme of demerger is approved by the Hon'ble High Court, the refractory business of the Company shall be demerged into this Company w.e.f. April 1, 2011, being the appointed date.

Therefore during the year under report, there was no commercial activity by the subsidiary Company to be commented upon.

CREDIT RATING OF BANK BORROWINGS

The Company has been assigned A+ rating on its long term borrowings by both CRISIL and CARE. This rating indicates adequate safety and carry low credit risk.

For short term borrowings P1+ and PR1+ have been assigned by both CRISIL and CARE respectively which is the highest given by these agencies for such facilities and carry lowest credit risk.

CORPORATE GOVERNANCE

The Report on Corporate Governance has been annexed to this Directors' Report. The Company has obtained a certificate by a firm of practising company secretaries regarding compliance of various requirements of corporate governance.

CODE OF CONDUCT

The Company has laid down a Code of Conduct for the Directors and Senior Management Personnel as specified. The Code was adopted in the Board Meeting held on December 13, 2005. It is available on the website of the Company www.orientabrasives.com. A declaration by the Managing Director regarding annual affirmation of compliance of the Code by all concerned is annexed to the Report on Corporate Governance.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis Report on matters relating to business performance of the Company has been annexed to this Directors' Report.

VOLUNTARY GUIDELINES ON CORPORATE GOVERNANCE

The Company will endeavour to follow the Voluntary Guidelines on Corporate Governance, 2009 issued by the Ministry of Corporate Affairs in due course. Efforts are being to bring the same into practice wherever possible.

CORPORATE SOCIAL RESPONSIBILITY

The Company will in due course of time shall make efforts contribute to the society and environment by following the voluntary guidelines on Corporate Social Responsibility, 2009 and the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business, 2011 framed by the Ministry of Corporate affairs, in letter and spirit.

GREEN INTIATIVE BY THE CENTRAL GOVERNMENT

Pursuant to the "Green Initiative in Corporate Governance" taken by the Ministry of Corporate affairs by allowing paperless compliances by Companies through electronic mode, the Company proposes to send various notices and documents, including Annual Report, to its shareholders through electronic mode to the registered e- mail addresses of shareholders.

This move by the Ministry is welcome since it will benefit the society at large through reduction in paper consumption and contribution towards a Greener Environment. It will also ensure prompt receipt of communication and avoid loss in postal transit. Necessary communication has already been sent to all the shareholders whose e-mail ids are registered with the Company. The Annual report is being sent to those who have opted for electronic mode, in such mode only. Your Board of directors urges all the shareholders to communicate their e-mail ids to the Company and allow paperless communication.

ACKNOWLEDGEMENT

Your Directors sincerely appreciate the dedication and efforts of the employees at all levels of the organisation in contributing to the success of the Company. The Directors are also thankful to the investors of the Company for their confidence in the Company. They also gratefully acknowledge the continued support received from the customers, business associates, various government agencies, financial institutions and the banks.

For and on behalf of the Board of Directors

New Delhi — R K Rajgarhia
July 30, 2011 — Chairman

ANNEXURE 'A' TO THE DIRECTORS' REPORT

CORPORATE GOVERNANCE REPORT

1. A brief statement on Company's philosophy on code of governance

The Company believes in employing the highest standards of corporate governance practices and policies by upholding the principles of transparency in transactions, disclosure of information, integrity, social accountability and statutory compliance. The Company also endeavors to provide quality service and feedback to its investors, customers, business associates and the statutory agencies.

2. Board of Directors

The Company has a non-executive chairman. The number of non-executive directors is more than half of the total Board strength. The total Board strength is seven out of which four are independent directors. The Chairman is related to the promoter. As required, independent directors constitute the majority of the Board strength.

None of the directors on the Board is a member of more than 10 Committees and Chairman of more than 5 Committees across all the companies in which he is a director. The necessary disclosure regarding committee positions has been made by the Directors.

The names and categories of the directors on the Board, their attendance at Board Meetings during the year and at the last Annual General Meeting, as also the number of directorships and committee memberships held by them in other public companies are given below :

Name	Category	No. of Board meetings attended during 2010-11	Whether attended AGM on 05/08/2010	No. of directorships in other public companies as on 30/07/2011		No. of committee positions held in other public companies as on 30/07/2011	
				Chairman	Member	Chairman	Member
Mr. R K Rajgarhia (Chairman)	Not Independent non-Executive	7	Yes	1	2	0	0
Mr. R. S. Bajoria	Independent non-executive	5	No	0	2	0	0
Mr. Umesh Kumar Khaitan	Independent non-Executive	3	No	0	9	0	0
Mr. T N Chaturvedi	Independent non-Executive	7	Yes	0	5	4	1
Mr S K S Narayan	Independent non-Executive	0	No	0	0	0	0
Mr. S G Rajgarhia	Promoter, not independent Executive	7	No	0	4	0	0
Mr P P Khanna	Not independent Executive	7	Yes	0	0	0	0

The dates of Board Meetings held during the year 2010-2011 are
May 31, 2010
July 31, 2010
October 30, 2010
November 16, 2010
December 8, 2010
January 31, 2011
And
March 9, 2011

The time gap between Board Meetings did not exceed four months. The information as required under Annexure 1 of clause 49 of the listing agreement, is regularly placed before the Board meetings.

The non-executive directors, except Mr R K Rajgarhia, do not have any material pecuniary relationship with the Company. Mr R K Rajgarhia's pecuniary relationship to the Company is limited to the extent of his shareholding in it and the sitting fees received by him. He may also be deemed to have some pecuniary interest with respect to transactions of sale and purchase of materials with the Companies in which he is a director, brief details of which are disclosed in the notes to the financial statements under the head 'related party disclosures' under Schedule 24 of the Annual Report.

Shareholding of non-executive directors in the Company as on the date of this report is :

Name of the Director	No. of shares as on 30/07/2011	Percentage to total
Mr R K Rajgarhia	600666	0.50

The Company has not issued any convertible instruments.

The Code of Conduct adopted w.e.f. December 13, 2005 is being followed by all concerned. The Code has been put on the Company's website.

3. Audit Committee

The Company had constituted an audit committee pursuant to section 292 A of the Companies Act, 1956 on 16/02/2001 which now comprises of three non-executive independent directors. The broad terms of reference of audit committee are –

a) to review the un-audited financial results and the internal audit reports
b) to suggest internal control measures after discussion with the internal auditors
c) to oversee their implementation
d) to review the annual financial statements with the management and
e) to recommend appointment of auditors
f) and other matters as provided in the clause 49 of the listing agreement.

The scope and activities of the audit committee include the areas prescribed under clause 49 II (D) of the listing agreement with the Stock Exchanges. The audit committee has been granted powers as prescribed under the clause 49 II (C).

The audit committee comprises of three independent directors. Mr T N Chaturvedi is the Chairman, who is a Chartered Accountant having good financial and accounting knowledge. The other members also have adequate financial and accounting knowledge. Details of meetings attended by the committee members are given below :

Names of members	Category	No. of meetings attended during the year 2010-11
Mr T N Chaturvedi, Chairman	Independent, non-executive	4
Mr Umesh Kumar Khaitan	Independent, non-executive	2
Mr R S Bajoria	Independent, non-executive	3

The dates of meetings were

May 31, 2010
July 31, 2010
October 30, 2010
And
January 31, 2011

As can be noted, not more than 4 months did elapse between successive meetings. The meetings were also attended by the representatives of Statutory Auditors and Internal Auditors. The Company Secretary acts as the Secretary of the Committee.

4. Remuneration Committee

The remuneration committee was constituted in the year 2002 comprising of Mr T N Chaturvedi (Chairman), Mr Umesh Kumar Khaitan and Mr R S Bajoria, all being independent and non-executive directors. The committee did not meet during the year under review.

The non-executive directors are paid sitting fees for the Board and Committee meetings attended by them, except for the share transfer committee meetings. The non-executive directors are not paid remuneration in any other form. The sitting fees being paid is Rs. 10000/- per Board meeting and Rs. 5000/- per committee meetings.

I The remuneration being paid to the Managing Director is as per the package approved by the members in the 35th Annual General Meeting held on August 2, 2006 for a period of 3 years and then approved at the same package in the 38th Annual General Meeting held on August 3, 2009 for the remaining period of 2 years which comprises of basic salary, bonus and perquisites and commission.

Basic Salary	–	In the range of Rs. 100000/- to Rs. 300000/- per month subject to increments as decided by the Board of directors every year ;
Perquisites	–	like HRA, medical reimbursement, LTA and others subject to a ceiling of 100%of basic salary a month
Bonus/Ex-gratia	–	20% of basic salary
Commission	–	at such percentages as decided by the Board every year keeping the total remuneration within the limits of Schedule XIII. At present commission is being paid @ 2% of the net profit.

At present his basic salary is Rs. 215000/- per month.

II The remuneration being paid to the Executive Director is as approved by the members in the 38th Annual General Meeting held on August 3, 2009 which comprises of basic salary, bonus and perquisites, when he was appointed for a further term of 3 years w.e.f. 02/05/2009. The break-up of remuneration is as follows:

Basic Salary	–	In the range of Rs. 165500/- to Rs. 250000 per month subject to annual increments as decided by the Board of directors within the said scale ;
Perquisites	–	like HRA, medical reimbursement, LTA and others subject a ceiling of 100% of basic salary a month
Bonus/Ex-gratia	–	20% of basic salary
Lump-sum payment	–	A lump-sum payment not exceeding Rs. 1000000 per every financial year

At present the basic salary is Rs. 208000/- per month

The service contract of Managing Director is as per the appointment letter dated May 29, 2006 issued by the Company which on acceptance by Mr Rajgarhia constituted an agreement between him and the Company.

The service contract of Executive Director is as per the appointment letter dated May 2, 2009 issued by the Company which on acceptance by Mr Khanna constituted an agreement between him and the Company.

- Since the appointment of Managing Director and Executive Director is governed by members' approval, no notice period or severance fees is applicable in their case.
- There are no other performance linked element of remuneration except the commission paid to Managing Director.
- The Company has not issued any stock option scheme to its employees or directors.

Details of remuneration paid to the Managing Director and Executive Directors during 2010-2011

Name	Salary (Rs.)	Perquisites (Rs.)	Contribution to PF (Rs.)	Commission (Rs.)
Mr S G Rajgarhia, Managing Director	44,93,500.00	94,547.00	3,09,600.00	1,23,01,453.00
Mr P P Khanna Executive Director	44,66,500.00	1,60,317.00	2,66,400.00	–

Details of sitting fees paid to the other directors during 2010-2011

Name	Sitting Fees (Rs.)
Mr R K Rajgarhia	80,000.00
Mr. R S Bajoria	65,000.00
Mr. T N Chaturvedi	90,000.00
Mr Umesh Kumar Khaitan	40,000.00
Mr S K S Narayan	Nil

5. Shareholders' Grievances Committee

A shareholders grievances committee was constituted on 11/03/2002 to specifically look into the redressal of investor complaints regarding transfer of shares, non-receipt of annual reports, bonus, dividend etc. Two meetings of the Grievances Committee were held during the year 2010-2011 as follows :

On September 20, 2010 and March 9, 2011

The composition of the committee and the number of meetings attended by the members is as follows :

Name	Category	No. of meetings attended
Mr R K Rajgarhia, Chairman	Not independent, non-executive	2
Mr R S Bajoria	Independent, non-executive	2
Mr S G Rajgarhia	Not independent, Executive	2

Total number of investors' complaints received during the financial year 2010-11 - 23

Total number of investor complaints remaining un-redressed as on March 31, 2011 – Nil

Pending share transfer cases as on 31/03/2011 – Nil

Name, designation and address of the Compliance Officer :

Deepak C S
Company Secretary
Orient Abrasives Limited
1307, Chiranjiv Tower
43, Nehru Place
New Delhi – 110 019

Ph. : 011-26449480, 26425446
Fax : 011-26443859
E-mail :, ho@oalindia.com, deepakcs@oalindia.com

The Company welcomes the members to make more effective use of the electronic means to communicate with their Company for quicker redressal of their grievances. The Company has appointed a share transfer agent, whose particulars are given elsewhere in this report. The members may address their queries/complaints to the above address/phone/fax/e-mail id or to those of the Registrar.

Pursuant to clause 47 (f) of the listing agreement, the Company has designated an exclusive E-mail Id for redressal of investor grievances. The said e-mail id is deepakcs@oalindia.com.

Annual General Meetings

Time and location where last three Annual General Meetings were held :

Annual General Meeting	Date & Time	Venue	Special Resolutions
37th Annual General Meeting	05/09/2008 at 11.00 A.M	Hindi Bhawan, 11, Vishnu Digambar Marg (Near Bal Bhawan), New Delhi – 110 002	None
38th Annual General Meeting	03/08/2009 at 11.00 A.M	Hindi Bhawan, 11, Vishnu Digambar Marg (Near Bal Bhawan), New Delhi – 110 002	1. Amendment in Clause 5 of Memorandum of Association and clause 3 of Articles of Association for increase in authorized capital 2. Appointment of Mr P P Khanna as Wholetime director 3. Appointment and increase in remuneration of relative of director to an office of profit in the Company 4. Approval of remuneration to be paid to Mr S G Rajgarhia, Managing Director for next 2 years
39th Annual General Meeting	05/08/2010 at 11.00 A.M	Hindi Bhawan, 11, Vishnu Digamber Marg (Near Bal Bhawan), New Delhi - 110 002	None

No resolution was passed through postal ballots during the year under review.

6. Disclosures

a. Disclosure on related party transactions i.e. transactions of the Company with its promoters, directors or the management, relatives, bodies corporate in which the directors are interested etc. is appearing under Schedule 24 (Notes to the Financial Statements) of the Annual Accounts. There are no materially significant related party transactions which have potential conflict with the interest of the Company at large.

b. Details of non-compliance by the Company, penalties, restrictions/strictures imposed by the Stock Exchanges and the SEBI and any other statutory authority on any matter related to the capital markets, during the last three years is NIL.

c. The Company at present does not have a whistle blower mechanism in place. However it may implement such a mechanism in future.

d. The Company has at present not adopted the non mandatory requirements of corporate governance except for certain clauses regarding remuneration committee. However in line with its policy to ever improve the good corporate governance practices it is proposed to adopt all such practices in due course of time.

7. Means of communication of financial statements etc., newspapers where published.

- Quarterly Financial statements are normally published in the Economic Times, Times of India and Navbharat Times.
- The results are made available to the individual members through e-mail/courier/fax on specific requests
- the results are also sent to the institutional investors/financial analysts on request
- The financial results from the quarter ended December 31, 2004 onwards are also available on the Company's website – http://www.orientabrasives.com
- The Company does not send half year financial reports to the members individually.
- Management Discussion and Analysis Report forms an integral part of the Directors' Report.

8. CEO/CFO Certification

Mr S G Rajgarhia, Managing Director and Mr B L Gupta, Sr. Vice President (Finance) have given the certificate pertaining to financial year 2010-11 to the Board of Directors which was taken note of at the board meeting held on May 30, 2011.

9. General Shareholder information regarding present AGM, financial calendar etc, Names of stock exchanges where listed

Financial Calendar

Financial Year	:	April 1, 2010 to March 31, 2011
AGM	:	September 26, 2011
Book closure dates	:	September 17, 2011 to September 24, 2011
Dividend Payment date	:	Interim dividend was paid on March 16, 2011. No final dividend has been recommended
Quarterly results	:	Last week of July 2011, October 2011 January 2012 and April/May 2012

Listing on Stock Exchanges

The Company's equity shares are listed on the following Stock Exchanges :

I The Bombay Stock Exchange Ltd. (BSE)
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai – 400 001

II National Stock Exchange of India Ltd. (NSE)
Exchange Plaza
Bandra Curla Complex
Bandra (East)
Mumbai – 400 051

The Company's application for de-listing is yet to be disposed of by the Calcutta Stock Exchange Association Ltd. Hence the shares technically continue to remain listed on the said stock exchange.

The Company has duly paid the listing fees to the BSE and the NSE for the year 2011-2012.

Scrip Code of the Company's Equity Shares

BSE	:	504879
NSE	:	ORIENTABRA EQ
ISIN Code	**:**	**INE569C01020**

Market Information

Market Price Data : Monthly High, Low (based on the closing prices) and volume, number of trades and value of total shares traded during each month of the last financial year :

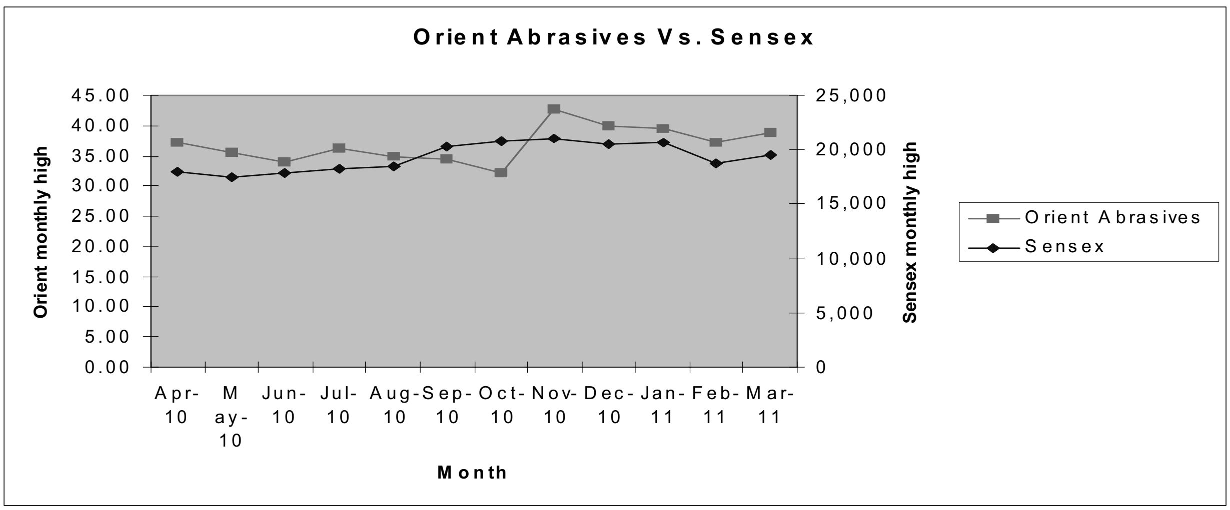
BSE

Month	High (Rs.)	Low (Rs.)	Volume	No. of trades	Trunover (Rs.- lac)
April, 2010	37.25	28.00	27,75,339	9,339	936.88
May, 2010	35.50	30.15	10,93,382	4,330	355.72
June, 2010	33.95	29.00	6,31,148	2,734	197.32
July, 2010	36.25	30.60	28,68,769	8,960	977.79
August, 2010	35.00	31.00	14,92,452	5,751	480.77
September, 2010	34.35	27.00	14,10,554	5,334	460.31
October, 2010	32.25	29.50	6,21,621	2,644	193.19
November, 2010	42.65	29.60	60,08,171	21,839	2148.55
December, 2010	39.95	31.85	15,14,943	6,223	556.09
January, 2011	39.50	32.00	5,50,949	2,080	201.72
February, 2011	37.20	30.75	5,45,500	2,281	184.57
March, 2011	38.75	34.00	4,87,154	1,844	177.50

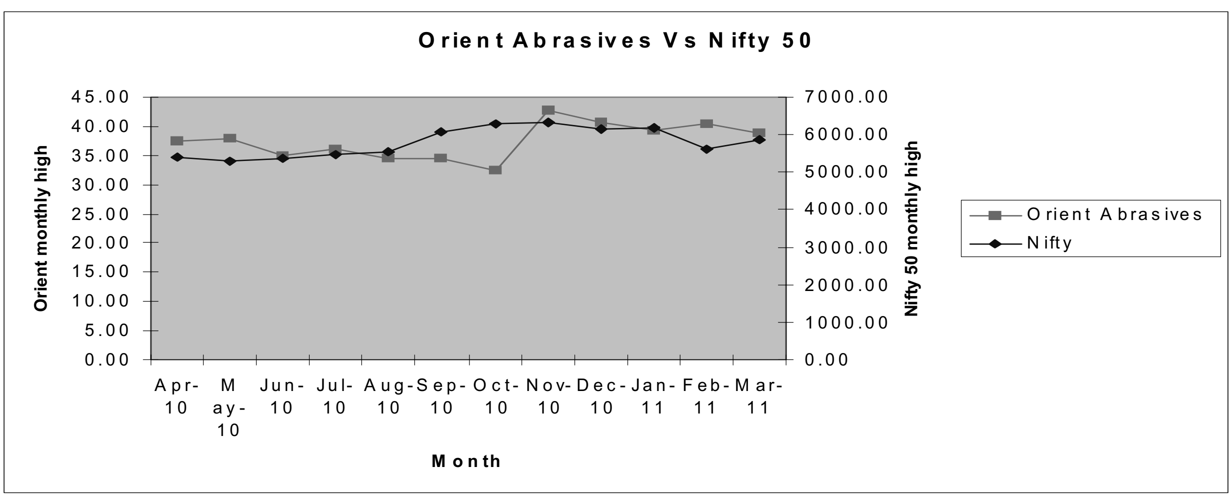
NSE

Month	High (Rs.)	Low (Rs.)	Volume	Turnover in Rs. Lac
April, 2010	37.50	15.25	3026151	1023.75
May, 2010	37.90	19.50	1790732	582.28
June, 2010	34.95	27.25	1005000	314.74
July, 2010	36.10	28.50	3065662	1045.85
August, 2010	34.40	18.75	1622740	522.66
September, 2010	34.50	19.40	1672433	544.61
October, 2010	32.40	19.80	859864	267.33
November, 2010	42.75	20.40	9114931	3236.97
December, 2010	40.60	21.00	2605130	948.15
January, 2011	39.35	24.50	893776	322.77
February, 2011	40.50	27.00	933065	315.54
March, 2011	38.85	26.50	969695	353.31

Performance of Orient Abrasives' scrip in Comparison to BSE Sensex



Performance of Orient Abrasives' scrip in Comparison to NSE Nifty 50



Registrar & Share Transfer Agents
Skyline Financial Services Pvt. Ltd.
D-153/A, 1st Floor
Okhla Industrial Area Phase-1
New Delhi – 110 020
Phone : 011 – 30857575 (10 Lines)
Fax : 011 – 30857562
E mail : admin@skylinerta.com

Share transfer is done once in every 10 days. A share transfer committee comprising of Mr S G Rajgarhia (Chairman), an executive director and Mr T N Chaturvedi, a non-executive director is in place to approve valid requests for share transfer etc. The authority to authenticate the endorsements has been given to a senior executive and the Company Secretary.

