



**32ND**  
**ANNUAL REPORT**

**2008-2009**



**NILACHAL REFRATORIES LIMITED**



# NILACHAL REFRACTORIES LIMITED

## BOARD OF DIRECTORS

As on 30-06-2009

**Mr. Bhagawati Prasad Jalan**

*Chairman*

**Mr. Tej Bahadur Sing**

*Managing Director*

**Mr. Vijay Kumar Agarwal**

**Mr. Sushil Kumar Agarwal**

**Mr. Vimal Prakash**

**Mr. Kamal Prakash**

**Mr. Saket Agarwal**

**Mr. Niraj Jalan**

**Mr. Raj Kumar Bajoria**

**Mr. S. C. Mishra**

**Mr. Prabash Kumar Gupta**

### AUDITORS

**P. Mukhopadhyay & Co.**

Chartered Accountants

### BANKER

**Canara Bank**

### REGISTERED OFFICE

**P/597, BJB Nagar, Lewis Road**

**Bhubaneswar - 751 014**

### FACTORY

**IPITATA Nagar**

**Dhenkanal - 759 013**

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# NILACHAL REFRATORIES LIMITED

Regd. Office : Plot No. P/597, BJB Nagar, Lewis Road, Bhubaneswar-751014

## NOTICE

The THIRTY SECOND ANNUAL GENERAL MEETING OF NILACHAL REFRATORIES LIMITED will be held at Hotel Sishmo, Bhubaneswar on Tuesday (day), the 30th September, 2009 at 12.30 PM to transact the following business:

### **AS ORDINARY BUSINESS**

1. To receive and adopt the audited Profit and Loss Account for the year ended on 31<sup>st</sup> March, 2009 the Balance Sheet as on that date and the report of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Kamal Prakash, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Mr. Saket Agarwal, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Mr. Vimal Prakash, who retires by rotation and being eligible offers himself for reappointment.
5. To appoint a Director in place of Mr. Niraj Jalan, who retires by rotation and being eligible offers himself for reappointment.
6. To appoint Statutory Auditors and fix their remuneration

Kolkata,  
Dated: 30<sup>th</sup> June, 2009  
Regd. Office:  
Plot No. P/597, BJB Nagar, Lewis Road,  
Bhubaneswar-751014

By Order of the Board of Directors

Bhagwati Prasad Jalan  
Chairman

### NOTES;

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND, ON A POLL, TO VOTE INSTEAD OF HIMSELF, AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE, MUST BE LODGED WITH THE COMPANY NOT LESS THAN 48 (FORTY EIGHT) HOURS BEFORE THE COMMENCEMENT OF THE ENSUING ANNUAL GENERAL MEETING (AGM).
2. Corporate Members are requested to send to the Company's Registered Office, a duly certified copy of the Board Resolution authorizing their Representative to attend and vote at the AGM.

Register of Members and Share Transfer Books of the Company will be closed from 25<sup>th</sup> September, 2009 to 30th September, 2009 (both days inclusive).



## DIRECTORS REPORT

Your Directors hereby present the Thirty Second Annual Report together with the Audited Accounts of your Company for the financial year ended on 31<sup>st</sup> March, 2009.

### **OPERATING RESULTS**

The operating results of your Company for the financial year 2008-09 are as follows:-

	2008-09 Rupees in Lakhs
1. Sale of the Products	1478.64
2. Other Income	<u>71.66</u>
3. Total Turnover	1550.30
4. Operating Profit/(Loss) before Interest, Depreciation and amortization of expenses	154.40
5. Less : Interest	128.71
Less : Depreciation	15.92
Less : Amortization of expenses	<u>82.37</u>
6. Profit/(Loss) for the year	<u>(72.60)</u>

### **DIVIDEND**

As the Company has incurred a net loss during the year and due to heavy accumulated losses brought forward from the earlier years, your Directors regret their inability to recommend any dividend for the year.

### **OPERATIONS**

The total turnover of the Company during the year is Rs.1550.30 lacs. The operations during the year 2009-10 are expected to be improved significantly.

### **RAW MATERIALS**

The availability and costs of raw material during the year remained challenging. All efforts are being made for necessary improvement on this.



## **RESEARCH AND DEVELOPEMENT**

The Company restarted its operation during the year under review. There is no R & D activities during the year under review. Since R & D activities are vital for our product to cope with the competitive market condition, Your company will start the same in the following years.

## **INTERNAL AUDIT**

The Management had appointed a firm of Chartered Accountants who are conducting the internal audit of the company. The report thereof is also placed before the Audit Committee.

## **ACCOUNTING POLICIES**

Accounting policies adopted by the company have been given in Schedule-O, in the Audited Balance Sheet and Profit & Loss Account.