Distribution of shareholding

No. of equity shares held	As on 31/03/2011		As on 31/03/2010	
	Percent of shareholders	Percent of shares	Percent of shareholders	Percent of shares
1 to 5000	91.38	11.07	91.20	11.00
5001 to 10000	4.56	3.99	4.60	3.77
10001 and above	4.06	84.94	4.20	85.22
	100.00	100.00	100.00	100.00

Categories of Shareholders

Category	Number of shareholders		Voting strength %		Number of shares	
	31/03/2011	31/03/2010	31/03/2011	31/03/2010	31/03/2011	31/03/2010
Promoter group (individuals & trust)	15	15	50.91	53.33	60916594	63801064
Promoter group (Companies)	3	2	0.15	0.11	174580	132080
UTI/Mutual Funds	1	1	0.04	0.04	44000	44000
Banks and Financial Institutions	4	4	0.02	0.02	19000	19000
Other domestic companies/Trust	393	434	10.05	10.33	12019819	12361768
NRIs/FIIs	176	150	0.41	0.48	488065	571266
Indian public	13279	12507	38.42	35.69	45977142	42710022
Total	13871	13113	100.00	100.00	119639200	119639200

Dematerialisation of shares and liquidity

The Company has arrangements with both National Securities Depository Limited (NSDL) and the Central Depository Services (India) Ltd. (CDSIL) As on March 31, 2011, the total outstanding dematerialized shares is 93.33 percent.

The Company has not issued any ADRs, GDRs or any other convertible instruments.

Plant Locations

Abrasives Grains Division : Porbander, Gujarat
Refractory Division : Bhiwadi, Rajasthan and Salem, Tamil Nadu

Address for correspondence

Orient Abrasives Limited
1307, Chiranjiv Tower
43, Nehru Place
New Delhi – 110 019
Phone : 011-26449480, 26425446
Fax : 011-26443859
E-mail : ho@oalindia.com,
Website : http://www.orientabrasives.com

CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of
ORIENT ABRASIVES LIMITED
New Delhi

We have examined the compliance of conditions of Corporate Governance by ORIENT ABRASIVES LIMITED for the year ended March 31, 2011, as stipulated in Clause 49 of the Listing Agreement of the said company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of Management. Our examination was limited to procedure and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders'/Investors' Grievance Committee of the Company.

We further state that such compliance is neither an assurance as to the further viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For JATIN GUPTA & ASSOCIATES
COMPANY SECRETARIES

Place : New Delhi
Date : July 30, 2011

(JATIN GUPTA)
PROPRIETOR
C. P. NO. 5236
MEMB NO. 5651

DECLARATION REGARDING COMPLIANCE OF CODE OF CONDUCT

I, S G Rajgarhia, Managing Director of Orient Abrasives Limited do hereby declare and confirm that all the Board Members and the Senior Managerial Personnel have affirmed compliance of the Code of Conduct during the year from April 1, 2010 to March 31, 2011

New Delhi
July 30, 2011

S G Rajgarhia
Managing Director

ANNEXURE 'B' TO THE DIRECTORS' REPORT

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

GENERAL REVIEW

The Company was incorporated in the year 1971 in New Delhi.

The Company has three business divisions namely the Abrasives Grains Division (AGD) at Porbander, Gujarat that manufactures fused alumina grains and calcined products, the Refractory Division (RD) that manufactures refractories and monolithics and the Power division comprising of thermal power plants and wind turbine generators.

The Abrasives Grains Division, the first of Company's all divisions, was established in the year 1974.

Thereafter the Company established the Bonded Abrasives Division in 1980 at Bhiwadi, Rajsthan, which was divested in the year 2006-07. The Refractory Division was set up in the year in 1985 at Bhiwadi, Rajasthan.

The Company also has a Power Division that generates electricity for captive consumption which was set up in 1998 and expanded in 2007 with the addition of a 9 MW coal based thermal power plant. In 2010, the Company ventured into green energy projects by setting up wind turbines. At present the total commissioned capacity of the wind farms is 11.1 mw. The power generated from the windmills is sold to the state electricity board with which there are power purchase agreements in place.

BUSINESS DIVISIONS/SEGMENTS

As mentioned above, the Company has three major business segments in terms of the nature of output i) Fused Aluminium Oxide Grains including Calcined Products and ii) Refractories and Monolithics and iii) Electricity (Power Division), which have been elucidated in the following paragraphs :

Abrasives Grains Division

The Abrasives Grains Division at Porbander is the first manufacturing unit set up by the Company. The Division manufactures calcined bauxite and fused aluminium oxide abrasive grains. Raw bauxite and calcined alumina are the basic raw materials used for the manufacture of abrasive grains. Raw bauxite is procured from mines owned by the Company and others and calcined alumina is purchased from aluminium companies, hindalco Industriex Limited being prominent amongst them. A portion of these products is captively consumed by the Refractory Division at Bhiwadi and the rest is sold in the domestic market.

Refractory Division

The unit manufactures various types of continuous casting and slide gate refractories, low cement castables etc. which are exclusively consumed in the steel plants.

The Refractory Division exports a fair share of its output to various overseas customers. The major export customers are based in Egypt, Turkey, Indonesia, Italy, Pakistan, Kingdom of Saudi Arabia, Sultanate of Oman, Greece, Spain, Nigeria, Azerbaijan, Malaysia, Bulgaria, Thailand, Iran, Germany, Italy etc.

Power Division

The Company has a total thermal power plant capacity of 18 MW out of which 9 MW is based on coal and 9 MW on furnace oil. The thermal power plant based on coal is more economical and is operated at full capacity. The electricity from this power division is meant for captive consumption by the manufacturing division at Porbander.

Besides, as mentioned elsewhere, the Company also has wind power generation capacity of 11.1 mw. The power generated by these plants are sold to the respective state power distribution companies.

Financials of Segments

Financials of business segments are given in detail in Schedule 24 (notes to the financial statements) of the Annual Report.

FINANCIALS AND INTERNAL CONTROL

The gross turnover of the Company during the year ended March 31, 2011 increased to Rs. 395.68 crore. Gross profit and net profit were Rs. 59.43 crore and Rs. 46.84 crore respectively. However the gross profit and the net profit declined due to abnormal increase under various heads of expenditure, like fuel costs, interest on loan, and general manufacturing and other overhead expenses. foreign exchange fluctuation loss and loss on derivative contracts.

The Company has an adequate internal control system which is commensurate with its size and which adopts the best practices prevalent in the industry. Besides conducting internal audit at regular intervals and implementing the measures suggested from time to time there is a statutory audit committee comprising of independent directors in place to oversee the internal control processes in the Company. The Company has also received ISO 9001 : 2000 certification for the plant at Bhiwadi.

The enterprise resource planning system (ERP) implemented in January, 2008 at Bhiwadi to integrate the operations of various divisions of the Company in a phased manner is operational and is yielding the desired results.

HUMAN RESOURCES

The Company believes in the strength of human resources and that it is the best form of business capital which needs to be explored and utilised to full potential. At the company, constant efforts are made in developing human resources by providing necessary training and taking care of employee welfare. The Company endeavors to keep the employees' motivation level high by providing congenial work atmosphere and rewarding/remunerating adequately.

There are cordial relations between the management and the employees.

CONCERNS AND FUTURE OUTLOOK

The sales of both the abrasives grains and refractories is increasing steadily. The demand for these products both on the domestic front and overseas is robust. The company has adequate production capacity and technology to meet the increased demand while maintaining the quality.

The abrasive grains division is a power intensive unit and at present it depends on the State supplier and captive thermal power plant to fulfill its energy needs. The in house power plant was set up to economise on the cost of electricity and to avail uninterrupted supply. However since the cost of generation has increased over the years due to steep rise in fuel costs, the capacity availed from the State Electricity Board is being reviewed as an alternative. There was an increase in demand of royalty by the Gujarat Government for the low grade bauxite mined and exported by the Company in the previous years, which is being contested at higher levels by all the affected parties including the Company. The availability of abrasive grade bauxite is a matter of concern. The reserves in our mines are depleting. The Company is making efforts to get more mining leases. Efforts are also underway for importing the raw material.

Except for the above concerns, the future of these manufacturing divisions looks encouraging. The crisis in Europe and other global markets has subsided and the export turnover is expected to grow substantially. The wind turbines have started generation on full scale which will increase the sales and profits in the coming years.

ANNEXURE 'C' TO THE DIRECTORS' REPORT

Statement of the Employees pursuant to Section 217 (2 A) of the Companies Act, 1956

Name/Age(Yrs)	Remuneration (Rs.)	Designation/ Nature of duties	Qualification & Experience (Yrs)	Date of Commencement of employment	Last employment
S G Rajgarhia (64)	1,80,26,875/-	Managing Director, Overall Management	B Tech. (Hons.), S.M. (MIT) 40 years	01/08/1973	–

1. Above details are of those employees who were employed throughout the accounting year and were in receipt of remuneration of not less than Rs. 60 lac per annum.
2. Remuneration as above includes salary, contribution to provident fund, leave travel allowance, medical expenses, leave encashment, bonus, actual amount spent on perquisites valued as per income tax rules, commission on profits at the limits approved by the members.
3. Mr S G Rajgarhia is a relative of Mr R K Rajgarhia, director of the Company.
4. Employment is contractual.

ANNEXURE 'D' TO THE DIRECTORS' REPORT

Information under Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 and forming part of Directors' Report.

CONSERVATION OF ENERGY

The company has made all efforts to optimize the use of energy and to minimise its wastage. To ensure minimum consumption of energy for a given level of production, operating parameters of production have been standardized. Insulation materials are also being used to avoid energy loss.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

The Company is constantly trying to provide its customers with products that incorporate latest available technology. Though indigenously available materials and technology are preferred, efforts are being made, wherever possible, to make use of best contemporary technology.

Rs. in lacs

	2010-11	2009-10
A) Power & Fuel Consumption for Refractories		
1. ELECTRICITY		
Purchased :		
Units (in lacs)	**83.25**	66.97
Total amount (Rs. in lacs)	**372.22**	295.92
Rate/Unit (Rs.)	**4.47**	4.42
Own generation through D.G.Set :		
Units (in lacs)	**3.37**	5.94
Units per ltr.of Diesel Oil	**3.47**	3.34
Cost/Units (Rs.)	**9.40**	9.06
2. LDO/FO/C9 /HSD		
Qty.(Kilo ltr.)	**1789.17**	14.98
Total cost (Rs.in lacs)	**501.62**	352.19
Average/Kilo ltr.(Rs.)	**28036**	23515
3. PET COKE		
Qty.(MT)	**624.57**	815.37
Total cost (Rs.in lacs)	**55.12**	51.76
Average/MT.(Rs.)	**8825**	6348
4. LPG		
Qty.(MT)	**121.96**	88.06
Total cost (Rs.in lacs)	**61.40**	36.81
Average/MT.(Rs.)	**50343**	41804
Consumption per Unit of Production for Refractories		
Electricity (Units)	**549**	608
LDO/FO/C9/Ltr.	**113**	125
PET COKE (MT)	**40**	68
LPG (MT)	**8**	7

FOREIGN EXCHANGE EARNINGS AND OUTGO

	2010-11	2009-10
Earned (Rs.in lacs)	**4111.79**	3137.37
Used (Rs.in lacs)	**2810.73**	2456.19

AUDITORS' REPORT

To
The Members of Orient Abrasives Limited

1. We have audited the attached Balance Sheet of Orient Abrasive Limited ('the Company') as at March 31, 2011 and also the Profit and Loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
   i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
   ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
   iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
   iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
   v. On the basis of the written representations received from the directors, as on March 31, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
   vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
      a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2011;
      b) in the case of the profit and loss account, of the profit for the year ended on that date; and
      c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For S.R. Batliboi & Co.
Firm Registration No: 301003E
Chartered Accountants

per Manoj Gupta
Partner
Membership No. 83906

Place : Gurgaon, Haryana
Date : May 30, 2011

Annexure referred to in paragraph [3] of our report of even date

Re: [Orient Abrasives Limited] ('the Company')

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) All fixed assets were physically verified by the management in the previous year in accordance with a planned program of verifying them once in three years, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.

(c) There was no substantial disposal of fixed assets during the year.

(ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.

(b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification carried out during the current year.

(iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(a) to (d) of the Order are not applicable to the Company and hence not commented upon.

(e) The Company had taken loan (repayable on demand) from a company and a director covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs 38,000,000 and the year-end balance of loans taken from such parties was Rs. NIL.

(f) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.

(g) In respect of loans taken, repayment of the principal amount is as stipulated and payment of interest has been regular.

(iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the company in respect of these areas.

(v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered into the register maintained under section 301 have been so entered.

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.

(vi) In respect of deposits accepted, in our opinion and according to the information and explanations given to us, directives issued by the Reserve Bank of India and the provisions of sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956, and the rules framed there under, to the extent applicable, have been complied with. We are informed by the management that no order has been passed by the Company Law Board, National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.

(vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

(viii To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for mining and refractory business of the Company. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956, related to the generation of power, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.

(ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues have generally been regularly deposited with the appropriate authorities though there has been a slight delay in a few cases.

Further, since the Central Government has till date not prescribed the amount of cess payable under section 441 A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the company in depositing the same.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows:

Name of the Statute	Nature of dues	Amount (Rs. In lacs)	Forum where dispute is pending
West Bengal Sales Tax Act, 1994	Sales tax and Interest demand for non submission of sales tax declaration forms for the year 1993-94	3.75	Sales Tax Commissioner (Appeal)
Sales Tax Act, 1944	Entry tax demand for entry of goods in Rajasthan for the year 2006-07	36.06	Hon'ble High Court of Rajasthan, Jodhpur
Service Tax Act, 1994	Service tax demand for input tax credit availed on foreign business auxiliary services and other consulting services	85.48	Joint Commissioner Excise, Jaipur
Income Tax Act, 1961	Disallowance of various expenses/ deductions (under section 80IA) claimed by the Company for the year 2001-02 to 2007-08	1,685.43	Hon'ble High Court of Delhi, New Delhi

(x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.

(xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.

(xii) According to the information and explanations given to us and based on the documents and records produced before us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.

(xvi) Based on the information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

(xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.

(xix) The Company did not have any outstanding debentures during the year.

(xx) The Company has not raised any money through a public issue during the year.

(xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

For S.R. Batliboi & Co.
Firm Registration No: 301003E
Chartered Accountants

per Manoj Gupta
Partner
Membership No.: 83906

Place : Gurgaon, Haryana
Date : May 30, 2011

BALANCE SHEET AS AT MARCH 31, 2011

(All amount in Rs. Lacs)

	Schedules	As at March 31, 2011	As at March 31, 2010
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	**1,196.52**	1,196.52
Reserves and Surplus	2	**17,174.27**	13,855.20
		18,370.79	15,051.72
Loan Funds			
Secured Loans	3	**9,087.00**	4,921.27
Unsecured Loans	4	**145.10**	1,411.25
		9,232.10	6,332.52
Deferred Tax Liabilities (Net)	5	**993.32**	559.84
Total		**28,596.21**	21,944.08
APPLICATION OF FUNDS			
Fixed Assets	6		
Gross Block		**21,244.26**	17,862.02
Less : Accumulated Depreciation		**7,233.78**	5,968.83
Net Block		**14,010.48**	11,893.19
Capital Work-in-Progress including Capital Advances		**1,591.49**	1,332.02
		15,601.97	13,225.21
Intangible Assets	7	**22.92**	33.98
Investments	8	**5.26**	0.27
Current Assets, Loans and Advances			
Inventories	9	**8,292.17**	6,580.51
Sundry Debtors	10	**7,071.91**	5,760.59
Cash and Bank Balances	11	**377.69**	259.55
Other Current Assets	12	**392.95**	323.95
Loans and Advances	13	**1,700.97**	1,062.51
(A)		**17,835.69**	13,987.11
Less : Current Liabilities and Provisions			
Current Liabilities	14	**4,598.29**	3,527.83
Provisions	15	**271.34**	1,774.66
(B)		**4,869.63**	5,302.49
Net Current Assets (A-B)		**12,966.06**	8,684.62
Total		**28,596.21**	21,944.08
Notes to Accounts	24		

The schedules referred to above and notes to accounts form an integral part of the Balance Sheet.
As per our report of even date

For S.R.BATLIBOI & CO
Firm Registration No. 301003E
Chartered Accountants

Per Manoj Gupta
Partner
Membership No. 83906
Place : Gurgaon, Haryana
Date : May 30, 2011

For and on behalf of the Board of Directors
of Orient Abrasives Limited

S.G.RAJGARHIA (Managing Director)
T.N.CHATURVEDI (Director)
P.P.KHANNA (Executive Director)

B.L.GUPTA (Sr. Vice President - Finance)
DEEPAK C.S. (Company Secretary)

Place : New Delhi
Date : May 30, 2011

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

(All amount in Rs. Lacs)

	Schedules		For the year ended March 31, 2011	For the year ended March 31, 2010
INCOME				
Turnover (Gross)	16		**39,567.57**	34,370.06
Less : Excise duty			**2,978.60**	2,191.70
Turnover (Net)			**36,588.97**	32,178.36
Other Income	17		**390.14**	581.91
Total			**36,979.11**	32,760.27
EXPENDITURE				
Purchase of Trading Goods			**3,516.21**	2,538.77
Raw Materials Consumed	18		**11,993.32**	9,187.07
Personnel Expenses	19		**3,055.59**	2,575.64
Operating and Other Expenses	20		**11,680.28**	9,546.38
Decrease/(Increase) in Inventories	21		**(1,291.61)**	435.92
Depreciation/amortization	6/7		**1,298.21**	1,080.61
Financial Expenses	22		**783.88**	515.73
Total			**31,035.88**	25,880.12
Profit before Taxation (including profit from operations relating to discontinuing operations amounting to Rs. 4,036.88 lacs (Previous year Rs. 4,261.77 lacs) - Refer Note no. 8 to Schedule 24)			**5,943.23**	6,880.15
Current tax (MAT Payable)		(1,207.00)		
Less: MAT credit entitlement		265.00		
Net Current tax liability			**(942.00)**	(1,500.00)
Deferred tax Charge			**(433.48)**	(134.60)
Income tax (charge)/credit for earlier years			**115.76**	(129.05)
Total Tax Expense			**(1,259.72)**	(1,763.65)
Profit after tax (including Rs. 2,685.08 (Previous year Rs. 2,952.47 lacs) for discontinuing operations - Refer Note no. 8 to Schedule 24)			**4,683.51**	5,116.50
Balance brought forward from previous year			**3,845.34**	3,123.95
Profit available for appropriation			**8,528.85**	8,240.45
Appropriations :				
Interim Dividend on Equity Shares			**1,196.39**	–
Proposed Dividend on Equity Shares			**–**	1,196.39
Corporate Dividend Tax			**198.71**	198.72
Transfer to General Reserve			**3,000.00**	3,000.00
Surplus Carried to Balance Sheet			**4,133.75**	3,845.34
Basic and Diluted Earnings per share	23		**3.91**	4.28
Nominal value of shares Re. 1 (Previous year : Re. 1)				
Notes to Accounts	24			

The schedules referred to above and notes to accounts form an integral part of the Profit and Loss Account.

As per our report of even date

For S.R.BATLIBOI & CO
Firm Registration No. 301003E
Chartered Accountants

Per Manoj Gupta
Partner
Membership No. 83906

Place : Gurgaon, Haryana
Date : May 30, 2011

For and on behalf of the Board of Directors
of Orient Abrasives Limited

S.G.RAJGARHIA (Managing Director)

T.N.CHATURVEDI (Director)

P.P.KHANNA (Executive Director)

B.L.GUPTA (Sr. Vice President - Finance)

DEEPAK C.S. (Company Secretary)

Place : New Delhi
Date : May 30, 2011

CASH FLOW STATEMENT FOR THE YEAR ENDED ON MARCH 31, 2011

(All amount in Rs. Lacs)

	For the year ended March 31, 2011	For the year ended March 31, 2010
A. Cash Flow From Operating Activities		
Profit before taxation	**5,943.23**	6,880.15
Adjustments for :		
Depreciation/amortization	**1,298.21**	1,080.61
Bad debt written off	**–**	0.26
Loss on disposal of fixed assets	**0.80**	4.80
Provision for Doubtful Debts and Advances	**74.33**	7.53
Provision for Export Incentive receivables	**33.00**	–
Dividend from current investments	**–**	(0.84)
Unrealized Foreign Exchange (gain)/loss (net)	**(64.50)**	(41.73)
Interest Income	**(10.30)**	(11.72)
Unrealized loss/ (gain on reversal of Liability) on derivative instruments	**14.06**	(347.20)
Interest Expense	**697.82**	456.43
Operating Profit before Working Capital changes	**7,986.65**	8,028.29
Movements in Working Capital		
Decrease/(Increase) in Sundry Debtors	**(1,361.68)**	120.87
Increase in Loans & Advances and Other Current Assets	**(321.30)**	(169.34)
Increase in Inventories	**(1,711.66)**	(450.46)
Increase in Current Liabilities & Provisions	**1,016.70**	214.43
Cash generated from Operations	**5,608.71**	7,743.53
Direct taxes paid (net of refunds)	**(1,302.41)**	(1,999.22)
Net Cash from Operating Activities (A)	**4,306.30**	5,744.31
B. Cash Flow From Investing Activities		
Purchase of fixed assets	**(2,446.02)**	(3,867.13)
Capital advances made during the year	**(1,233.31)**	(1,050.47)
Additions to Intangible assets	**–**	(2.22)
Proceeds from sale of fixed assets	**14.62**	29.30
Purchase of investment in subsidiaries	**(4.99)**	–
Purchase of investments	**–**	925.00
Sale of investments	**–**	(925.00)
Dividends Received	**–**	0.84
Interest received	**8.27**	11.69
Deposits (with maturity more than three months)	**(43.44)**	(72.55)
Proceeds of deposits matured (with maturity more than three months)	**43.00**	43.88
Net cash (used in) Investing Activities (B)	**(3,661.87)**	(4,906.66)
C. Cash Flow From Financing Activities		
Proceeds/(Repayment) of Long term borrowings	**1,451.64**	(708.74)
Proceeds from short term borrowings	**1,482.18**	1,235.34
Interest paid	**(670.34)**	(441.92)
Dividends paid	**(2,392.78)**	(757.03)
Tax on dividend paid	**(397.43)**	(132.16)
Net Cash from/(used in) Financing Activities (C)	**(526.73)**	(804.51)
Net Increase/(Decrease) in cash and cash equivalents (A+B+C)	**117.70**	33.14
Cash and cash equivalents at the beginning of the year	**185.96**	152.82
Cash and cash equivalents at the end of the year	**303.66**	185.96

(All amount in Rs. Lacs)

	For the year ended March 31, 2011	For the year ended March 31, 2010
Component of cash and cash equivalent		
Cash and Cheques on hand	**7.92**	6.05
With Banks :		
On Current Accounts	**84.14**	71.00
On Fixed Deposit Accounts	**74.03**	95.52
On Unpaid dividend accounts*	**211.50**	86.88
Post Office Savings Bank Account	**0.10**	0.10
Cash and Bank Balance as per Schedule 11	**377.69**	259.55
Less: Fixed Deposit not considered as cash equivalents	**74.03**	73.59
Cash & Cash Equivalents in Cash Flow Statement	**303.66**	185.96

*These balances are not available for use by the Company as they represent corresponding unpaid dividend liabilities.

Notes :

a) The cash flow statement has been prepared under "Indirect method" as set out in Accounting Standard - 3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India.

b) Negative figures have been shown in brackets.

c) For cash flow relating to discontinued operation Refer Note no. 8 to Schedule 24.

As per our report of even date

For S.R.BATLIBOI & CO
Firm Registration No. 301003E
Chartered Accountants

Per Manoj Gupta
Partner
Membership No. 83906
Place : Gurgaon, Haryana
Date : May 30, 2011

For and on behalf of the Board of Directors
of Orient Abrasives Limited

S.G.RAJGARHIA
(Managing Director)

T.N.CHATURVEDI
(Director)

P.P.KHANNA
(Executive Director)

B.L.GUPTA
(Sr. Vice President - Finance)

DEEPAK C.S.
(Company Secretary)

Place : New Delhi
Date : May 30, 2011

SCHEDULES TO THE ACCOUNTS

(All amount in Rs. Lacs)

	As at March 31, 2011	As at March 31, 2010
Schedule — 1 : Share Capital		
Authorised		
400,000 (Previous Year 400,000) - Redeemable Cumulative Preference Shares of Rs. 100/- each	**400.00**	400.00
120,000,000 (Previous Year 120,000,000) Equity Shares of Re. 1/- each	**1,200.00**	1,200.00
	1,600.00	1,600.00
Issued & Subscribed		
119,659,200 (Previous year 119,659,200) Equity Shares of Re. 1/- each fully paid up	**1,196.59**	1,196.59
	1,196.59	1,196.59
Paid up		
119,639,200 (Previous year 119,639,200) Equity Shares of Re. 1/- each fully paid up	**1,196.39**	1,196.39
	1,196.39	1,196.39
Add : Shares forfeited (amount paid-up)	**0.13**	0.13
	1,196.52	1,196.52

Notes:

Of the above: 104,684,300 (Previous year 104,684,300) Equity shares of Re. 1/- each are allotted as fully paid bonus shares by capitalization of Capital Redemption Reserve, Securities Premium and General Reserve.

Schedule — 2 : Reserves and Surplus		
Capital Redemption Reserve		
Balance as per last account	**–**	400.00
Less : utilization for bonus issue	**–**	(400.00)
	–	–
General Reserve		
Balance as per last account	**10,040.52**	7,238.71
Add : Transfer from Profit & Loss Account	**3,000.00**	3,000.00
Less : utilization for bonus issue	**–**	(198.20)
	13,040.52	10,040.51
Hedging Reserve Account		
Balance as per last account	**(30.65)**	–
Add: Created during the year	**–**	(30.65)
Less: Adjusted during the year	**30.65**	–
	–	(30.65)
Profit & Loss Account Balance	**4,133.75**	3,845.34
	17,174.27	13,855.20

(All amount in Rs. Lacs)

Schedule — 3 : Secured Loans

	As at March 31, 2011	As at March 31, 2010
Term Loans from banks		
-Rupee Loan	**480.00**	765.83
[Due within one year Rs. 240 lacs, (Previous year Rs. 285.83 lacs)]		
-Foreign Currency Loan	**2,593.80**	931.27
[Due within one year Rs. 1,013.89 lacs, (Previous year Rs. 673.48 lacs)]		
Working Capital Facilities form Banks	**6013.20**	3,224.17
	9,087.00	4,921.27

Notes:

1. Rupee Loan is secured by first pari passu charge on the movable fixed assets of the Company. The loan is further secured by mortgage of immovable properties of the Company.
2. Foreign currency loan are secured as
   a) Rs. 270.84 lacs (Previous year Rs. 546.96 lacs) is secured by first pari passu charge on all the movable & immoveable fixed assets of the Company.
   b) Rs. 1805.60 lacs (Previous year Nil) is exclusively secured on all the wind mills of the company.
   c) Rs. 517.36 lacs (Previous year Rs. 384.31) is secured by first pari passu charge on all current assets of company. The loan is further secured by second pari passu charge on all present & future fixed assets of the Company.
3. Working Capital facilities from banks are secured by first pari passu charge on all current assets of company, both present and future, including stocks of raw materials, finished and semi-finished goods and book debts of the Company. These facilities are further secured by second pari passu charge on the entire fixed assets of the Company.
4. In respect of all the above loans, the managing director of the Company has also given personal guarantees.

Schedule — 4 : Unsecured Loans

Fixed Deposits	**145.10**	161.25
[Due within one year Rs. 49.75 lacs (Previous year Rs. 72.65 lacs)]		
Short Term Loans from banks	**–**	1,250.00
(Loans amounting to Rs. Nil (Previous year Rs. 1,250 lacs) are personally guaranteed by the Managing Director of the Company)		
	145.10	1,411.25

Schedule — 5 : Deferred Tax Liabilities (net)

Deferred Tax Liabilities		
Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	**1,116.85**	646.25
Income accrued but taxable on receipt	**12.29**	10.62
Gross Deferred Tax Liabilities	**1,129.14**	656.87
Deferred Tax Assets		
Effect of expenditure debited to profit and loss account in the current year/ earlier years but allowable for tax purposes in following years.	**97.68**	83.10
Provision for doubtful debts and advances	**38.14**	13.93
Gross Deferred Tax Assets	**135.82**	97.03
Net Deferred Tax Liability	**993.32**	559.84

SCHEDULE — 6 : FIXED ASSETS

(All amount in Rs. Lacs)

Particulars	Land-Freehold	Land-Leasehold	Lease Hold Improvement	Buildings	Plant & Machinery	Furniture and Fixtures	Office Equipment	Vehicles	Total	Pervious Year
Gross Block										
At 01.04.2010	13.76	69.28	19.49	1,746.66	15,312.42	34.17	182.72	483.52	**17,862.02**	14,207.89
Additions	–	–	–	97.05	3,161.17	9.16	16.70	135.78	**3,419.86**	3,757.94
Deductions	–	–	–	–	–	–	–	37.62	**37.62**	103.81
At 31.03.2011	**13.76**	**69.28**	**19.49**	**1,843.71**	**18,473.59**	**43.33**	**199.42**	**581.68**	**21,244.26**	**17,862.02**
Depreciation										
At 01.04.2010	–	9.54	19.49	408.91	5,314.47	20.37	66.20	129.85	**5,968.83**	4,969.14
For the year	–	2.14	–	55.91	1,156,.03	2.32	22.27	48.48	**1,287.15**	1,069.88
Deductions	–	–	–	–	–	–	–	22.20	**22.20**	70.19
At 31.03.2011	**–**	**11.68**	**19.49**	**464.82**	**6,470.50**	**22.69**	**88.47**	**156.13**	**7,233.78**	**5,968.83**
For Previous year	–	0.71	–	53.09	954.97	1.71	16.92	42.28	1,069.88	960.67
Net Block										
At 31.03.2011	**13.76**	**57.60**	**–**	**1,378.89**	**12,003.09**	**20.64**	**110.95**	**425.55**	**14,010.48**	**11,893.19**
At 31.03.2009	13.76	59.74	–	1,337.75	9,997.95	13.80	116.52	353.67	11,893.19	9,238.75
Capital Work in Progress									**358.18**	281.55
Capital Advances (Unsecured and considered good)									**1,233.31**	1,050.47
									1,591.49	1,332.02

Notes:

Plant and Machinery includes electrical installations and fittings of the value of Rs.191.57 lacs (WDV- Rs.93.72 lacs) (Previous year Rs.189.92 lacs (WDV- Rs.99.16 lacs)).

(All amount in Rs. Lacs)

	As at March 31, 2011	As at March 31, 2010
Schedule — 7 : Intangible Assets		
Software		
Gross Block		
At 01.04.2010	**55.30**	53.08
Additions	**–**	2.22
At 31.03.2011	**55.30**	53.08
Amortisation		
At 01.04.2010	**21.32**	10.59
For the year	**11.06**	10.73
At 31.03.2011	**32.38**	21.32
For Previous year	**10.73**	10.59
Net Block		
At 31.03.2011	**22.92**	**33.98**
At 31.03.2010	33.98	42.49

Schedule — 8 : Investments

Long Term Investments (At cost) (Unquoted- non trade)		
Government Securities		
7 year National Savings Certificates (Certificates pledged with Sales Tax Authorities Rs. 0.27 lacs, Previous year Rs. 0.27 lacs)	**0.27**	0.27
In Subsidiary Company		
Unquoted, fully paid-up 4,99,400 (previous year Nil) equity shares of Re. 1 each in Orient Refractories Limited	**4.99**	–
	5.26	0.27

Note: The following investments were purchased and sold during the year.

Nil (Previous year 4,236,232) units of SBI Premier Liquid Fund Institutional-Daily Dividend purchased at a cost of Rs. 425 lacs (Selling price Rs. 425.16 lacs)

Nil (Previous year 4,983,803) units of SBI Premier Liquid Fund Super Institutional-Daily Dividend purchased at a cost of Rs. 500 lacs (Selling price Rs. 500.66 lacs)

Schedule — 9 : Inventories

Raw Materials (including stock in transit Rs. 94.02 lacs (Previous year Rs. 252.37 lacs))	**2,972.49**	2,803.43
Stores and Spare parts	**1,259.22**	1,008.23
Goods Purchased for Resale	**157.93**	131.95
Work-in-Progress	**1,230.09**	1,051.25
Finished Goods	**2,631.85**	1,532.69
Waste	**40.59**	52.96
	8,292.17	6,580.51

Schedule — 10 : Sundry Debtors (Unsecured)

Debts outstanding for a period exceeding six months		
Considered Good	**271.47**	316.54
Considered Doubtful	**114.82**	41.93
Others Debts:		
Considered Good	**6,800.44**	5,444.05
	7,186.73	5,802.52
Less: Provision for Doubtful Debts	**114.82**	41.93
	7,071.91	5,760.59

(All amount in Rs. Lacs)

	As at March 31, 2011	As at March 31, 2010
Schedule — 11 : Cash & Bank Balances		
Cash on hand	**7.92**	6.05
Balances with Scheduled Banks :		
on Current accounts	**84.14**	71.00
on Deposit accounts	**74.03**	95.52
(Receipts of Rs. 62.60 lacs (Previous year Rs. 87.45 lacs) pledged with banks, Excise and sales tax authorities)		
On Unpaid dividend accounts	**211.50**	86.88
Post Office Savings Bank account	**0.10**	0.10
	377.69	259.55
Schedule — 12 : Other Current Assets		
Surrender Value of Keyman Insurance Policies	**36.99**	31.96
Interest Receivable on Fixed Deposit Receipts	**9.27**	7.24
Export benefits receivable	**379.69**	284.75
	425.95	323.95
Less: Provision for doubtful Export benefits receivable	**33.00**	–
	392.95	323.95
Schedule — 13 : Loans & Advances (Unsecured)		
Considered Good		
Advances recoverable in cash or in kind or for value to be received	**564.56**	369.51
Advances to Subsidiary	**9.32**	–
Balances with customs, excise, etc	**192.22**	175.59
Deposits - Others	**134.94**	134.61
Advance Tax (Net of Provision for Tax)	**530.86**	378.73
MAT credit entitlement	**265.00**	–
Advance Fringe Benefit Tax (Net of Provision for FBT)	**4.07**	4.07
	1,700.97	1,062.51
Dues from company under the same management:		
Orient Refractoreis Limited, a subsidiary company	**9.32**	–
(Maximum amount outstanding during the year Rs. 9.32 lacs (previous year Rs. Nil))		
Schedule — 14 : Current Liabilities		
Sundry Creditors		
(a) total outstanding dues to Micro and small Enterprises (Refer Note No. 7 of Schedule No. 24)	**22.79**	34.84
(b) total outstanding dues of creditors other than Micro and small Enterprises	**4,013.14**	3,103.93
Advance from customers	**65.95**	81.93
Investor Education and Protection Fund shall be credited by following amounts (as and when due)		
Unpaid Dividend (Statutory Liabilities as referred in Section 205C of the Companies Act, 1956.)	**211.50**	86.85
Interest accrued but not due on Loans	**59.88**	32.40
Sundry deposits	**111.17**	82.49
Other Current liabilities	**113.86**	105.39
	4,598.29	3,527.83
Schedule — 15 : Provisions		
For current tax (Net of advance tax payments)	**4.53**	61.85
For Fringe Benefit Tax (Net of advance tax payments)	**–**	1.72
For Gratuity	**75.43**	78.28
For Leave Encashment	**144.46**	136.65
For derivative contracts	**46.92**	101.05
Proposed Dividend	**–**	1,196.39
Tax on proposed dividend	**–**	198.72
	271.34	1,774.66

(All amount in Rs. Lacs)

	For the year ended March 31, 2011	For the year ended March 31, 2010
Schedule — 16 : Turnover (Gross)		
Sale of Finished Goods (Including sale of goods purchased for resale of Rs. 3,628.37 lacs, Previous year Rs. 2,713.89 lacs)	**38,117.14**	33,535.02
Sale of Power	**410.35**	55.83
Service Revenue	**547.12**	393.51
Sale of Waste	**492.96**	385.70
	39,567.57	34,370.06
Schedule — 17 : Other Income		
Interest (Gross)		
From Banks	**4.46**	6.13
(Tax Deducted at Source Rs. 0.36 lacs, Previous year Rs. 1.53 lacs)		
From Others	**5.84**	5.59
(Tax Deducted at Source Rs. 0.57 lacs, Previous year Rs. 0.20 lacs)		
Dividend from Current Investment (other than trade)	**–**	0.84
Exchange Difference (net)	**73.30**	2.26
Bad Debt recovered (earlier written off)	**2.76**	–
Surrender Value of Keyman Insurance Policies	**5.03**	4.48
Export Incentive	**255.44**	184.70
Gain on derivative contracts	**–**	347.20
Royalty Income	**31.01**	23.38
Miscellaneous income	**12.30**	7.33
	390.14	581.91
Schedule — 18 : Raw Materials Consumed		
Inventories as at April 1, 2010	**2,803.43**	2,129.30
Add : Purchases/Raising*	**12,347.86**	10,035.75
	15,151.29	12,165.05
Less : Sales	**185.48**	174.55
Less : Inventories as at March 31, 2011	**2,972.49**	2,803.43
	11,993.32	9,187.07

* including direct expenses relating to raising of Bauxite at Company's own mines amounting to Rs.1,074.13 lacs (Previous year Rs.1,406.26 lacs). [Refer note 13 of Schedule 24]

Schedule — 19 : Personnel Expenses		
Salaries, Wages and Bonus (Refer Note No. 15.1 to Schedule 24)	**2,652.28**	2,203.75
Gratuity expenses (Refer Note No. 9 of Schedule 24)	**76.55**	87.17
Contribution to Provident and other funds	**157.73**	133.47
Workmen and Staff Welfare Expenses	**169.03**	151.25
	3,055.59	2,575.64

(All amount in Rs. Lacs)

Schedule — 20 : Operating and Other Expenses

	For the year ended March 31, 2011	For the year ended March 31, 2010
Consumption of Stores and Spares	**2,634.32**	2,481.98
Power and Fuel	**5,068.48**	4,159.64
Job Work and Processing Charges	**706.96**	417.12
Freight and Forwarding Charges	**776.35**	531.02
Rent	**47.41**	46.87
Packing Expenses	**667.37**	473.40
Rates and Taxes	**14.58**	13.56
Insurance	**50.01**	42.87
Repairs and Maintenance		
Plant and Machinery	**313.86**	311.38
Buildings	**139.86**	142.00
Others	**10.50**	9.97
Legal and Professional expenses	**155.85**	83.30
Vehicle Running and Maintenance	**55.45**	46.84
Commission on Sales (other than sole selling agents)	**415.56**	457.16
Cash Discount on Sales	**5.67**	–
Other Selling Expenses	**55.79**	36.42
Travelling and Conveyance	**139.58**	137.32
Communication Costs	**51.64**	52.18
Printing and Stationery	**25.71**	24.12
Directors' Sitting Fees	**2.75**	3.00
As Auditor		
Audit Fee	**12.69**	12.84
Limited Review	**7.75**	7.75
Out-of-Pocket Expenses	**1.64**	1.79
In other manner		
Certification	**0.44**	0.11
Increase/(Decrease) of Excise Duty on Inventory (Refer Note No. 14 to Schedule 24)	**91.36**	(59.19)
Donations and Contributions to charitable institutions	**3.56**	3.56
Provision for doubtful debts and advances	**74.33**	7.53
Provision for Export Incentive and receivables	**33.00**	–
Provision for loss on derivative contracts	**14.06**	–
Bad Debts written off	**–**	0.26
Loss on Disposal/Discard of Fixed Assets	**0.80**	4.80
Miscellaneous Expenses	**102.95**	96.78
	11,680.28	9,546.38

Schedule — 21 : Decrease/(Increase) in Inventories

	For the year ended March 31, 2011	For the year ended March 31, 2010
Inventories as at March 31, 2011		
- Goods Purchased for Resale	**157.93**	131.95
- Work-in-progress	**1,230.09**	1,051.25
- Finished goods	**2,631.85**	1,532.69
- Waste	**40.59**	52.96
	4,060.46	2,768.85
Inventories as at April 1, 2010		
- Goods Purchased for Resale	**131.95**	108.74
- Work-in-progress	**1,051.25**	820.22
- Finished goods	**1,532.69**	2,250.36
- Waste	**52.96**	25.45
	2,768.85	3,204.77
	(1,291.61)	435.92

(All amount in Rs. Lacs)

	For the year ended March 31, 2011	For the year ended March 31, 2010
SCHEDULE — 22 : Financial Expenses		
Interest		
– on term loans	**222.08**	111.98
– on banks	**457.69**	325.65
– others	**18.05**	18.80
Bank charges	**86.06**	59.30
	783.88	515.73
SCHEDULE — 23 : Earnings per share (EPS)		
Net profit as per profit and loss account	**4,683.51**	5,116.50
Net Profit available for equity shareholders	**4,683.51**	5,116.50
Weighted average number of Equity Shares considered for calculating Basic and Diluted EPS	**119,639,200**	119,639,200
Basic and Diluted Earnings per Share (nominal value Re.1 each)	**3.91**	4.28

SCHEDULE — 24 : Notes to the Accounts

(All amount in Rs. lacs, unless otherwise stated)

1. **Nature of Operations**

Orient Abrasives Limited ('The Company') is engaged in the production and selling of Fused Aluminum Oxide Grains, Calcined Products, Refractories and Monolithics and Ceramic Paper and generation of power. The Company has manufacturing facilities at Porbandar (Gujarat) and Bhiwadi (Rajasthan) and Wind Power Generation facilities at Rajasthan and Karnataka and thermal Power Generation facilities at its works at Porbandar, Gujarat.