## **FUTURE PROSPECTS**

The Steel Plants are bringing down the specific refractory consumption (i.e. kg. per tonne of steel) and therefore, the Fireclay and High Alumina refractory market is shrinking and becoming competitive. At this point, the proposed new Steel Plants which are coming up in the State of Orissa is a great hope to the industry and it is expected that the demand may pick up. Simultaneously, your Company is also endeavouring its best to find alternative market for its products.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors have

- i) Followed in the presentation of the annual accounts, the applicable accounting standards;
- ii) Selected prudent accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the company for the year under review.
- iii) Taken proper and sufficient care, to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) Prepared the annual accounts on a going concern basis.



## **PARTICULARS OF EMPLOYEES**

None of the employees of your Company come under the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rule, 1975. As a result, no disclosure in this regard necessary.

## **ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE ETC.**

Pursuant to the provisions of the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 particulars are given in Annexure-1.

## **AUDITORS REPORT**

The observations made in the Auditor's Report are self explanatory and therefore do not call for any comments.

## **AUDITORS**

M/s. P. Mukhopadhyaya & Co., Chartered Accountants, the present Auditors of the Company, retire at this Annual General Meeting and are eligible for reappointment. Pursuant to the provisions of Section 224 of the Companies Act, 1956, their appointment requires the approval of the members by a Ordinary Resolutions.

## **ACKNOWLEDGEMENT**

Your Directors place on record their deep appreciation of the continued cooperation and support extended by all concern.

For and on behalf of the Board of Directors

Kolkata

Dated: 30th June, 2009

Bhagawati Prasad Jalan  
(Chairman)



## ANNEXURES TO DIRECTORS REPORT

Particulars pursuant to Provision of the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

### A. CONSERVATION OF ENERGY:

- (a) Energy conservation measures taken:
- (i) Idle running of Machines has been controlled
  - (ii) Operating efficiency of Shaft Kiln has been improved.
  - (iii) Successful simultaneous operation of two Gas producers to fire increased green production and bring down the specific consumption of coal.
- (b) Additional investments and proposals for reduction of consumption of Energy:  
No additional investment is proposed but all efforts are on to conserve energy by improving operations.
- (c) Impact of above measures:-  
The above stated measures have resulted in reduction of consumption of energy to some extent.
- (d) Total Energy consumption & Energy consumption per unit of production:  
Given below in prescribed Form – A.

### FORM – A

#### FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY:

##### A. Power & Fuel consumption

1. <u>Electricity</u>	<u>2008-09</u>	<u>2007-08</u>
(a) Purchased		
Unit (Kwh)	2628492	2153928
Total Amount	9232680	7806756
Rate/Unit (Rs./Kwh)	3.51	3.62
(b) Own Generation		
(i) Through Diesel Generator		
Unit (Kwh)	60780	34260
Unit per Ltr. of Diesel oil	3.00	3.00
Cost/Unit (Rs.)	11.77	11.55
(ii) Through Steam Turbine Generator	N.A	N.A



(2) Steam Coal Grade "A", "B", "E" used in Gas Producer.

Quantity (Tonnes)	7541	7468
Total Cost (Rs.)	25116279	20122669
Average Rate (Rs./MT)	3335	2695

(3) Furnace Oil & L.D Oil

Quantity (KL)	319KL	204 KL
Total Amount (Rs.)	7627680	3799824
Average Rate	23911	18627

(4) LSHS Other Internal Generation N.A N.A

B. Consumption per unit of production.

(i) Refractories Produced (MT)	12835.000	11183.000
(ii) Electricity (KWH/Tonne)	210	196
(iii) Furnace oil & L.D oil (Litres/Tonne)	24.85	18.24
(iv) LSHS (Kg/Tonne)	N.A	N.A
(v) Steam Coal (Gross) Grade A,B,E (Kg/Tonne of Bricks)	588	668
(vi) Net Coal after dust (Kg/Tonne of Bricks)	425	518

C. Technology Absortion:- NIL NIL

D. Foreign Exchange earning & outgo.

(i) Activities relating to exports, initiatives taken to increase exports, developments on new export markets of products and services and export plan.

(ii) Total foreign exchange used and earned

Foreign exchange used :-	Rs. 22,28,211.00
Foreign exchange earned	Rs. 2,18,64,910.00

**ANNEXURE -A**

**MANAGEMENT DISCUSSION & ANALYSIS**

**1. Industry structure and developments:**

Fortune of your company which is in refractory industry is directly linked to the performance of Steel Industry as it is the largest consumer of refractory products. The other consumers of refractory products are Cement, Copper, Glass, Aluminium and Petro-chemical industries etc. which are witnessing reasonable growth All these factors will have a very positive impact on the growth of refractory industry.

Nilachal Refractories Ltd. (NRL) is having its manufacturing unit in the State of Orissa near Dhenkanal The Plant is strategically located and the Company hopes to take advantage of the boom in Steel and





Aluminium industry in the region. You will be glad to note that with the strong brand image enjoyed by your Company and quality of its product the valuation of the Company will go up substantially which will have a positive impact on the revival of the Company.