During the year, the Company decided to demerge its refractory undertaking situated at SP-148, RIICO Industrial Area, Bhiwadi, District Alwar, Rajasthan (hereinafter referred as 'Refractory Undertaking') at the board meeting held on December 8, 2010 and transfer the same to a subsidiary company named Orient Refractories Limited ('ORL') incorporated for this purpose. The scheme of demerger is under process before the Hon'ble High court of Delhi. (Also Refer Note 8).

2. **Statement of Significant Accounting Policies**

(a) **Basis of preparation**

The financial statements have been prepared to comply in all material respects with the Notified accounting standard by Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies are consistent with those used in the previous year.

(b) **Use of estimates**

The preparation of financial statements is in conformity with generally accepted accounting principles requiring management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(c) **Fixed Assets and Intangible assets**

Fixed assets and intangible assets are stated at cost less accumulated depreciation/amortisation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

(d) Depreciation/amortization

Depreciation on leasehold land is provided over the unexpired period of lease and depreciation on leasehold improvements which includes temporary structures is provided over unexpired period of lease or estimated useful life whichever is lower.

Depreciation on all other fixed assets is provided on Straight Line Method as per rates computed based on estimated useful lives (estimated by the management), which are equal to the corresponding rates prescribed in Schedule XIV to the Companies Act, 1956.

Software is amortized using the straight-line method over a period of 5 years.

Depreciation on assets costing below Rs. 5000 is provided at the rate of 100%.

(e) Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

(f) Leases

Where the Company is the lessee

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lesser effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit & Loss Account on a straight-line basis over the lease term.

(g) Investments

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

(h) Inventories

Inventories are valued as follows:

Raw materials, goods purchased for resale, stores and spare parts	Lower of cost and net realizable value. Materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on weighted average basis.
Work-in-progress and finished goods	Lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty, wherever applicable. Cost is determined on a weighted average basis.
Waste	Net realizable value
Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated cost necessary to make sale.	

(i) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

(i) Sale of goods

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. Excise Duty deducted from turnover (gross) is the amount that is included in the amount of turnover (gross) and not the entire amount of liability accrued during the year.

(ii) Income from Services

Revenue from services is accounted for in accordance with the terms of contracts, as and when these services are rendered.

(iii) Power generation income

Revenue from sale of Power is recognized on accrual basis in accordance with the provisions of the agreements with the respective state governments/organization.

(iv) Interest

Revenue is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

(v) Export Benefits

Export Benefits under Duty Exemption Pass Book Schemes (DEPB) are accrued in the year of export.

(vi) Dividends

Revenue is recognised when the shareholders' right to receive payment is established by the balance sheet date.

(vii) Royalty

Revenue is recognized on an accrual basis in accordance with the terms of the relevant agreement.

(j) Borrowing Cost

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds

(k) Foreign currency transactions

(i) **Initial Recognition**

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) **Conversion**

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

(iii) **Exchange Differences**

Exchange differences arising on the settlement of monetary items or on reporting company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

(iv) **Forward Exchange Contracts not intended for trading or speculation purposes**

The premium or discount arising at the inception of forward exchange contracts is amortized as expense or income over the life of the contract. Exchange differences on such contracts are recognized in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expense for that year.

(l) Derivative Instruments

As per the ICAI Announcement, derivative contracts other than those covered under Accounting Standard-11, are marked to market on a portfolio basis, and the net loss after considering the offsetting effect on the underlying hedge item are recognized in profit and loss account except effective portion of hedges which is transferred to Hedge Reserve account.

(m) Retirement and other benefits

(i) Retirement benefits in the form of Provident Fund is a defined contribution scheme and the contributions are charged to the Profit and Loss Account of the year when the contributions to respective funds are due. There are no other obligations other than the contribution payable to the fund.

(ii) Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit (PUC) method made at the end of each financial year.

(iii) Short term compensated absences are provided for on based on estimates at cost to company basis. Long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method.

(iv) Actuarial gains/losses are immediately taken to Profit and Loss account and are not deferred.

(n) Income taxes

Tax expense comprises of current and deferred taxes. Current income tax are measured at the amount expected to be paid to the income tax authorities in accordance with Income Tax Act, 1961. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. If the Company has unabsorbed depreciation or carry forward tax losses, entire deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realized against future taxable profits.

At each balance sheet date the Company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax assets to the extent that it has become reasonably certain or virtual certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

(o) Segment Reporting Policies

Identification of segments :

Business Segment:

The Company's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which major operating divisions of the Company operate.

Intersegment Transfers :

The Company generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties at current market prices.

Allocation of common costs :

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

Allocation of other income :

Other income are allocated to each segment according to the relative contribution of each segment to the other income as per the requirements of AS-18.

Unallocated items :

General corporate income and expense items are not allocated to any business segment.

Segment Policies

The company prepares segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the company as a whole.

(p) Earnings Per Share

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

(q) Provisions

A provision is recognized when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

(r) Cash Flow Statement

Cash and cash equivalents in the cash flow statement comprise cash at bank, cash/cheques in hand and short-term investments with an original maturity of three months or less.

3. Segment Information

Business Segments :

The Company operates in primarily three segments i.e. Fused Aluminum Oxide Grains including Calcined Products, Refractories and Monolithics and generation of power.

A description of the types of products and services provided by each reportable segment is as follows:

Fused Aluminium Oxide Grains manufactures calcined bauxite and fused aluminium oxide abrasive grains. Raw bauxite and calcined alumina are the basic raw materials used for the manufacture of abrasive grains. Raw bauxite is procured from mines owned by the Company and others and Calcined alumina is purchased from aluminium companies. A portion of these products is captively consumed by the Refractory division.

Refractories and Monolothics manufactures various types of continuos casting and slide gate refractories, low cement castables etc, which are mainly consumed in steel plants. The segment exports a fair share of its output to various overseas customers. The major export customers are based in Egypt, Turkey, Indonesia, Italy, Pakistan, Kingdom of Saudi Arabia, Sultanate of Oman and Greece etc.

Power generation segment – The Company has a coal based thermal power plant and a furnace oil based thermal power plant with capacity of 9MW and 8.4MW respectively. The electricity from these power plants is meant for captive consumption by the manufacturing division at Porbandar (Fused aluminium oxide grain).

The Company has also set up windmills of total power generation capacity of 9.6 MW. The power generated by these windmills is sold to the respective state power distribution companies.

Geographical Segments:

The analysis of geographical segment is based on the geographical location of the customers. The Company operates primarily in India and has presence in international markets as well. Its business is accordingly aligned geographically, catering to two markets i.e India and Outside India. The Company has considered domestic and exports markets as geographical segments and accordingly disclosed these as separate segments. The geographical segments considered for disclosure are as follows:

- Sales within India include sales to customers located within India.
- Sales outside India include sales to customers located outside India.

Segment Information

The following table presents revenue and profit information regarding business segments for the years ended March 31, 2011 and March 31, 2010 and certain assets and liability information regarding business segments at March 31, 2011 and March 31, 2010.

Primary Segments Reporting (by Business Segments)

Segment Revenue, Results and Other Information (Amount in Rs. lacs)

Particulars	Fused Aluminum Oxide Grains Including Calcined Products		Refractories & Monolithics		Power Generation		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
REVENUE								
External Sales (net of Excise duty)	**9,456.96**	10,344.49	**26,721.66**	21,778.04	**410.35**	55.83	**36,588.97**	32,178.36
Other Income (net, where applicable)	**8.48**	4.47	**341.97**	123.67	**–**	–	**350.45**	128.14
Inter-segment sales	**3,617.90**	3,770.83	**10.39**	12.26	**3,459.46**	3,573.72	**7,087.75**	7,356.81
Total Revenue	**13,083.34**	14,119.79	**27,074.02**	21,913.97	**3,869.81**	3,629.55	**44,027.17**	39,663.31
Less : Inter Segment Sale	**3,617.90**	3,770.83	**10.39**	12.26	**3,459.46**	3,573.72	**7,087.75**	7,356.81
Add: Unallocated Corporate Income (net, where applicable)	**–**	–	**–**	–	**–**	–	**39.69**	453.77
Total revenue	**9,465.44**	10,348.96	**27,063.63**	21,901.71	**410.35**	55.83	**36,979.11**	32,760.27
SEGMENT RESULTS	**2,193.96**	2,137.71	**4,603.92**	4,658.95	**330.85**	628.32	**7,128.73**	7,424.98
Less: Corporate Expenses (Net) (Unallocated)							**(497.98)**	(100.12)
Operating Profit							**6,630.75**	7,324.86
Interest Expenses							**(697.82)**	(456.43)
Interest Income							**10.30**	11.72
Profit from Operating Activity							**5,943.23**	6,880.15
Taxes							**(1,259.72)**	(1,763.65)
Net Profit after tax							**4,683.51**	5,116.50
Segment Assets	**9,418.86***	8,335.54*	**13,132.00**	10,384.54	**9,601.72**	7,739.88	**32,152.58**	26,459.96
Unallocated Corporate Assets							**1,313.26**	786.61
Total Assets	**9,418.86**	8,335.54	**13,132.00**	10,384.54	**9,601.72**	7,739.88	**33,465.84**	27,246.57
Segment Liabilities	**890.50***	774.92	**3,203.90**	2,600.54	**168.37**	134.52	**4,262.77**	3,509.98
Unallocated Corporate Liabilities							**10,832.28**	8,684.87
Total Liabilities	**890.50**	774.92	**3,203.90**	2,600.54	**168.37**	134.52	**15,095.05**	12,194.85
Capital Expenditure	**467.82**	680.13	**807.50**	248.60	**2,344.99**	3,903.24	**3,620.31**	4,831.97
Unallocated Corporate Capital Expenditure							**59.02**	20.44
Total Capital Expenditure							**3,679.33**	4,852.41
Depreciation/Amortisation	**429.01**	405.47	**216.78**	233.13	**639.60**	430.51	**1,285.39**	1,069.11
Unallocated Corporate Depreciation							**12.82**	11.50
Total Depreciation/ Amortisation	**429.01**	405.47	**216.78**	233.13	**639.60**	430.51	**1,298.21**	1,080.61
Other non-cash expenses	**37.13**	0.96	**84.26**	11.65	**–**	(0.02)	**121.39**	12.59

*Includes certain common assets and liabilities at Porbandar unit for both Fused Aluminium oxide grains and Refractories and monolithic segments which cannot be segregated between two segments.

Secondary Segment Reporting (By Geographical Segments)

The following is the distribution of the Company's consolidates sales by geographical market, regardless of where the goods were produced:

(Amount in Rs.lacs)

Particulars	**For the year ended March 31, 2011**	For the year ended March 31, 2010
Domestic Market	**32,508.19**	29,092.76
Overseas Markets	**4,080.78**	3,085.60
Total	**36,588.97**	32,178.36

The following table shows the carrying amount of segment assets by geographical markets:

(Amount in Rs.lacs)

Particulars	**As at March 31, 2011**	As at March 31, 2010
Domestic Market	**5,697.03**	5,013.59
Overseas Markets	**1,374.88**	747.00
Total	**7,071.91**	5,760.59

4. Related Party Disclosures

Names of Related Parties

A. Parties where control exists
Orient Refractories Limited – Subsidiary Company

B. Individuals holding 20% or more voting rights
Mr. S.G.Rajgarhia (Managing Director)
S.G.Rajgarhia (HUF)

C. Key Management personnel and their relatives — Relationship

1.	Mr S.G. Rajgarhia	Managing Director
2.	Mrs. Usha Rajgarhia	Wife
3.	Mr R.K. Rajgarhia	Brother
4.	Mrs. Prabhadevi Rajgarhia	Brother's Wife
5.	Mr. N.K. Rajgarhia	Brother
6.	Mrs. Rajkumari Rajgarhia	Brother's Wife
7.	Mr. S.K. Rajgarhia	Brother
8.	Mrs. Sulabha Rajgarhia	Brother's Wife
9.	Mr. P.K. Rajgarhia	Brother
10.	Mrs. Madhushree Rajgarhia	Brother's Wife
11.	Mrs. Sunita Bagla	Sister
12.	Ms Anisha Mittal	Daughter
13.	Mr. Ashwin Mittal	Son-in-Law
14.	Ms Bhavna Rajgarhia	Daughter
15.	S G Rajgarhia (HUF)	HUF
16.	R.K. Rajgarhia & Sons (HUF)	HUF
17.	RKR Foundation	Trust
18.	Mr. P.P. Khanna	Executive Director
19.	Mrs. Prabha Khanna	Wife of Executive Director
20.	Mr. Sanjay Khanna	Son of Executive Director
21.	Mr. Sandeep Khanna	Son of Executive Director

D. The Enterprises controlled, owned or significantly influenced by key management personnel or their relatives.

1. Perfectpac Ltd.
2. Pyramid Abrasives Pvt. Ltd.
3. Orient Abratech Pvt. Ltd.
4. APM Industries Ltd.
5. Hindustan General Industries Ltd.
6. HGI Finance & Leasing Ltd.
7. Rovo Marketing Pvt. Ltd.
8. Madhushree Properties Pvt. Ltd.
9. Rajgarhia Leasing & Financial Services Pvt. Ltd.
10. AJR Fiscal Pvt. Ltd.
11. Faridabad Paper Mills Ltd.
12. Orient Abratool Pvt. Ltd.
13. Orient Coated Pvt. Ltd.
14. Orient Steel & Industries Ltd.
15. Rajat Leasing Limited

Note:- As individual holding 20% or more voting right is also a key managerial personnel, his relative and transactions with relative are covered under Key management personnel, and their relatives.

Transactions with related parties during the year **(Amount in Rs. lacs)**

Particulars	A. Subsidiary Company		B. An Individual with substantial interest personnel		C. Key Management personnel and their relatives		D. Enterprises owned or significantly influenced by key management personnel, major shareholders or their relatives		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Sales to :										
Orient Coated Pvt. Ltd.	–	–	–	–	–	–	**43.12**	11.20	**43.12**	11.20
Pyramid Abrasives Pvt. Ltd.	–	–	–	–	–	–	**71.98**	81.59	**71.98**	81.59
Others	–	–	–	–	–	–	**3.32**	5.22	**3.32**	5.22
Total Sales	–	–	–	–	–	–	**118.42**	98.01	**118.42**	98.01
Purchase of Raw Materials:										
Unifrax India Ltd.	–	–	–	–	–	–	**17.87**	20.57	**17.87**	20.57
Pyramid Abrasives Pvt. Ltd.	–	–	–	–	–	–	**9.14**	0.12	**9.14**	0.12
Total Purchase of Raw Materials	–	–	–	–	–	–	**27.01**	20.69	**27.01**	20.69
Packing Expenses										
Perfectpac Ltd.	–	–	–	–	–	–	**134.11**	104.10	**134.11**	104.10
Commission paid										
Hindustan General Industries Ltd.	–	–	–	–	–	–	**19.10**	17.03	**19.10**	17.03
Rent paid										
Bhavna Rajgarhia	–	–	–	–	**17.01**	17.01	–	–	**17.01**	17.01
Usha Rajgarhia	–	–	–	–	**6.91**	6.91	–	–	**6.91**	6.91
Madhushree Properties Pvt. Ltd.	–	–	–	–	–	–	**1.80**	1.80	**1.80**	1.80
Total Rent Paid	–	–	–	–	**23.92**	23.92	**1.80**	1.80	**25.72**	25.72
Guarantee Given by										
S G Rajgarhia	–	–	**1,400.00**	2,350.00	–	–	–	–	**1,400.00**	2,350.00
Financial Expenses:										
Rovo Marketing Pvt. Ltd.	–	–	–	–	–	–	**0.62**	–	**0.62**	–
S.G Rajgarhia	–	–	**0.32**	–	–	–	–	–	**0.32**	–
P P Khanna	–	–	–	–	–	1.77	–	–	–	**1.77**
Total Financial Expenses	–	–	**0.32**	–	–	1.77	**0.62**	–	**0.94**	1.77
Dividend paid to :										
S G Rajgarhia	–	–	**355.70**	117.10	–	–	–	–	**355.70**	117.10
S G Rajgarhia (HUF)	–	–	–	–	**160.31**	50.60	–	–	**160.31**	50.60
Usha Rajgarhia	–	–	–	–	**131.63**	42.78	–	–	**131.63**	42.78
Anisha Mittal	–	–	–	–	**264.62**	86.00	–	–	**264.42**	86.00
Bhavna Rajgarhia	–	–	–	–	**164.46**	53.12	–	–	**164.46**	53.12
Rovo Marketing Pvt. Ltd.	–	–	–	–	–	–	**0.30**	0.09	**0.30**	0.09
Faridabad Paper Mills Ltd.	–	–	–	–	–	–	–	0.23	–	0.23
HGI Finance & Leasing Ltd.	–	–	–	–	–	–	**2.19**	–	**2.19**	–
Others	–	–	–	–	**181.60**	68.88	–	0.91	**181.60**	69.79
Total Dividend Paid	–	–	**355.70**	117.10	**902.62**	301.38	**2.49**	1.23	**1260.81**	419.71
***Managerial Remuneration:**										
S G Rajgarhia	–	–	**171.99**	180.27	–	–	–	–	**171.99**	180.27
P P Khanna	–	–	–	–	**48.93**	36.87	–	–	**48.93**	36.87
Total Managerial Remuneration	–	–	**171.99**	180.27	**48.93**	36.87	–	–	**220.92**	217.14
Salaries, Wages and Bonus										
Mrs. Usha Rajgarhia	–	–	–	–	**1.32**	1.32	–	–	**1.32**	1.32
Ms. Anisha Mittal	–	–	–	–	**23.71**	5.64	–	–	**23.71**	5.64
Total Salaries, Wages and Bonus	–	–	–	–	**25.03**	6.96	–	–	**25.03**	6.96
Directors' Sitting Fees:										
R K Rajgarhia	–	–	–	–	**0.80**	0.60	–	–	**0.80**	0.60

Particulars	A. Subsidiary Company		B. An Individual with substantial interest personnel		C. Key Management personnel and their relatives		D. Enterprises owned or significantly influenced by key management personnel, major shareholders or their relatives		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Unsecured Loan taken:										
Rovo Marketing Pvt. Ltd.	–	–	–	–	–	–	**280.00**	–	**280.00**	–
S G Rajgarhia	–	–	**100.00**	–	–	–	–	–	**100.00**	–
Total Unsecured Loan taken	–	–	**100.00**	–	–	–	**280.00**	–	**380.00**	–
Unsecured Loan repaid:										
Rovo Marketing Pvt. Ltd.	–	–	–	–	–	–	**280.00**	–	**280.00**	–
S G Rajgarhia	–	–	**100.00**	–	–	–	–	–	**100.00**	–
P P Khanna	–	–	–	–	–	100.00	–	–	–	–
Total Unsecured Loan repaid	–	–	**100.00**	–	–	100.00	**280.00**	–	**380.00**	100.00
Balance outstanding as at year end										
Sundry Debtors:										
Pyramid Abrasives Pvt. Ltd.	–	–	–	–	–	–	–	26.07	–	26.07
Orient Coated Pvt. Ltd.	–	–	–	–	–	–	**27.33**	0.45	**27.33**	0.45
Total Sundry Debtors	–	–	–	–	–	–	**27.33**	26.52	**27.33**	26.52
Sundry Creditors:										
S G Rajgarhia	–	–	**126.83**	146.38	–	–	–	–	**126.83**	146.38
Usha Rajgarhia	–	–	–	–	**0.19**	0.19	–	–	**0.19**	0.19
Anisha Mittal	–	–	–	–	**3.01**	0.78	–	–	**3.01**	0.78
Hindustan General Industries Ltd.	–	–	–	–	–	–	**1.72**	1.56	**1.72**	1.56
Perfectpac Ltd.	–	–	–	–	–	–	**21.17**	22.90	**21.17**	22.90
Unifrax India Ltd.	–	–	–	–	–	–	**5.31**	7.28	**5.31**	7.28
P P Khanna	–	–	–	–	**5.53**	4.94	–	–	**5.53**	4.94
Total Sundry Creditors	–	–	**126.83**	146.38	**8.73**	5.91	**28.20**	31.74	**163.76**	184.03
Outsanding Guarantees given	–	–	**10,550**	11,400	–	–	–	–	**10,550**	11,400
Investments made in Subsidiary	**4.99**	–	–	–	–	–	–	–	**4.99**	–
Reimbursement of Expenses	**9.32**	–	–	–	–	–	–	–	**9.32**	–
Recoverable from Subsidiary	**9.32**	–	–	–	–	–	–	–	**9.32**	–

Notes:

1. No amount has been provided as doubtful debts or advances/written off or written back in the year in respect of debts due from above related parties.
2. *As the future liability for gratuity and leave encashment is provided on an actuarial basis for the Company as a whole, the amount pertaining to the directors is not ascertainable and, therefore, not included above.

		2011	2010
		(Amount in Rs. lacs)	
5.	Estimated amount of Contracts remaining to be executed on capital account and not provided for (Net of Capital advances Rs 1,183.61 lacs, Previous year Rs. 1,050.47 lacs)	**268.51**	879.23
6.	Contingent liabilities (not provided for) in respect of:		
i)	Power claim matters decided in favour of the Company by the District Court (Civil Court, Senior Division, Porbandar) but Pashim Gujarat Vidyut Company Limited has gone into further appeal before Hon'ble High Court of Gujarat,*	**338.02**	338.02
ii)	Sales tax and interest demand raised by Kolkata Sales tax authorities for non-submission of declarations forms for the year 1993-94.	**3.75**	3.75
iii)	Demand raised by the Income Tax Authorities, being disputed by the Company (Refer Note A below)	**1,756.69**	1,469.84
iv)	Show cause issued by service tax authorities for input tax credit availed on foreign business auxiliary services, consulting engineer service, Telephone service and insurance service.	**85.48**	71.46
v)	Demand for payment of royalty (Refer Note B below)	**1,289.07**	–
v)	Cases pending with Labour Courts #	(Amount unascertainable)	

* In view of decision already in favour of company by the District Court (Civil Court, Senior Division, Porbandar) and based on discussion with the solicitors, the management believes that the Company has a strong chance and hence no provision there against is considered necessary.

#In view of large number of cases, it is not practical to disclose individual details of all the cases. On the basis of current status of individual case and as per legal advice obtained by the Company, wherever applicable, the Company is of the view that no provision is required in respect of these cases.

(A) The Company has a thermal power plant at Porbander to meet the energy needs of its abrasives grains division (AGD) at Porbander. Under Section 80 IA of the Income Tax Act, 1961, the profit of the power plant is not liable to income tax and therefore a deduction of an amount equal to hundred percent of the profit derived from such business is allowable from the total income of the Company for a period of 10 consecutive assessment years. The Department allowed the benefit to the Company with respect to financial years 2001-02 and 2002-03. However in respect of years 2003-04, 2004-05, 2005-06, and 2006-07, department denied the benefit by taking a different view. The Company appealed against the same and Commissioner of Income Tax (Appeals) decided appeal in favor of Company by reversing the department's order. Against this, the department went into appeal before the Income Tax Appellate Tribunal (ITAT). Subsequently, the department reopened the cases for the year 2001-02 and disallowed the benefit to Company. The Company appealed against this, and CIT (Appeals) and ITAT passed orders in favor of Company. The department had also reopened the case for the year 2002-03 against which the Company filled a writ petition in Hon'ble High Court and the court has passed an interim order staying further assessment by department. During the previous year, ITAT decided the cases in respect of years 2001-02, 2003-04, 2004-05, 2005-06, and 2006-07 in favor of Company. Again, regarding above orders of the ITAT, the department has filed appeal with the Hon'ble High Court. Further during the year, the assessment in respect of financial year 2007-08 was completed and the Department again disallowed the deduction u/s 80 IA, against which the Company has filed an appeal before the CIT (Appeals).

The Company on the basis of current status of the case and advice obtained from legal counsel is confident that there would not be any probable outflow of resources in this matter.

(B) The company also received various demand notices for payment of differential royalty on Raw bauxite extracted and dispatched from the company owned mines. The amount involved is Rs 1,289.07 lacs. The company has disputed this demand and has paid Rs.100 lacs as deposit. Further the company, on basis of legal advice is of the view that no provision is necessary for the present demand.

7. Details of dues to Micro, Small and Medium Enterprises as per MSMED Act, 2006 **(Amount in Rs. lacs)**

No.	**Details of dues to Micro, Small and Medium Enterprises as per MSMED Act, 2006**	**March 31, 2011**	March 31, 2010
(i)	The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of year		
	Principal Amount Unpaid	**22.79**	34.84
	Interest Due	**–**	–

No.	**Details of dues to Micro, Small and Medium Enterprises as per MSMED Act, 2006**	**March 31, 2011**	March 31, 2010
ii	The amount of interest paid by the buyer in terms of section 16, of the Micro Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during the year		
	Payment made beyond the Appointed Date	**–**	–
	Interest Paid beyond the Appointed Date	**–**	–
iii	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro Small and Medium Enterprise Development Act, 2006.	**–**	–
iv	The amount of interest accrued and remaining unpaid at the end of the year; and	**–**	–
v	The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro Small and Medium Enterprise Development Act, 2006	**–**	–

8. Discontinuing operations

The Proposed demerger of Refractory Undertaking is for the purpose of better, efficient and economical management, control and operation of the businesses of the Company and for a focused strategy and independent planning and growth of the different businesses and also to keep one business free from the regulatory or economic constraints faced by the other.

The carrying amounts of the total assets and liabilities to be disposed off are as follows.

(Amounts in Rs. lacs)

	As at March 31, 2011	As At March 31, 2010
Total assets	**12,625.26**	9,981.55
Total liabilities	**(6,790.93)**	(7,398.06)
Net assets	**5,834.33**	2,583.49

The amounts of revenue, expenses pre-tax profits and the income tax expense related thereto in respect of the ordinary activities attributable to the discontinuing operation.

(Amounts in Rs. lacs)

	For the year ended March 31, 2011	For the year ended March 31, 2010
Total Revenue (Net of excise duty)	**25,190.16**	20,350.60
Total Expenses	**21,153.18**	16,088.83
Profit before Taxation	**4,036.88**	4,261.77
Less: Total Tax expense	**(1,351.79)**	(1,309.30)
Profit after Tax	**2,685.08**	2,952.47

The amounts of estimated net cash flows attributable to the discontinuing operation are as follows:

(Amounts in Rs. lacs)

	For the year ended March 31, 2011	For the year ended March 31, 2010
Net Cash from Operating Activities	**2,086.18**	2,345.46
Net cash (used in) Investing Activities	**(864.56)**	(259.82)
Net Cash (used in) Financing Activities	**982.16**	322.26
Net cash inflows / (outflows)	**2,203.78**	2,407.90

For the purpose of segment disclosure, the refractory undertaking has been disclosed as a part of the refractory and Monolothics division.

9. **Gratuity and other Post- employment benefit plans:**

The Company has a defined benefit gratuity plan. Gratuity is computed as 15 days salary, for every completed year of service or part thereof in excess of 6 months and is payable on retirement/termination/resignation. The benefit vests on the employees after completion of 5 years of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy. At the end of accounting year actuarial valuation is done as per the Projected unit credit method and any shortfall in the funding claims is further provided for.

The Company has also provided long term compensated absences which are unfunded.

The following tables summarize the components of net benefit expense recognized in the profit and loss account and the unfunded status and amounts recognized in the balance sheet for the Gratuity

Profit and Loss account

Net employee benefit expense (recognised in Employee Cost)

(**Amount in Rs. Lacs)**

Particulars	March 31, 2011	March 31, 2010
Current service cost	**33.49**	29.04
Interest cost on benefit obligation	**39.82**	31.83
Expected return on plan assets	**(39.38)**	(31.14)
Net actuarial (gains) / loss recognised in the year	**42.62**	23.03
Past service cost	**–**	34.41
Net benefit expense	**76.55**	87.17
Actual return on plan assets	**–**	–

Balance Sheet

Details of provision for Gratuity

(**Amount in Rs. Lacs)**

Particulars	March 31, 2011	March 31, 2010
Defined benefit obligation	**591.82**	504.06
Fair value of plan assets	**(516.38)**	(425.78)
Deficit	**75.44**	78.28
Less: Unrecognised Past service cost	**–**	–
Plan asset / (liability)	**(75.44)**	(78.28)

Changes in the present value of the defined benefit obligation are as follows:

(**Amount in Rs. Lacs)**

Particulars	March 31, 2011	March 31, 2010
Defined benefit obligation as at the beginning of the year	**504.06**	402.92
Interest cost	**39.82**	31.83
Past service cost	**–**	34.41
Current service cost	**33.49**	29.04
Benefits paid	**(31.57)**	(18.82)
Actuarial (gains) / losses on obligation	**46.01**	24.68
Defined benefit obligation as at the end of the year	**591.81**	504.06

Changes in the fair value of plan assets for Gratuity are as follows:

(**Amount in Rs. Lacs)**

Particulars	March 31, 2011	March 31, 2010
Fair value of plan assets as at the beginning of the year	**425.78**	336.65
Expected return on plan assets	**39.38**	31.15
Contributions by employer	**79.39**	75.15
Benefits paid	**(31.56)**	(18.82)
Actuarial gains / (losses)	**3.39**	(1.65)
Fair value of plan assets as at end of the year	**516.38**	425.78

The company expects to contribute Rs. 21.81 lacs to gratuity in 2011-12.

The major categories of plan assets as a percentage of the fair value of total plan assets is as follows:

Particulars	March 31, 2011	March 31, 2010
Investments with insurer - Insurance policy with Life Insurance Corporation of India	**100%**	100%

The principal assumptions used in determining gratuity benefit obligations for the Company's plans are shown below:

Particulars	March 31, 2011 %	March 31, 2010 %
Discount rate	**7.90**	7.90
Increase in Compensation cost	**7.00**	7.00
Expected rate of return on plan assets	**9.25**	9.25
Employee turnover – Age Group		
Up to 30 years	**3%**	3%
30 – 44 years	**2%**	2%
Above 44 years	**1%**	1%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Amounts for the current and previous years are as follows: (**Amount in Rs. Lacs)**

	March 31, 2011	March 31, 2010	March 31, 2009	March 31 2008
Defined benefit obligation	**591.81**	504.06	402.92	378.80
Plan assets	**516.38**	425.78	336.65	313.33
Surplus / (deficit)	**(75.44)**	(78.28)	(66.27)	(65.47)
Experience adjustments on plan liabilities (loss)/gain	**(46.01)**	(24.68)	(46.55)	–
Experience adjustments on plan assets (loss)/gain	**3.39**	1.65	(1.07)	–

Contribution to Defined Contribution Plans:

(**Amount in Rs. Lacs)**

Particulars	March 31, 2011	March 31, 2010
Provident Fund	**120.16**	101.12

10. Provision for Income tax Act has been made after taking into consideration the benefits available under Section 80IA of the Income Tax Act, 1961 in respect of Power Plant installed at Porbandar for captive consumption.

11. The Company has taken various residential, office and warehouse premises and plant & machinery under operating lease agreements. These are not non-cancellable and are renewable by mutual consent on mutually agreed terms. The lease payment recognized in the statement of profit & loss account for the year is Rs. 47.41 lacs (Previous year Rs. 46.87 lacs).

12. **Derivative Instrument and Unhedged Foreign Currency Exposure**

Forward Contract Outstanding as at Balance Sheet date

Particulars	**Currency**	**March 31, 2011**	March 31, 2010	**Purpose**
Sell	USD	**1,000,000**	1,900,000	Hedge of Debtors/expected future sales
Cross Currency Coupon only swap with call	USD	**4,000,000**	–	To hedge the interest rate and and currency risk by switching its floating USD interest rate liability with a fixed INR interest rate liability for a specific period of time and required national amounts.
Interest and cross currency swap	JPY	**94,339,623**	78,431,372	Hedge of expected future payment and exposure to variable interest outflow on loans. Swap to receive fixed rate of interest of 9% and pay a variable rate equal to LIBOR 150 Basis Point on the national amount
Interest accrued but not due	JPY	**4,663,819**	–	
	USD	71,033	–	

Particulars of Unhedged Foreign Currency Exposure at the Balance Sheet Date :

		March 31, 2011			March 31, 2010		
Particulars	**Currency**	**Foreign currency**	**Rate**	**Amounts in Rs. Lacs**	**Foreign currency**	**Rate**	**Amounts in Rs. Lacs**
Sundry Creditors	USD	**222,984**	**45.14**	**100.66**	279,937	45.58	127.60
	EURO	**85,729**	**63.99**	**54.86**	62,830	61.31	38.52
	GBP	**11,406**	**72.90**	**8.32**	1,745	68.94	1.20
Secured Loan	USD	**600,000**	**45.14**	**270.84**	1,200,000	45.58	546.96
Interest accrued but not due	USD	**2,675**	**45.14**	**1.21**	5,210	45.58	2.37
Sundry Debtors	USD	**919,245**	**44.23**	**406.58**	310,804	44.67	138.84
	EURO	**1,477,499**	**62.36**	**921.37**	1,018,777	59.63	607.50
	GBP	**66,111**	**70.99**	**46.93**	–	–	–

13. The Breakup of expenses relating to raising of Raw Bauxite at Company's own mines is as under :

(**Amount in Rs. Lacs)**

Particulars	**March 31, 2011**	March 31, 2010
Personnel Expenses		
Salaries, Wages and Bonus	**950.94**	1,172.91
Contribution to Provident and other funds	**2.95**	2.35
Workmen and Staff Welfare Expenses	**4.52**	4.58
Operating and Other Expenses		
Consumption of Stores and Spares	**0.85**	1.16
Rent	**0.36**	0.36
Rates & Taxes	**10.13**	5.51
Royalty on Raw Bauxite (On dispatch to factory)	**40.91**	186.41
Insurance	**0.19**	0.17
Legal and Professional Fees	**42.92**	13.57
Vehicle Running & Maintenance	**5.54**	4.30
Repairs and Maintenance :		
- Plant & Machinery (excluding Stores & Spares Consumed)	**0.02**	0.03
- Buildings	**0.36**	1.34
- Others	**0.29**	0.43
Travelling & Conveyance	**5.55**	3.64
Printing and Stationery	**1.43**	1.12
Communication cost	**1.59**	1.37
Bank Charges	**0.44**	0.40
Miscellaneous Expenses	**5.14**	6.60
	1,074.13	1,406.26

14. In accordance with Para 10 of Accounting Standard-9 on Revenue Recognition notified under Companies (Accounting Standard) Rules, 2006, excise duty on sales amounting to Rs. 2,978.60 lacs (Previous Year Rs. 2,191.70 lacs) has been reduced from sales in profit & loss account and excise duty on (increase)/decrease in stock amounting to Rs. 91.36 lacs (Previous Year Rs. (59.19) lacs) has been considered as (income)/expense in Schedule 20 of the financial statements.

15. **Supplementary Statutory Information**

15.1 **Directors' Remuneration** (**Amount in Rs. Lacs)**

	For the year ended March 31, 2011	For the year ended March 31, 2010
Salaries	**89.60**	71.29
Commission	**123.01**	139.46
Contribution to Provident fund	**5.76**	4.91
Perquisites	**2.55**	1.48
	220.92*	217.14*

*Note :- As the future liability for gratuity and leave encashment is provided on an actuarial basis for the Company as a whole, the amount pertaining to the directors is not ascertainable and, therefore, not included above.

15.2 **Computation of Net Profit in accordance with Section 349 of the Companies Act, 1956 for calculation of commission payable to directors**

Amount in Rs. Lacs)

	For the year ended March 31, 2011	For the year ended March 31, 2010
Profit as per Profit and Loss Account	**5,943.23**	6,880.15
Add:		
Directors' Remuneration	**220.92**	217.14
Director Fee	**2.75**	3.00
Loss on sale / discard of fixed assets	**0.80**	4.80
Provision for doubtful debts	**107.33**	7.53
Net profit as per Section 349 of the Companies Act, 1956	**6,275.03**	7,112.62
Commission to Managing Director @ 2% (Previous Year 2%) of the net profits as calculated above	**123.01**	139.46

Commission to Managing Director and Wholetime Director	**570.46**	646.60
Maximum commission u/s 309 of companies Act, 1956 at 10% of net profits		
Commission actually approved for payment	**123.01**	139.46

15.3 **Earnings in foreign currency (on accrual basis)**

Exports at F.O.B. Value	**4,080.78**	3,113.99
Royalty	**31.01**	23.38
	4,111.79	3,137.37

15.4 **Expenditure in foreign currency (on accrual basis)**

Travelling	**10.24**	10.74
Interest	**173.10**	16.81
Legal and professional fees	**21.80**	21.80
Commission	**188.82**	168.20
Others	**19.42**	14.84
	413.38	232.39

15.5 **Value of imports calculated on CIF basis (on accrual basis)**

Amount in Rs. Lacs)

	For the year ended March 31, 2011	For the year ended March 31, 2010
Raw Materials	**1,908.82**	1,704.24
Stores and Spares	**406.69**	393.86
Capital Goods	**8.04**	22.03
Goods purchased for resale	**73.80**	103.67
	2,397.35	2,223.80

16.0 **Additional information pursuant to the provisions of paragraphs 3, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956**

16.1 **Licensed Capacity, Installed Capacity and Actual Production**

Class of Goods	**Unit**	**Licensed Capacity As At**		**Installed Capacity* As at**		**Actual Production For the year ended**	
		March 31, 2011	March 31, 2010	**March 31, 2011**	March 31, 2010	**March 31, 2011**	March 31, 2010
Fused Aluminum Oxide Grains	MT	**NA**	NA	**28,500**	28,500	**27,538**	26,337
Calcined Products	MT	**NA**	NA	**74,250**	74,250	**25,279**	51,383
Refractories	MT	**NA**	NA	**16,000**	16,000	**15,830**	12,313
Monolithics	MT	**NA**	NA	**28,000**	28,000	**17,334**	18,412
Ceramic Paper	Pcs	**NA**	NA	**20,000**	20,000	**1,476**	1,449
Waste	MT	**NA**	NA	**–**	–	**24,564**	43,752
Windmill Power	MW	**NA**	NA	**9.6 MW/ Hour**	**5.1MW/ Hour**	**9,922**	1,303

***** As Certified by the Technical Head.

Notes :

1. Production of Fused Aluminum Oxide Grains includes 7,661 MT for captive consumption (Previous year 6,978 MT).
2. Production of Calcined Products includes 8,530 MT for captive consumption (Previous year 36,980 MT).
3. Production of Refractories includes Nil for captive consumption (Previous year 6 MT).
4. Production of Monolothics includes 72 MT for captive consumption (Previous year 3231 MT).
5. Production of waste includes 521 MT used for captive consumption (Previous year 519 MT).

16.2 **Sales & Stocks of Finished Goods**

Sales

Class of Goods	**Unit**	**Quantity For the year ended**		**Value (Rs. in lacs) For the year ended**	
		March 31, 2011	March 31, 2010	**March 31, 2011**	March 31, 2010
Fused Aluminum Oxide Grains	MT	**19,420**	21,567	**8,720.37**	8,485.47
Calcined Products	MT	**11,170**	16,362	**1,208.28**	1,839.03
Refractories	MT	**15,615**	11,987	**18,949.16**	15,752.77
Monolithics	MT	**16,991**	15,063	**5,582.24**	4,285.39
Ceramic Paper	Pcs	**1,476**	1,369	**8.46**	4.65
Waste	MT	**29,170**	36,947	**492.79**	378.93
Goods purchased for resale		**–**	–	**3,628.37**	2,713.89
Windmill Power	MW	**9,922**	1,303	**410.35**	55.83
Sales of Raw Bauxite and Raw Material		**–**	–	**20.43**	460.59
Total				**39,020.45**	33,976.55

Stocks

Class of Goods	Unit	Quantity As at		Value (Rs. in lacs) As at	
		March 31, 2011	March 31, 2010	**March 31, 2011**	March 31, 2010
Opening Stock					
Fused Aluminum Oxide Grains	MT	**744**	2,952	**287.23**	989.18
Calcined Products	MT	**1,438**	3,397	**131.84**	287.94
Refractories	MT	**1,378**	1,124	**957.42**	810.46
Monolithics	MT	**801**	825	**156.20**	162.77
Waste	MT	**10,512**	4,226	**52.96**	25.46
				1585.65	2,275.82
Closing Stock					
Fused Aluminum Oxide Grains	MT	**1,201**	744	**480.09**	287.23
Calcined Products	MT	**7,017**	1,438	**629.25**	131.84
Refractories	MT	**1,549**	1,378	**1241.46**	957.42
Monolithics	MT	**991**	801	**281.05**	156.20
Waste	MT	**5,385**	10,512	**40.59**	52.96
				2672.44	1585.65

Notes :

- The quantitative figures in respect of Refractories in Excise Records are available in numbers and the same have been converted into tonnage by the management.
- Differences in quantitative tally in respect of Refractories and Monolithics are on account of samples, free replacements, damages etc.

16.3 **Consumption of Raw Materials**

Class of Goods	Unit	Quantity For the year endded		Value (Rs. in lacs) For the year ended	
		March 31, 2011	March 31, 2010	**March 31, 2011**	March 31, 2010
Raw Bauxite*	MT	**97,248**	164,725	**1,640.83**	1,581.00
Calcined Alumina	MT	**11,639**	9,642	**3,825.18**	2,771.83
Others**		–	–	**6,527.31**	4,834.24
Total				**11,993.32**	9,187.07

* Includes direct expenses as stated in Note 13

** It is not practicable to furnish quantitative information in view of the large number of items which differ in size and nature, each being less than 10% in value of the total.

16.4 **Imported and Indigenous Raw Materials, Stores and Spares Consumed**

	% of total consumption For the year ended		Value (Rs. in lacs) For the year ended	
	March 31, 2011	March 31, 2010	**March 31, 2011**	March 31, 2010
Raw Materials				
Indigenous*	**81.04**	82.70	**9,719.64**	7,597.98
Imported	**18.96**	17.30	**2,273.68**	1,589.09
	100.00	100.00	**11,993.32**	9,187.07

*Includes direct expenses as stated in Note 13

Stores and Spares				
Indigenous	**84.62**	82.23	**2,229.21**	2,034.90
Imported	**15.38**	17.77	**405.11**	447.08
	100.00	100.00	**2,634.32**	2,481.98

16.5 Details of Goods Purchased for resale

	Value (Rs. in lacs) For the year ended	
	March 31, 2011	March 31, 2010
Opening Stock	**131.95**	108.74
Purchases	**3,516.21**	2,538.77
	3,648.16	2,647.51
Sales	**3,628.37**	2,713.89
Closing stock	**157.93**	131.95

*It is not practicable to furnish quantitative information in view of the large number of items which differ in size and nature, each being less than 10% in value of the total.

17. Previous year Comparatives

Previous year's figures have been regrouped/rearranged where necessary to confirm to this year's classification.

As per our report of even date

For S.R.BATLIBOI & CO
Firm Registration No. 301003E
Chartered Accountants

Per Manoj Gupta
Partner
Membership No. 83906
Place : Gurgaon, Haryana
Date : May 30, 2011

For and on behalf of the Board of Directors
of Orient Abrasives Limited

S.G.RAJGARHIA
(Managing Director)

T.N.CHATURVEDI
(Director)

P.P.KHANNA
(Executive Director)

B.L.GUPTA
(Sr. Vice President - Finance)

DEEPAK C.S.
(Company Secretary)

Place : New Delhi
Date : May 30, 2011

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details **CIN : L24299DL1971PLC005854**

Registration No.	5854	State Code	55
Balance Sheet Date	31 03 2011		

II. Capital Raised during the year (Amount in Rs. Thousands)

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousand)

Total Liabilities	3346584	Total Assets	3346584
Sources of Funds			
Paid-up Capital	119652	Reserves & Surplus (including Deferred Tax Liability)	1718420
Secured Loans	908700	Unsecured Loans	14510
Application of Funds			
Net Fixed Assets (including intangible assets)	1562489	Investments	526
Net Current Assets	1296606	Misc. Expenditure	NIL

IV. Performance of Company (Amount in Rs. Thousands)

Turnover (Including other Income)	3697911	Total Expenditure	3103588
Profit Before Tax	594323	Profit After Tax	468351
Earning per Share in Rs	3.91	Dividend Rate %	100%

V. Generic Names of Three Principal Products of Company (As per monetary terms)

Item Code No. (ITC Code)	28182090
Product Description	Fused Aluminium Oxide Grains
Item Code No. (ITC Code)	69022030
Product Description	Slide Gate and Continuous Casting Refractories
Item Code No. (ITC Code)	38160000
Product Description	Refractory Cement and Castables

For and on behalf of the Board of Directors
of Orient Abrasives Limited

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B.L.GUPTA
(Sr. Vice President - Finance)

DEEPAK C.S.
(Company Secretary)

Place : New Delhi
Date : May 30, 2011

AUDITORS' REPORT

To
The Board of Directors of Orient Abrasives Limited

1. We have audited the attached consolidated balance sheet of Orient Abrasives Limited (the 'Orient' Group) as at 31st March 2011 and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Orient Group's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and dis-closures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of subsidiary, whose financial statements reflect total assets of Rs. 499,262 as at 31st March 2011, the total revenue of Nil and cash flows amounting to Rs. 499,262 for the year then ended. These financial statements and other financial information have been audited by other auditors whose report has been furnished to us, and our opinion is based solely on the report of other auditors.
4. We report that the consolidated financial statements have been prepared by the Orient Group's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated financial statements, notified pursuant to the Companies (Accounting Standards) Rules, 2006, (as amended).
5. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in con-formity with the accounting principles generally accepted in India:
   (a) in the case of the consolidated balance sheet, of the state of affairs of the Orient Group as at 31st March 2011**;**
   (b) in the case of the consolidated profit and loss account, of the profit of the Orient Group for the year ended on that date; and
   (c) in the case of the consolidated cash flow statement, of the cash flows of the Orient Group for the year ended on that date.

For S.R. BATLIBOI & CO.
Firm Registration No. 301003E
Chartered Accountants

per Manoj Gupta
Partner
Membership No.:83906

Place : Gurgaon
Date : May 30, 2011

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2011

(All amount in Rs. Lacs)

		Schedules	As at March 31, 2011
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital		1	**1,196.52**
Reserves and Surplus		2	**17,164.95**
			18,361.47
Loan Funds			
Secured Loans		3	**9,087.00**
Unsecured Loans		4	**145.10**
			9,232.10
Deferred Tax Liability (Net)		5	**993.32**
	Total		**28,586.89**
APPLICATION OF FUNDS			
Fixed Assets		6	
Gross Block			**21,244.26**
Less : Accumulated Depreciation			**7,233.78**
Net Block			**14,010.48**
Capital Work-in-Progress including Capital Advances			**1,591.49**
			15,601.97
Intangible Assets		7	**22.92**
Investments		8	**0.27**
Current Assets, Loans and Advances			
Inventories		9	**8,292.17**
Sundry Debtors		10	**7,071.91**
Cash and Bank Balances		11	**382.68**
Other Current Assets		12	**392.95**
Loans and Advances		13	**1,691.81**
	(A)		**17,831.52**
Less : Current Liabilities and Provisions			
Current Liabilities		14	**4,598.45**
Provisions		15	**271.34**
	(B)		**4,869.79**
Net Current Assets	**(A-B)**		**12,961.73**
	Total		**28,586.89**
Notes to Accounts		24	

The schedules referred to above and notes to accounts form an integral part of the Balance Sheet.

As per our report of even date

For S.R.BATLIBOI & CO
Firm Registration No. 301003E
Chartered Accountants

Per Manoj Gupta
Partner
Membership No. 83906
Place : Gurgaon, Haryana
Date : May 30, 2011

For and on behalf of the Board of Directors
of Orient Abrasives Limited

S.G.RAJGARHIA
(Managing Director)

T.N.CHATURVEDI
(Director)

P.P.KHANNA
(Executive Director)

B.L.GUPTA
(Sr. Vice President - Finance)

DEEPAK C.S.
(Company Secretary)

Place : New Delhi
Date : May 30, 2011

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

(All amount in Rs. Lacs)

	Schedules		For the year ended March 31, 2011
INCOME			
Turnover (Gross)	16		**39,567.57**
Less : Excise duty			**2,978.60**
Turnover (Net)			**36,588.97**
Other Income	17		**390.14**
Total			**36,979.11**
EXPENDITURE			
Purchase of Trading Goods			**3,516.21**
Raw Materials Consumed	18		**11,993.32**
Personnel Expenses	19		**3,055.59**
Operating and Other Expenses	20		**11,689.60**
Decrease/(Increase) in Inventories	21		**(1,291.61)**
Depreciation /amortization	6/7		**1,298.21**
Financial Expenses	22		**783.88**
Total			**31,045.20**
Profit before Taxation			**5,933.91**
Current tax (MAT Payable)		**(1,207.00)**	
MAT Credit Entitlement		**265.00**	
Net Current tax liability			**(942.00)**
Deferred tax charge			**(433.48)**
Income Tax (charge)/credit for earlier years			**115.76**
Total Tax Expenses			**(1,259.72)**
Profit after tax			**4,674.19**
Balance brought forward form previous year			**3,845.34**
Profit available for appropiation			**8,519.53**
Appropiations :			
Interim Dividend on Equity Shares			**1,196.39**
Proposed Dividend on Equity Shares			**–**
Corporate Dividend Tax			**198.71**
Transfer to General Reserve			**3,000.00**
Surplus carried to Balance Sheet			**4,124.43**
Basic and Diluted Earnings per Share	23		3.91
Nominal value of shares Re. 1 (Previous Year Re. 1)			
Notes to Accounts	24		

The schedules referred to above and notes to accounts form an integral part of the Profit and Loss Account.

As per our report of even date

For S.R.BATLIBOI & CO
Firm Registration No. 301003E
Chartered Accountants

Per Manoj Gupta
Partner
Membership No. 83906
Place : Gurgaon, Haryana
Date : May 30, 2011

For and on behalf of the Board of Directors
of Orient Abrasives Limited

S.G.RAJGARHIA (Managing Director) | T.N.CHATURVEDI (Director) | P.P.KHANNA (Executive Director)

B.L.GUPTA (Sr. Vice President - Finance) | DEEPAK C.S. (Company Secretary)

Place : New Delhi
Date : May 30, 2011

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED ON MARCH 31, 2011

	(All amount in Rs. Lacs) For the year ended March 31, 2011
A. Cash Flow From Operating Activities	
Profit before taxation	**5,933.91**
Adjustments for :	
Depreciation/amortization	**1,298.21**
Bad debt written off	**–**
Loss on disposal of fixed assets	**0.80**
Provision for Doubtful Debts and Advances	**74.33**
Provision for Export Incentive receivables	**33.00**
Dividend from current investments	**–**
Unrealized Foreign Exchange gain (net)	**(64.50)**
Interest Income	**(10.30)**
Unrealized loss/ (gain on reversal of Liability) on derivative instruments	**14.06**
Interest Expense	**697.82**
Operating Profit before Working Capital changes	**7,977.33**
Movements in Working Capital	
Decrease/(Increase) in sundry ebtors	**(1,361.68)**
Increase in loans & advances and other current assets	**(312.14)**
Increase in Inventories	**(1,711.66)**
Increase in current liabilities & provisions	**1,016.86**
Cash generated from Operations	**5,608.71**
Direct taxes paid (net of refunds)	**(1,302.41)**
Net Cash from Operating Activities	**4,306.30**
B. Cash Flow From Investing Activities	
Purchase of fixed assets	**(2,446.02)**
Capital advances made during the year	**(1,233.31)**
Proceeds from sale of fixed assets	**14.62**
Interest received	**8.27**
Deposits (with maturity more than three months)	**(43.44)**
Proceeds of deposits matured (with maturity more than three months)	**43.00**
Net cash used in Investing Activities	**(3,656.88)**
C. Cash Flow From Financing Activities	
Proceeds/(Repayment) of Long term borrowings	**1,451.64**
Proceeds from short term borrowings	**1,482.18**
Interest paid	**(670.34)**
Dividends paid	**(2,392.78)**
Tax on dividend paid	**(397.43)**
Net Cash used in Financing Activities	**(526.73)**
Net Increase in cash and cash equivalents (A+B+C)	**122.69**
Cash and cash equivalents at the beginning of the Year	**185.96**
Cash and cash equivalents at the end of the year	**308.65**

	(All amount in Rs. Lacs) For the year ended March 31, 2011
Component of cash and cash equivalent	
Cash and Cheques on hand	**7.92**
With Banks :	
On Current Accounts	**89.13**
On Fixed Deposit Accounts	**74.03**
On Unpaid dividend accounts*	**211.50**
Post Office Savings Bank Account	**0.10**
Cash and Bank Balance as per Schedule 11	**382.68**
Less: Fixed Deposit not considered as cash equivalents	**74.03**
Cash & Cash Equivalents in Cash Flow Statement	**308.65**

*These balances are not available for use by the Company as they represent corresponding unpaid dividend liabilities.

Notes :

a) The cash flow statement has been prepared under "Indirect method" as set out in Accounting Standard - 3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India.

b) Negative figures have been shown in brackets.

As per our report of even date

For S.R.BATLIBOI & CO
Firm Registration No. 301003E
Chartered Accountants

Per Manoj Gupta
Partner
Membership No. 83906
Place : Gurgaon, Haryana
Date : May 30, 2011

For and on behalf of the Board of Directors
of Orient Abrasives Limited

S.G.RAJGARHIA
(Managing Director)

T.N.CHATURVEDI
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P.P.KHANNA
(Executive Director)

B.L.GUPTA
(Sr. Vice President - Finance)

DEEPAK C.S.
(Company Secretary)

Place : New Delhi
Date : May 30, 2011

SCHEDULES TO THE ACCOUNTS

(All amount in Rs. Lacs)

	As at March 31, 2011
Schedule — 1 : Share Capital	
Authorised	
400,000 - Redeemable Cumulative Preference Shares of Rs. 100/- each	**400.00**
120,000,000 Equity Shares of Re. 1/- each	**1,200.00**
	1,600.00
Issued & Subscribed	
119,659,200 Equity Shares of Re. 1/- each fully paid up	**1,196.59**
	1,196.59
Paid up	
119,639,200 Equity Shares of Re. 1/- each fully paid up	**1,196.39**
	1,196.39
Add : Shares forfeited (amount paid-up)	**0.13**
	1,196.52

Notes:

Of the above: 104,684,300 Equity shares of Re. 1/- each are allotted as fully paid bonus shares by capitalization of Capital Redemption Reserve, Securities Premium and General Reserve.

Schedule — 2 : Reserves and Surplus

General Reserve	
Balance as per last account	**10,040.52**
Add : Transfer from Profit & Loss Account	**3,000.00**
Less : utilization for bonus issue	**–**
	13,040.52
Hedging Reserve Account	
Balance as per last account	**(30.65)**
Add: Created during the year	**–**
Less: Adjusted during the year	**30.65**
	–
Profit & Loss Account Balance	**4,124.43**
	17,164.95

(All amount in Rs. Lacs)

Schedule — 3 : Secured Loans	As at March 31, 2011
Term Loans from banks	
-Rupee Loan [Due within one year Rs. 240 lacs]	**480.00**
-Foreign Currency Loan [Due within one year Rs. 1,013.89 lacs]	**2,593.80**
Working Capital Loan form Banks	**6013.20**
	9,087.00

Notes:

1. Rupee Loan is secured by first pari passu charge on the movable fixed assets of the Company. The loan is further secured by mortgage of immovable properties of the Company.
2. Foreign currency loan are secured as
   a) Rs.270.84 lacs is secured by first pari passu charge on all the movable & immoveable fixed assets of the Company.
   b) Rs.1805.60 lacs is exclusively secured on all the wind mills of the company.
   c) Rs.517.35 lacs is secured by first pari passu charge on all current assets of company. The loan is further secured by second pari passu charge on all present & future fixed assets of the Company.
3. Working Capital facilities from banks are secured by first pari passu charge on all current assets of company, both present and future, including stocks of raw materials, finished and semi-finished goods and book debts of the Company. These facilities are further secured by second pari passu charge on the entire fixed assets of the Company.
4. In respect of the above loans, the managing director of the Company has also given personal guarantees.

Schedule — 4 : Unsecured Loans	
Fixed Deposits	**145.10**
[Due within one year Rs. 49.75 lacs]	**145.10**

Schedule — 5 : Deferred Tax Liability (net)	
Deferred Tax Liabilities	
Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	**1,116.85**
Income accrued but taxable on receipt	**12.29**
Gross Deferred Tax Liabilities	**1,129.14**
Deferred Tax Assets	
Effect of expenditure debited to profit and loss account in the current year/ earlier years but allowable for tax purposes in following years.	**97.68**
Provision for doubtful debts and advances	**38.14**
Gross Deferred Tax Assets	**135.82**
Net Deferred Tax Liability	**993.32**

SCHEDULE — 6 : FIXED ASSETS

(All amount in Rs. Lacs)

Particulars	Land-Freehold	Land-Leasehold	Lease Hold Improvement	Buildings	Plant & Machinery	Furniture and Fixtures	Office Equipment	Vehicles	Total
Gross Block									
At 01.04.2010	13.76	69.28	19.49	1,746.66	15,312.42	34.17	182.72	483.52	**17,862.02**
Additions	–	–	–	97.05	3,161.17	9.16	16.70	135.78	**3,419.86**
Deductions	–	–	–	–	–	–	–	37.62	**37.62**
At 31.03.2011	**13.76**	**69.28**	**19.49**	**1,843.71**	**18,473.59**	**43.33**	**199.42**	**581.68**	**21,244.26**
Depreciation									
At 01.04.2010	–	9.54	19.49	408.91	5,314.47	20.37	66.20	129.85	**5,968.83**
For the year	–	2.14	–	55.91	1,156,.03	2.32	22.27	48.48	**1,287.15**
Deductions	–	–	–	–	–	–	–	22.20	**22.20**
At 31.03.2011	–	**11.68**	**19.49**	**464.82**	**6,470.50**	**22.69**	**88.47**	**156.13**	**7,233.78**
Net Block									
At 31.03.2011	**13.76**	**57.60**	–	**1,378.89**	**12,003.09**	**20.64**	**110.95**	**425.55**	**14,010.48**
Capital Work in Progress									**358.18**
Capital Advances (Unsecured and considered good)									**1,233.31**
									1,591.49

Notes:

Plant and Machinery includes electrical installations and fittings of the value of Rs.191.57 lacs (WDV- Rs.93.72 lacs)).

(All amount in Rs. Lacs)

	As at March 31, 2011
Schedule — 7 : Intangible Assets	
Software	
Gross Block	
At 01.04.2010	55.30
Additions	–
Deductions	–
At 31.03.2011	55.30
Amortisation	
At 01.04.2010	21.32
For the year	11.06
Deductions	–
At 31.03.2011	32.38
Net Block	
At 31.03.2011	22.92
Schedule — 8 : Investments	
Long Term Investments (At cost)	
Government Securities (Unquoted- non trade)	
7 year National Savings Certificates	0.27
(Certificates pledged with Sales Tax Authorities Rs. 0.27 lacs)	
	0.27
Schedule — 9 : Inventories	
Raw Materials	2,972.49
(including stock in transit Rs. 94.02 lacs)	
Stores and Spare parts	1,259.22
Goods Purchased for Resale	157.93
Work-in-Progress	1,230.09
Finished Goods	2,631.85
Waste	40.59
	8,292.17
Schedule — 10 : Sundry Debtors (Unsecured)	
Debts outstanding for a period exceeding six months	
Considered Good	271.47
Considered Doubtful	114.82
Others Debts:	
Considered Good	6,800.44
	7,186.73
Less: Provision for Doubtful Debts	114.82
	7,071.91

(All amount in Rs. Lacs)

	As at March 31, 2011
Schedule — 11 : Cash & Bank Balances	
Cash on hand	7.92
Balances with Scheduled Banks :	
On Current accounts	89.13
On Deposit accounts	74.03
(Receipts of Rs. 62.60 lacs pledged with banks, Excise and sales tax authorities)	
On Unpaid dividend accounts	211.50
Post Office Savings Bank account	0.10
	382.68
Schedule — 12 : Other Current Assets	
Surrender Value of Keyman Insurance Policies	36.99
Interest Receivable on Fixed Deposit Receipts	9.27
Export benefits receivable	379.69
	425.95
Less: Provision for doubtful Export benefits receivable	33.00
	392.95
Schedule — 13 : Loans & Advances (Unsecured)	
Considered Good	
Advances recoverable in cash or in kind or for value to be received	564.72
Balances with customs, excise, etc	192.22
Deposits - Others	134.94
Advance Tax (Net of Provision for Tax)	530.86
MAT credit entitlement	265.00
Advance Fringe Benefit Tax (Net of Provision for FBT)	4.07
	1691.81
Schedule — 14 : Current Liabilities	
Sundry Creditors	
(a) total outstanding dues to Micro and small Enterprises (Refer Note No. 7 of Schedule No. 24)	22.79
(b) total outstanding dues of creditors other than Micro and small Enterprises	4,013.30
Advance from customers	65.95
Investor Education and Protection Fund shall be credited by following amounts (as and when due)	
Unpaid Dividend (Statutory Liabilities as referred in Section 205C of the Companies Act, 1956.)	211.50
Interest accrued but not due	59.88
Sundry deposits	111.17
Other Current liabilities	113.86
	4,598.45
Schedule — 15 : Provisions	
For current tax (Net of advance tax payments)	4.53
For Fringe Benefit Tax (Net of advance tax payments)	–
For Gratuity	75.43
For Leave Encashment	144.46
For derivative contracts	46.92
Proposed Dividend	–
Tax on proposed dividend	–
	271.34

(All amount in Rs. Lacs)

	For the year ended March 31, 2011
Schedule — 16 : Turnover (Gross)	
Finished Goods (Including sale of goods purchased for resale of Rs. 3,628.37 lacs)	38,117.14
Sale of Power	410.35
Service Revenue	547.12
Sale of Waste	492.96
	39,567.57

Schedule — 17 : Other Income

Interest (Gross)	
From Banks	4.46
(Tax Deducted at Source Rs. 0.36 lacs)	
From Others	5.84
(Tax Deducted at Source Rs. 0.57 lacs)	
Dividend from Current Investment (other than trade)	–
Exchange Difference (net)	73.30
Bad Debt recovered (earlier written off)	2.76
Surrender Value of Keyman Insurance Policies	5.03
Export Incentive	255.44
Gain on derivative contracts	
Royalty Income	31.01
Miscellaneous income	12.30
	390.14

Schedule — 18 : Raw Materials Consumed

Inventories as at April 1, 2010	2,803.43
Add : Purchases/Raising*	12,347.86
	15,151.29
Less : Sales	185.48
Less : Inventories as at March 31, 2011	2,972.49
	11,993.32

* including direct expenses relating to raising of Bauxite at Company's own mines amounting to Rs.1,074.13 lacs [Refer note 13 of Schedule 24]

Schedule — 19 : Personnel Expenses

Salaries, Wages and Bonus (Refer Note No. 14.1 to Schedule 24)	2,652.28
Gratuity expenses (Refer Note No. 8 of Schedule 24)	76.55
Contribution to Provident and other funds	157.73
Workmen and Staff Welfare Expenses	169.03
	3,055.59

(All amount in Rs. Lacs)

	For the year ended March 31, 2011
Schedule — 20 : Operating and Other Expenses	
Consumption of Stores and Spares parts	**2,634.32**
Power and Fuel	**5,068.48**
Job Work and Processing Charges	**706.96**
Freight and Forwarding Charges	**776.35**
Rent	**47.41**
Packing Expenses	**667.37**
Rates and Taxes	**14.58**
Insurance	**50.01**
Repairs and Maintenance	
Plant and Machinery	**313.86**
Buildings	**139.86**
Others	**10.50**
Legal and Professional fees	**165.02**
Vehicle Running and Maintenance	**55.45**
Commission on Sales (Other than sole selling agents)	**415.56**
Cash Discount on Sales	**5.67**
Other Selling Expenses	**55.79**
Travelling and Conveyance	**139.58**
Communication costs	**51.64**
Printing and Stationery	**25.71**
Directors' Sitting Fees	**2.75**
Payment to Auditors	
As Auditor	
Audit Fee	**12.84**
Limited Review	**7.75**
Out-of-Pocket expenses	**1.64**
In other manner:	
Certification	**0.44**
Increase/(Decrease) of Excise Duty on Inventory (Refer Note No. 13 in Schedule 24)	**91.36**
Donations and Contributions to charitable institutions	**3.56**
Provision for doubtful debts and advances	**74.33**
Provision for Export Incentive and receivables	**33.00**
Provision for loss on derivative contracts	**14.06**
Bad Debts written off	**–**
Loss on Disposal/Discard of Fixed Assets	**0.80**
Miscellaneous Expenses	**102.95**
	11,689.60
Schedule — 21 : Decrease/(Increase) in Inventories	
Inventories as at March 31, 2011	
- Goods Purchased for Resale	**157.93**
- Work-in-progress	**1,230.09**
- Finished goods	**2,631.85**
- Waste	**40.59**
	4,060.46
Inventories as at April 1, 2010	
- Goods Purchased for Resale	**131.95**
- Work-in-progress	**1,051.25**
- Finished goods	**1,532.69**
- Waste	**52.96**
	2,768.85
	(1,291.61)

(All amount in Rs. Lacs)

	For the year ended March 31, 2011
SCHEDULE — 22 : Financial Expenses	
Interest	
– on term loans	**222.08**
– to banks	**457.69**
– others	**18.05**
Bank charges	**86.06**
	783.88

SCHEDULE — 23 : Earnings per share (EPS)

Net profit as per profit and loss account	**4,674.19**
Net Profit available for equity shareholders	**4,674.19**
Weighted average number of Equity Shares considered for Calculating Basic and Diluted EPS	119,639,200
Basic and Diluted Earnings per Share (nominal value Re. 1 each)	3.91

SCHEDULE — 24 : Consolidated Notes to Accounts

(All amount in Rs. lacs, unless otherwise stated)

1. Nature of Operations

The Consolidated Financial Statements relate to Orient Abrasives Limited (‘OAL’) and its Subsidiary company ‘Orient Refractories Limited’ (‘ORL’) (together hereinafter referred as the “Group”).

The Group is engaged in the production and selling of Fused Aluminum Oxide Grains, Calcined Products, Refractories and Monolothics and Ceramic Paper and generation of power. The Group has manufacturing facilities at Porbandar (Gujarat) and Bhiwadi (Rajasthan) and Wind Power Generation facilities at Rajasthan and Karnataka and thermal Power Generation facilities at its works at Porbandar, Gujarat.

During the year, the management of OAL decided to demerge its refractory undertaking situated at SP-148, RIICO Industrial Area, Bhiwadi, District Alwar, Rajasthan ((hereinafter referred as ‘Refractory Undertaking’) at the board meeting held on December 8, 2010 and transfer the same to ORL incorporated for this purpose. The scheme of demerger is under process before the Hon’ble High court of Delhi.

2. Statement of Significant Accounting Policies

(a) Basis of preparation

The financial statements have been prepared to comply in all material respects with the Notified accounting standard by Companies Accounting Standards Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis except in case of assets for which revaluation is carried out. The accounting policies have been consistently applied by the Group.

(b) Principle of consolidation

The Consolidated Financial Statements have been prepared on the following basis:

i. The financial statements of the Parent Company and its subsidiary company have been combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses. Intra group balances and intra group transactions and resulting unrealised profits are eliminated in full as per Accounting Standard – 21, Consolidated Financial Statements Notified under Companies Accounting Standards Rules, 2006 (as amended). Unrealised losses resulting from intra group transactions are also eliminated unless cost cannot be recovered.

ii. The financial statements of the Subsidiary Company is drawn for the same period as that of the Parent Company i.e. year ended March 31, 2011.

iii. The Consolidated Financial Statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Parent Company’s separate financial statements.

(c) Use of estimates

The preparation of financial statements is in conformity with generally accepted accounting principles requiring management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Although these estimates are based upon management’s best knowledge of current events and actions, actual results could differ from these estimates.

(d) Fixed Assets and Intangible assets

Fixed assets and intangible assets are stated at cost less accumulated depreciation/amortisation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

(e) Depreciation/amortization

Depreciation on leasehold land is provided over the unexpired period of lease and depreciation on leasehold improvements which includes temporary structures is provided over unexpired period of lease or estimated useful life whichever is lower.

Depreciation on all other fixed assets is provided on Straight Line Method as per rates computed based on estimated useful lives (estimated by the management), which are equal to the corresponding rates prescribed in Schedule XIV to the Companies Act, 1956.Software are amortized using the straight-line method over a period of 5 years.

Depreciation on assets costing below Rs.5000 are depreciated at the rate of 100%.

(f) Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

(g) Leases

Where the Company is the lessee

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lesser effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit & Loss Account on a straight-line basis over the lease term.

(h) Investments

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

(i) Inventories

Inventories are valued as follows:

Raw materials, goods purchased for resale, stores and spare parts	Lower of cost and net realizable value. Materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on weighted average basis.
Work-in-progress and finished goods	Lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty, wherever applicable. Cost is determined on a weighted average basis.
Waste	Net realizable value
Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated cost necessary to make sale.	

(j) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

(i) Sale of goods

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. Excise Duty deducted from turnover (gross) is the amount that is included in the amount of turnover (gross) and not the entire amount of liability accrued during the year.

(ii) Income from Services

Revenue from services is accounted for in accordance with the terms of contracts, as and when these services are rendered.

(iii) **Power generation income**

Revenue from sale of Power is recognized on accrual basis in accordance with the provisions of the agreements with the respective state governments/organization.

(iv) Interest

Revenue is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

(v) Export Benefits

Export Benefits under Duty Exemption Pass Book Schemes (DEPB) are accrued in the year of export.

(vi) Dividends

Revenue is recognised when the shareholders' right to receive payment is established by the balance sheet date.

(vii) Royalty

Revenue is recognized on an accrual basis in accordance with the terms of the relevant agreement.

(k) Borrowing Cost

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds

(l) Foreign currency transactions

(i) **Initial Recognition**

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) **Conversion**

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

(iii) **Exchange Differences**

Exchange differences arising on the settlement of monetary items or on reporting company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

(iv) **Forward Exchange Contracts not intended for trading or speculation purposes**

The premium or discount arising at the inception of forward exchange contracts is amortized as expense or income over the life of the contract. Exchange differences on such contracts are recognized in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expense for that year.

(m) Derivative Instruments

As per the ICAI Announcement, derivative contracts other than those covered under Accounting Standard-11, are marked to market on a portfolio basis, and the net loss after considering the offsetting effect on the underlying hedge item are recognized in profit and loss account except effective portion of hedges which is transferred to Hedge Reserve account.

(n) Retirement and other benefits

(i) Retirement benefits in the form of Provident Fund is a defined contribution scheme and the contributions are charged to the Profit and Loss Account of the year when the contributions to respective funds are due. There are no other obligations other than the contribution payable to the fund.

(ii) Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit (PUC) method made at the end of each financial year.

(iii) Short term compensated absences are provided for on based on estimates at cost to company basis. Long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method.

(iv) Actuarial gains/losses are immediately taken to Profit and Loss account and are not deferred.

(o) Income taxes

Tax expense comprises of current and deferred taxes. Current income tax are measured at the amount expected to be paid to the income tax authorities in accordance with Income Tax Act, 1961. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. If the Company has unabsorbed depreciation or carry forward tax losses, entire deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realized against future taxable profits.

At each balance sheet date the Company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax assets to the extent that it has become reasonably certain or virtual certain, as the case may be , that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

(p) Segment Reporting Policies

Identification of segments :

Business Segment:

The Group's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which major operating divisions of the Company operate.

Intersegment Transfers :

The Group generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties at current market prices.

Allocation of common costs :

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

Allocation of other income :

Other income are allocated to each segment according to the relative contribution of each segment to the other income as per the requirements of AS-18.

Unallocated items :

General corporate income and expense items are not allocated to any business segment.

Segment Policies

The Group prepares segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the company as a whole.

(q) Earnings Per Share

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

(r) Provisions

A provision is recognized when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

(s) Cash and Cash equivalent

Cash and cash equivalents in the cash flow statement comprise cash at bank, cash/cheques in hand and short-term investments with an original maturity of three months or less.

3. Segment Information

Business Segments :

The Group operates in primarily three segments i.e. Fused Aluminum Oxide Grains including Calcined Products, Refractories and Monolithics and generation of power.

A description of the types of products and services provided by each reportable segment is as follows:

Fused Aluminium Oxide Grains manufactures calcined bauxite and fused aluminium oxide abrasive grains. Raw bauxite and calcined alumina are the basic raw materials used for the manufacture of abrasive grains. Raw bauxite is procured from mines owned by the Company and others and Calcined alumina is purchased from aluminium companies. A portion of these products is captively consumed by the Refractory division.

Refractories and Monolothics manufactures various types of continuos casting and slide gate refractories, low cement castables etc, which are mainly consumed in steel plants. The segment exports a fair share of its output to various overseas customers. The major export customers are based in Egypt, Turkey, Indonesia, Italy, Pakistan, Kingdom of Saudi Arabia, Sultanate of Oman and Greece etc.

Power generation segment – The Company has a coal based thermal power plant and a furnace oil based thermal power plant with capacity of 9MW and 8.4MW respectively. The electricity from these power plants is meant for captive consumption by the manufacturing division at Porbandar (Fused aluminium oxide grain).

The Group has also set up windmills of total power generation capacity of 9.6 MW. The power generated by these windmills is sold to the respective state power distribution companies.

Geographical Segments:

The analysis of geographical segment is based on the geographical location of the customers. The Company operates primarily in India and has presence in international markets as well. Its business is accordingly aligned geographically, catering to two markets i.e India and Outside India. The Company has considered domestic and exports markets as geographical segments and accordingly disclosed these as separate segments. The geographical segments considered for disclosure are as follows:

- Sales within India include sales to customers located within India.

- Sales outside India include sales to customers located outside India.

Segment Information

The following table presents revenue and profit information regarding business segments for the years ended March 31, 2011 and March 31, 2010 and certain assets and liability information regarding business segments at March 31, 2011

Primary Segments Reporting (by Business Segments)

Segment Revenue, Results and Other Information (Amount in Rs. lacs)

Particulars	Fused Aluminum Oxide Grains including Calcined Products	Refractories & Monolithics	Power Generation	Total
	2011	2011	2011	2011
REVENUE				
External Sales (net of Excise duty)	9,456.96	26,721.66	410.35	36,588.97
Other Income (net, where applicable)	8.48	341.97	–	350.45
Inter segment Sales	3,617.90	10.39	3,459.46	7,087.75
Total Revenue	13,083.34	27,074.02	3,869.81	44,027.17
Less : Inter Segment Sale	3,617.90	10.39	3,459.46	7,087.75
Add: Unallocated Corporate Income (net, where applicable)	–	–	–	39.69
Total revenue	9,465.44	27,063.63	410.35	36,979.11
SEGMENT RESULTS	2,193.96	4,603.92	330.85	7,128.73
Less: Corporate Expenses (Net)-(Unallocated)				(507.30)
Operating Profit				6,621.43
Interest Expenses				(697.82)
Interest Income				10.30
Profit from Operating Activity				5,933.91
Taxes				(1,259.72)
Net Profit after tax				4,674.19
Segment Assets	9,418.86*	13,132.00	9,601.72	32,152.58
Unallocated Corporate Assets				1,304.09
Total Assets	9,418.86	13,132.00	9,601.72	33,456.67
Segment Liabilities	890.50*	3,203.90	168.37	4,262.77
Unallocated Corporate Liabilities				10,832.44
Total Liabilities	890.50	3,203.90	168.37	15,095.21
Capital Expenditure	467.82	807.50	2,344.99	3,620.31
Unallocated Corporate Capital Expenditure				59.02
Total Capital Expenditure				3,679.33
Depreciation/Amortisation	429.01	216.78	639.60	1,285.39
Unallocated Corporate Depreciation				12.82
Total Depreciation/ Amortisation	429.01	216.78	639.60	1,298.21
Other non-cash expenses	37.13	84.26	–	121.39

*Includes certain common assets and liabilities at Porbandar unit for both Fused Aluminium oxide grains and Refractories and monolithic segments which cannot be segregated between two segments.

Secondary Segment Reporting (by Geographical Segments)

The following is the distribution of the Company's consolidates sales by geographical market, regardless of where the goods were produced:

(Amount in Rs.lacs)

Particulars	For the year ended March 31, 2011
Domestic Market	**32,508.19**
Overseas Markets	**4,080.78**
Total	**36,588.97**

The following table shows the carrying amount of segment assets by geographical markets:

(Amount in Rs.lacs)

Particulars	As at March 31, 2011
Domestic Market	**5,697.03**
Overseas Markets	**1,374.88**
Total	**7,071.91**

4. Related Party Disclosures

Names of Related Parties

A. Individuals holding 20% or more voting rights
Mr. S.G.Rajgarhia (Managing Director)
S.G.Rajgarhia (HUF)

B. Key Management personnel and their relatives — Relationship

	Key Management personnel and their relatives	Relationship
1.	Mr S.G. Rajgarhia	Managing Director
2.	Mrs. Usha Rajgarhia	Wife
3.	Mr R.K. Rajgarhia	Brother
4.	Mrs. Prabhadevi Rajgarhia	Brother's Wife
5.	Mr. N.K. Rajgarhia	Brother
6.	Mrs. Rajkumari Rajgarhia	Brother's Wife
7.	Mr. S.K. Rajgarhia	Brother
8.	Mrs. Sulabha Rajgarhia	Brother's Wife
9.	Mr. P.K. Rajgarhia	Brother
10.	Mrs. Madhushree Rajgarhia	Brother's Wife
11.	Mrs. Sunita Bagla	Sister
12.	Ms Anisha Mittal	Daughter
13.	Mr. Ashwin Mittal	Son-in-Law
14.	Ms Bhavna Rajgarhia	Daughter
15.	S G Rajgarhia (HUF)	HUF
16.	R.K. Rajgarhia & Sons (HUF)	HUF
17.	RKR Foundation	Trust
18.	Mr. P.P. Khanna	Executive Director
19.	Mrs. Prabha Khanna	Wife of Executive Director
20.	Mr. Sanjay Khanna	Son of Executive Director
21.	Mr. Sandeep Khanna	Son of Executive Director

C. The Enterprises controlled, owned or significantly influenced by key management personnel or their relatives.

1. Perfectpac Ltd.
2. Pyramid Abrasives Pvt. Ltd.
3. Orient Abratech Pvt. Ltd.
4. APM Industries Ltd.
5. Hindustan General Industries Ltd.
6. HGI Finance & Leasing Ltd.
7. Rovo Marketing Pvt. Ltd.
8. Madhushree Properties Pvt. Ltd.
9. Rajgarhia Leasing & Financial Services Pvt. Ltd.
10. AJR Fiscal Pvt. Ltd.
11. Faridabad Paper Mills Ltd.
12. Orient Abratool Pvt. Ltd.
13. Orient Coated Pvt. Ltd.
14. Orient Steel & Industries Ltd.
15. Rajat Leasing Limited

Note:- As individual holding 20% or more voting right is also a key managerial personnel, his relative and transactions with relative are covered under Key management personnel, and their relatives.

Transactions with related parties during the year **(Amount in Rs. lacs)**

Particulars	A. An Individual with substantial interest	B. Key Management personnel and their relatives	C. Enterprises owned or significantly influenced by key management personnel, major shareholders or their relatives	Total
	2011	2011	2011	2011
Sales to :				
Orient Coated Pvt. Ltd.	–	–	43.12	43.12
Pyramid Abrasives Pvt. Ltd.	–	–	71.98	71.98
Others	–	–	3.32	3.32
Total Sales	–	–	118.42	118.42
Purchase of Raw Materials:				
Unifrax India Ltd.	–	–	17.87	17.87
Pyramid Abrasives Pvt. Ltd.	–	–	9.14	9.14
Total Purchase of Raw Materials	–	–	27.01	27.01
Packing Expenses				
Perfectpac Ltd.	–	–	134.11	134.11
Commission paid				
Hindustan General Industries Ltd.	–	–	19.10	19.10
Rent paid				
Bhavna Rajgarhia	–	17.01	–	17.01
Usha Rajgarhia	–	6.91	–	6.91
Madhushree Properties Pvt. Ltd.	–	–	1.80	1.80
Total Rent Paid	–	23.92	1.80	25.72
Guarantee Given by				
S G Rajgarhia	1,400.00	–	–	1,400.00
Financial Expenses:				
Rovo Marketing Pvt. Ltd.	–	–	0.62	0.62
S.G Rajgarhia	0.32	–	–	0.32
P P Khanna	–	–	–	–
Total Financial Expenses	0.32	–	0.62	94
Dividend paid to :				
S G Rajgarhia	355.70	–	–	355.70
S G Rajgarhia (HUF)	–	160.31	–	160.31
Usha Rajgarhia	–	131.63	–	131.63
Anisha Mittal	–	264.62	–	264.42
Bhavna Rajgarhia	–	164.46	–	164.46
Rovo Marketing Pvt. Ltd.	–	–	0.30	0.30
Faridabad Paper Mills Ltd.	–	–	–	–
HGI Finance & Leasing Ltd.	–	–	2.19	2.19
Others	–	181.60	–	181.6
Total Dividend Paid	355.70	902.62	2.49	1260.81
***Managerial Remuneration:**				
S G Rajgarhia	171.99	–	–	171.99
P P Khanna	–	48.93	–	48.93
Total Managerial Remuneration	171.99	48.93	–	220.92

Particulars	A. An Individual with substantial interest	B. Key Management personnel and their relatives	C. Enterprises owned or significantly influenced by key management personnel, major shareholders or their relatives	Total
	2011	2011	2011	2011
Salaries, Wages and Bonus				
Mrs. Usha Rajgarhia	–	1.32	–	1.32
Ms. Anisha Mittal	–	23.71	–	23.71
Total Salaries, Wages and Bonus	–	25.03	–	25.03
Directors' Sitting Fees:				
R K Rajgarhia	–	0.80	–	0.80
Unsecured Loan taken:				
Rovo Marketing Pvt. Ltd.	–	–	280.00	280.00
S G Rajgarhia	100.00	–	–	100.00
Total Unsecured Loan taken	100.00	–	280.00	380.00
Unsecured Loan repaid:				
Rovo Marketing Pvt. Ltd.	–	–	280.00	280.00
S G Rajgarhia	100.00	–	–	100.00
P P Khanna	–	–	–	–
Total Unsecured Loan repaid	100.00	–	280.00	380.00
Balance outstanding as at yearend				
Sundry Debtors:				
Pyramid Abrasives Pvt. Ltd.	–	–	–	–
Orient Coated Pvt. Ltd.	–	–	27.33	27.33
Total Sundry Debtors	–	–	27.33	27.33
Sundry Creditors:				
S G Rajgarhia	126.83	–	–	126.83
Usha Rajgarhia	–	0.19	–	0.19
Anisha Mittal	–	3.01	–	3.01
Hindustan General Industries Ltd.	–	–	1.72	1.72
Perfectpac Ltd.	–	–	21.17	21.17
Unifrax India Ltd.	–	–	5.31	5.31
P P Khanna	–	5.53	–	5.53
Total Sundry Creditors	126.83	8.73	28.20	163.76
Outsanding Guarantees given	10,550	–	–	10,550

Notes:

1. No amount has been provided as doubtful debts or advances/written off or written back in the year in respect of debts due from above related parties.
2. *As the future liability for gratuity and leave encashment is provided on an actuarial basis for the Company as a whole, the amount pertaining to the directors is not ascertainable and, therefore, not included above.

		(Amount in Rs. lacs) 2011
5.	Estimated amount of Contracts remaining to be executed on capital account and not provided for (Net of Capital advances Rs 1,183.61 lacs)	**268.51**
6.	Contingent liabilities (not provided for) in respect of:	
i)	Power claim matters decided in favour of the Company by the District Court (Civil Court, Senior Division, Porbandar) but Pashim Gujarat Vidyut Company Limited has gone into further appeal before Hon'ble High Court of Gujarat,*	**338.02**
ii)	Sales tax and interest demand raised by Kolkata Sales tax authorities for non-submission of declarations forms for the year 1993-94.	**3.75**
iii)	Demand raised by the Income Tax Authorities, being disputed by the Company (Refer Note A below)	**1,756.69**
iv)	Show cause issued by service tax authorities for input tax credit availed on foreign business auxiliary services, consulting engineer service, Telephone service and insurance service.	**85.48**
v)	Demand for payment of royalty (Refer Note B below)	**1,289.07**
v)	Cases pending with Labour Courts #	(Amount unascertainable)

*In view of decision already in favour of company by the District Court (Civil Court, Senior Division, Porbandar) and based on discussion with the solicitors, the management believes that the Company has a strong chance and hence no provision there against is considered necessary.

#In view of large number of cases, it is not practical to disclose individual details of all the cases. On the basis of current status of individual case and as per legal advice obtained by the Company, wherever applicable, the Company is of the view that no provision is required in respect of these cases.

(A) The Company has a thermal power plant at Porbander to meet the energy needs of its abrasives grains division (AGD) at Porbander. Under Section 80 IA of the Income Tax Act, 1961, the profit of the power plant is not liable to income tax and therefore a deduction of an amount equal to hundred percent of the profit derived from such business is allowable from the total income of the Company for a period of 10 consecutive assessment years. The Department allowed the benefit to the Company with respect to financial years 2001-02 and 2002-03. However in respect of years 2003-04, 2004-05, 2005-06, and 2006-07, department denied the benefit by taking a different view. The Company appealed against the same and Commissioner of Income Tax (Appeals) decided appeal in favor of Company by reversing the department's order. Against this, the department went into appeal before the Income Tax Appellate Tribunal (ITAT). Subsequently, the department reopened the cases for the year 2001-02 and disallowed the benefit to Company. The Company appealed against this, and CIT (Appeals) and ITAT passed orders in favor of Company. The department had also reopened the case for the year 2002-03 against which the Company filled a writ petition in Hon'ble High Court and the court has passed an interim order staying further assessment by department. During the previous year, ITAT decided the cases in respect of years 2001-02, 2003-04, 2004-05, 2005-06, and 2006-07 in favor of Company. Again, regarding above orders of the ITAT, the department has filed appeal with the Hon'ble High Court. Further during the year, the assessment in respect of financial year 2007-08 was completed and the Department again disallowed the deduction u/s 80 IA, against which the Company has filed an appeal before the CIT (Appeals).

The Company on the basis of current status of the case and advice obtained from legal counsel is confident that there would not be any probable outflow of resources in this matter.

B) The company also received various demand notices for payment of differential royalty on Raw bauxite extracted and dispatched from the company owned mines. The amount involved is Rs 1,289.07 lacs. The company has disputed this demand and has paid Rs.100 lacs as deposit. Further the company, on basis of legal advice is of the view that no provision is necessary for the present demand.

7. Details of dues to Micro, Small and Medium Enterprises as per MSMED Act, 2006

No.	**Details of dues to Micro, Small and Medium Enterprises as per MSMED Act, 2006**	**(Amount in Rs. lacs) March 31, 2011**
(i)	The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of year	
	Principal Amount Unpaid	**22.79**
	Interest Due	**–**

No.	Details of dues to Micro, Small and Medium Enterprises as per MSMED Act, 2006	(Amount in Rs. lacs) March 31, 2011
ii	The amount of interest paid by the buyer in terms of section 16, of the Micro Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during the year	
	Payment made beyond the Appointed Date	–
	Interest Paid beyond the Appointed Date	–
iii	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro Small and Medium Enterprise Development Act, 2006.	–
iv	The amount of interest accrued and remaining unpaid at the end of the year; and	–
v	The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro Small and Medium Enterprise Development Act, 2006	–

8. Gratuity and other Post- employment benefit plans:

The Company has a defined benefit gratuity plan. Gratuity is computed as 15 days salary, for every completed year of service or part thereof in excess of 6 months and is payable on retirement/termination/resignation. The benefit vests on the employees after completion of 5 years of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy. At the end of accounting year actuarial valuation is done as per the Projected unit credit method and any shortfall in the funding claims is further provided for.

The Company has also provided long term compensated absences which are unfunded.

The following tables summarize the components of net benefit expense recognized in the profit and loss account and the unfunded status and amounts recognized in the balance sheet for the Gratuity

Profit and Loss account

Net employee benefit expense (recognised in Employee Cost)

(Amount in Rs. Lacs)

Particulars	March 31, 2011
Current service cost	**33.49**
Interest cost on benefit obligation	**39.82**
Expected return on plan assets	**(39.38)**
Net actuarial (gain) / loss recognised in the year	**42.62**
Past service cost	**–**
Net benefit expense	**76.55**
Actual return on plan assets	**–**

Balance Sheet

Details of provision for Gratuity

(Amount in Rs. Lacs)

Particulars	March 31, 2011
Defined benefit obligation	**591.82**
Fair value of plan assets	**(516.38)**
Deficit	**75.44**
Less: Unrecognised Past service cost	**–**
Plan asset / (liability)	**(75.44)**

Changes in the present value of the defined benefit obligation are as follows:

(**Amount in Rs. Lacs)**

Particulars	March 31, 2011
Defined benefit obligation as at the beginning of the year	**504.06**
Interest cost	**39.82**
Past service cost	**–**
Current service cost	**33.49**
Benefits paid	**(31.57)**
Actuarial (gains) / losses on obligation	**46.01**
Defined benefit obligation as at the end of the year	**591.81**

Changes in the fair value of plan assets for Gratuity are as follows:

(**Amount in Rs. Lacs)**

Particulars	March 31, 2011
Fair value of plan assets as at the beginning of the year	**425.78**
Expected return on plan assets	**39.38**
Contributions by employer	**79.39**
Benefits paid	**(31.56)**
Actuarial gains / (losses)	**3.39**
Fair value of plan assets as at end of the year	**516.38**

The company expects to contribute Rs. 21.81 lacs to gratuity in 2011-12.

The major categories of plan assets as a percentage of the fair value of total plan assets is as follows:

Particulars	March 31, 2011
Investments with insurer - Insurance policy with Life Insurance Corporation of India	**100%**

The principal assumptions used in determining gratuity benefit obligations for the Company's plans are shown below:

Particulars	March 31, 2011 %
Discount rate	**7.90**
Increase in Compensation cost	**7.00**
Expected rate of return on plan assets	**9.25**
Employee turnover – Age Group	
Up to 30 years	**3%**
30 – 44 years	**2%**
Above 44 years	**1%**

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Amounts for the current and previous years are as follows: (**Amount in Rs. Lacs)**

	March 31, 2011
Defined benefit obligation	**591.81**
Plan assets	**516.38**
Surplus / (deficit)	**(75.43)**
Experience adjustments on plan liabilities (loss)/gain	**(46.01)**
Experience adjustments on plan assets (loss)/gain	**3.39**

Contribution to Defined Contribution Plans:

(**Amount in Rs. Lacs)**

Particulars	March 31, 2011
Provident Fund	**120.16**

9. Provision for Income tax Act has been made after taking into consideration the benefits available under Section 80IA of the Income Tax Act, 1961 in respect of Power Plant installed at Porbandar for captive consumption.

10. The Company has taken various residential, office and warehouse premises and plant & machinery under operating lease agreements. These are not non-cancellable and are renewable by mutual consent on mutually agreed terms. The lease payment recognized in the statement of profit & loss account for the year is Rs. 47.41 lacs.

11. Derivative Instrument and Unhedged Foreign Currency Exposure
Forward Contract Outstanding as at Balance Sheet date

Particulars	Currency	March 31, 2011	Purpose
Sell	USD	**1,000,000**	Hedge of Debtors/expected future sales
Cross Currency Coupon only swap with call	USD	**4,000,000**	To hedge the interest rate and Coupon and currency risk by switching its floating USD interest rate liability with a fixed INR interest rate liability for a specific period of time and required national amounts.
Interest and cross currency swap	JPY	**94,339,623**	Hedge of expected future payment and exposure to variable interest outflow on loans. Swap to receive fixed rate of interest of 9% and pay a variable rate equal to LIBOR 150 Basis Point on the national amount
Interest accrued but not due	JPY	**4,663,819**	
	USD	71,033	

Particulars of Unhedged Foreign Currency Exposure at the Balance Sheet Date :

	March 31, 2011			
Particulars	**Currency**	**Foreign currency**	**Rate**	**Amounts in Rs. Lacs**
Sundry Creditors	USD	**222,984**	**45.14**	**100.66**
	EURO	**85,729**	**63.99**	**54.86**
	GBP	**11,406**	**72.90**	**8.32**
Secured Loan	USD	**600,000**	**45.14**	**270.84**
Interest accrued but not due	USD	**2,675**	**45.14**	**1.21**
Sundry Debtors	USD	**919,245**	**44.23**	**406.58**
	EURO	**1,477,499**	**62.36**	**921.37**
	GBP	**66,111**	**70.99**	**46.93**

12. The Breakup of expenses relating to raising of Raw Bauxite at Company's own mines is as under :

(**Amount in Rs. Lacs)**

Particulars	**March 31, 2011**
Personnel Expenses	
Salaries, Wages and Bonus	**950.94**
Contribution to Provident and other funds	**2.95**
Workmen and Staff Welfare Expenses	**4.52**
Operating and Other Expenses	
Consumption of Stores and Spares	**0.85**
Rent	**0.36**
Rates & Taxes	**10.13**
Royalty on Raw Bauxite (On dispatch to factory)	**40.91**
Insurance	**0.19**
Legal and Professional Fees	**42.92**
Vehicle Running & Maintenance	**5.54**
Repairs and Maintenance :	
- Plant & Machinery (excluding Stores & Spares Consumed)	**0.02**
- Buildings	**0.36**
- Others	**0.29**
Travelling & Conveyance	**5.55**
Printing and Stationery	**1.43**
Communication cost	**1.59**
Bank Charges	**0.44**
Miscellaneous Expenses	**5.14**
	1,074.13

13. In accordance with Para 10 of Accounting Standard-9 on Revenue Recognition notified under Companies (Accounting Standard) Rules, 2006, excise duty on sales amounting to Rs. 2,978.60 lacs has been reduced from sales in profit & loss account and excise duty on (increase)/decrease in stock amounting to Rs. 91.36 lacs has been considered as (income)/expense in Schedule 21 of the financial statements.

14. Supplementary Statutory Information

14.1 Directors' Remuneration (**Amount in Rs. Lacs)**

	For the year ended March 31, 2011
Salaries	**89.60**
Commission	**123.01**
Contribution to Provident fund	**5.76**
Perquisites	**2.55**
	220.92*

*Note :- As the future liability for gratuity and leave encashment is provided on an actuarial basis for the Company as a whole, the amount pertaining to the directors is not ascertainable and, therefore, not included above.

14.2 Computation of Net Profit in accordance with Section 349 of the Companies Act, 1956 for calculation of commission payable to directors

Amount in Rs. Lacs)

	For the year ended March 31, 2011
Profit as per Profit and Loss Account	**5,943.23**
Add:	
Directors' Remuneration	**220.92**
Director Fee	**2.75**
Loss on sale / discard of fixed assets	**0.80**
Provision for doubtful debts	**107.33**
Net profit as per Section 349 of the Companies Act, 1956	**6,275.03**
Commission to Managing Director @ 2% (Previous Year 2%) of the net profits as calculated above	**123.01**

Commission to Managing Director and Wholetime Director	**570.46**
Maximum commission u/s 309 of companies Act, 1956 at 10% of net profits	
Commission actually approved for payment	**123.01**

14.3 Earnings in foreign currency (on accrual basis)

	For the year ended March 31, 2011
Exports at F.O.B. Value	**4,080.78**
Royalty	**31.01**
	4,111.79

14.4 Expenditure in foreign currency (on accrual basis)

	For the year ended March 31, 2011
Travelling	**10.24**
Interest	**173.10**
Legal and professional fees	**21.80**
Commission	**188.82**
Others	**19.42**
	413.38

14.5 Value of imports calculated on CIF basis (on accrual basis)

Amount in Rs. Lacs)

	For the year ended March 31, 2011
Raw Materials	**1,908.82**
Stores and Spares	**406.69**
Capital Goods	**8.04**
Goods purchased for resale	**73.80**
	2,397.35

15. Supplementary Statutory Information

15.1 Licensed Capacity, Installed Capacity and Actual Production

Class of Goods	Unit	Licensed Capacity	Installed Capacity*	Actual Production
		As At March 31, 2011	As at March 31, 2011	For the year ended March 31, 2011
Fused Aluminum Oxide Grains	MT	**NA**	**28,500**	**27,538**
Calcined Products	MT	**NA**	**74,250**	**25,279**
Refractories	MT	**NA**	**16,000**	**15,830**
Monolithics	MT	**NA**	**28,000**	**17,334**
Ceramic Paper	Pcs	**NA**	**20,000**	**1,476**
Waste	MT	**NA**	**–**	**24,564**
Windmill Power	MW	**NA**	**9.6 MW/ Hour**	**9,922**

***** As Certified by the Technical Head.

Notes :

1. Production of Fused Aluminum Oxide Grains includes 7,661 MT for captive consumption.
2. Production of Calcined Products includes 8,530 MT for captive consumption.
3. Production of Refractories includes Nil for captive consumption.
4. Production of Monolothics includes 72 MT for captive consumption.
5. Production of waste includes 521 MT used for captive consumption.

15.2 Sales & Stocks of Finished Goods

Sales

Class of Goods	Unit	Quantity For the year ended March 31, 2011	Value (Rs. in lacs) For the year ended March 31, 2011
Fused Aluminum Oxide Grains	MT	**19,420**	**8,720.37**
Calcined Products	MT	**11,170**	**1,208.28**
Refractories	MT	**15,615**	**18,949.16**
Monolithics	MT	**16,991**	**5,582.24**
Ceramic Paper	Pcs	**1,476**	**8.46**
Waste	MT	**29,170**	**492.79**
Goods purchased for resale		**–**	**3,628.37**
Windmill Power	MW	**9,922**	**410.35**
Sales of Raw Bauxite and Raw Material		**–**	**20.43**
Total			**39,020.45**

Stocks

Class of Goods	Unit	Quantity As at March 31, 2011	Value (Rs. in lacs) As at March 31, 2011
Opening Stock			
Fused Aluminum Oxide Grains	MT	**744**	**287.23**
Calcined Products	MT	**1,438**	**131.84**
Refractories	MT	**1,378**	**957.42**
Monolithics	MT	**801**	**156.20**
Waste	MT	**10,512**	**52.96**
			1585.65
Closing Stock			
Fused Aluminum Oxide Grains	MT	**1,201**	**480.09**
Calcined Products	MT	**7,017**	**629.25**
Refractories	MT	**1,549**	**1241.46**
Monolithics	MT	**991**	**281.05**
Waste	MT	**5,385**	**40.59**
			2672.44

Notes :

- The quantitative figures in respect of Refractories in Excise Records are available in numbers and the same have been converted into tonnage by the management.
- Differences in quantitative tally in respect of Refractories and Monolithics are on account of samples, free replacements, damages etc.

15.3 Consumption of Raw Materials

Class of Goods	Unit	Quantity For the year ended March 31, 2011	Value (Rs. in lacs) For the year ended March 31, 2011
Raw Bauxite*	MT	**97,248**	**1,640.83**
Calcined Alumina	MT	**11,639**	**3,825.18**
Others**		**–**	**6,527.31**
Total			**11,993.32**

* Includes direct expenses as stated in Note 12

** It is not practicable to furnish quantitative information in view of the large number of items which differ in size and nature, each being less than 10% in value of the total.

15.4 Imported and Indigenous Raw Materials, Stores and Spares Consumed

	% of total consumption For the year ended	Value (Rs. in lacs) For the year ended
	March 31, 2011	**March 31, 2011**
Raw Materials		
Indigenous*	**81.04**	**9,719.64**
Imported	**18.96**	**2,273.68**
	100.00	**11,993.32**

*Includes direct expenses as stated in Note 12

Stores and Spares		
Indigenous	**84.62**	**2,229.21**
Imported	**15.38**	**405.11**
	100.00	**2,634.32**

15.5 Details of Goods Purchased for resale

	Value (Rs. in lacs) For the year ended March 31, 2011
Opening Stock	**131.95**
Purchases	**3,516.21**
	3,648.16
Sales	**3,628.37**
Closing stock	**157.93**

*It is not practicable to furnish quantitative information in view of the large number of items which differ in size and nature, each being less than 10% in value of the total.

16. This is first year of consolidated accounts and hence comparable figures are not applicable.

As per our report of even date

For S.R.BATLIBOI & CO
Firm Registration No. 301003E
Chartered Accountants

Per Manoj Gupta
Partner
Membership No. 83906
Place : Gurgaon, Haryana
Date : May 30, 2011

For and on behalf of the Board of Directors
of Orient Abrasives Limited

S.G.RAJGARHIA
(Managing Director)

T.N.CHATURVEDI
(Director)

P.P.KHANNA
(Executive Director)

B.L.GUPTA
(Sr. Vice President - Finance)

DEEPAK C.S.
(Company Secretary)

Place : New Delhi
Date : May 30, 2011

Statement containing financial information of Subsidiary Company

(In terms of General Circular No.2/2011 dated 8th February 2011 in respect of section 212 of the Companies Act, 1956 issued by the Ministry of Corporate Affairs)

Name of the Subsidiary Company	**Orient Refractories Limited**
Financial Year ends on	March 31, 2011
	(Amount in Rs.)
Capital	500,000.00
Reserves and Surplus/(Profit and Loss Account)	(932,348.00)
Total Assets (net of current liabilities)	1,431,610.00
Total Liabilities (including shareholders Fund)	1,431,610.00
Investments	0
Turnover	0
Profit/(Loss) before Taxation	(932,348.00)
Provision for Taxation	0
Profit/(Loss) after Taxation	(932,348.00)
Dividend (Interim/Proposed and provided in accounts)	0

For and on behalf of the Board of Directors
of Orient Abrasives Limited

S.G.RAJGARHIA
(Managing Director)

T.N.CHATURVEDI
(Director)

P.P.KHANNA
(Executive Director)

B.L.GUPTA
(Sr. Vice President - Finance)

DEEPAK C.S.
(Company Secretary)

Place : New Delhi
Date : May 30, 2011

ORIENT ABRASIVES LIMITED

Regd. Office : 1307, Chiranjiv Tower, 43, Nehru Place, New Delhi - 110 019

PROXY FORM

I/We .... of

.... in the district of

.... being member/s of the

above named company hereby appoint ....

of .... in the district of ....

or failing him .... of .... in the

district of .... as my/our proxy to attend and vote for me/us and on my/our behalf at the Fortieth Annual General Meeting of the Company to be held on Monday, the 26th day of September, 2011 at 11.00 A.M. and at any adjournment thereof.

Signed this .... day of ....

Signature ....

Folio No. / DP ID No. and Client ID No.* ....

No. of shares held ....

Affix Revenue Stamp

Note : The Proxy must be returned so as to reach the Registered Office of the Company not less than 48 hours before the time fixed for holding the aforesaid meeting.

* Applicable in case of Shares held in electronic mode.

\- Tear Here

ORIENT ABRASIVES LIMITED

Regd. Office : 1307, Chiranjiv Tower, 43, Nehru Place, New Delhi - 110 019

ATTENDANCE SLIP

Please complete this attendance slip and hand it over at the entrance of the Hall.

I hereby record my presence at the Fortieth Annual General Meeting of the Company held at Hindi Bhawan, 11, Vishnu Digambar Marg (Near Bal Bhawan), New Delhi 110 002 on Monday, the 26th day of September, 2011 at 11.00 A.M.

Full Name of the Member (in Block Letters) ....

Full Name of Proxy, if applicable ....

Folio No. / DP ID No. and Client ID No.* ....

No. of Shares held ....

* Applicable in case of Shares held in electronic mode.

Signature of Member/Proxy

PLEASE NOTE NO GIFT / GIFT COUPONS SHALL BE DISTRIBUTED AT THE ANNUAL GENERAL MEETING

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If undelivered please return to:

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