## **2. Opportunity, threats, risks and concerns:**

Consequent upon technology advancement in steel making processes, major opportunity lies in manufacturing of continuous casting refractories, slide gate refractories, special monolithics viz. Castables, plastic based ramming mass and gunning materials, etc. The Company is planning to put up facilities to manufacture most of these products.

Demand for refractories has increased substantially due to increased steel and Aluminium production in India. The future of the Company is bright with huge steel and aluminium manufacturing capacities being created in India especially in Orissa and Jharkhand.

The revival scheme sanctioned by BIFR is under implementation. In the industry front the market is still buyer dominated. The buyers are insisting on better performance and bar is raised each time for subsequent supplies/orders.

Competition in refractory industry is building up. Lot of consolidation and re-organization is taking place in refractory industry. Input costs mainly the increase in cost of raw materials is also a cause of concern for refractory industry. Cost reduction measures will play an important role in keeping the unit viable in the face of stiff competition. Your Company has taken several cost reduction measures for improving of operations to bring down the cost of production and hopeful to successfully meet the challenges of competition.

1, The turnover from refractories items is Rs. 1478.64 lacs during the year under review.

## **2. Outlook:**

Production in steel industry has increased with that demand for refractory products is also increasing. NRL will not be able to survive by basing its product mix on low-end products. For success and profitability, NRL will have to go for high value products for which your company is planning.

There are many small and large Steel and aluminium Plants coming up in the district of Dhenkanal and Orissa State on the whole which will demand high-end products. With this we estimate a large requirement of quality products with high value which should boost our total turnover as well as bottom line.

## **3. Internal control system and their adequacy:**

The Company has introduced a proper internal audit system. The Company has always placed a lot of emphasis on a string internal control system commensurate with the size and nature of its business.

For & on behalf of the Board of Directors

Kolkata  
Dated: 30th June, 2009

Bhagawati Prasad Jalan  
(Chairman)



## ANNEXURE – B

### CORPORATE GOVERNANCE

#### I. Company's philosophy on code of Corporate Governance

The Company's philosophy on corporate governance is to attain the highest levels of transparency, accountability and responsibility in all operations and interactions with its shareholders, investors, lenders, employees and Government. The Company believes that all its operations and actions must serve the underlying goal of enhancing overall stakeholders value over a sustained period of time.

#### II. Board of Directors

##### a) Composition

Name	Category	No. of Directorships Held in other Companies*	No. of Board Committee Membership held in other Companies.
1. Mr. Bhagwati Prasad Jalan Chairman	Non-Executive Director	-	-
2. Mr. Vijay Kumar Agarwal	- do -	-	-
3. Mr. Sushil Kr. Agarwal	- do -	-	-
4. Mr. T.B. Singh	Executive Director	-	-
5. Mr. Kamal Prakash	Non-Executive Director	-	-
6. Mr. Vimal Prakash	- do -	-	-
7. Mr. Saket Agarwal	- do -	-	-
8. Mr. Niraj Jalan	- do -	-	-
9. Mr. Rajkumar Bajoria	- do -	-	-
10. Mr. S.C. Mishra	- do -	-	-
11. Mr. P.K. Gupta	- do -	-	-

- Excluding Private, Foreign Companies registered under Section 25 of the Companies Act, 1956.

##### b) Meeting and attendance:

During the year 2008 – 09 five Board Meetings took place on the following dates:

30<sup>th</sup> June, 2008

31<sup>st</sup> July, 2008

29<sup>th</sup> September 2008

31<sup>st</sup> October, 2008

31<sup>st</sup> January, 2009

Attendance of Directors at Board Meeting and Annual General Meeting (30<sup>th</sup> September, 2008)

Name of the Director	No. of Board Meetings Attended	Whether attended the AGM
Mr. Bhagwati Prasad Jalan	5	No
Mr. Vijay Kumar Agarwal	5	No
Mr. Sushil Kumar Agarwal	2	No
Mr. T.B. Singh	2	Yes
Mr. Kamal Prakash	3	No
Mr. Vimal Prakash	2	No
Mr. Saket Agarwal	2	No
Mr. Niraj Jalan	2	No
Mr. Raj Kumar Bajoria	4	Yes
Mr. S.C. Mishra	2	Yes
Mr. P.K. Gupta	2	No



### III. Audit Committee

(i) Brief description of the terms of reference:

The Audit Committee reviews, acts and reports to the Board of Directors with respect to :-

- the appointment of Statutory Auditors of the Company,
- provide Board with additional assurance as to reliability of financial information and statutory financial statements and as to the adequacy of internal accounting and control systems, including setting up of terms of reference for Internal Auditors
- it acts as a link between the management, Internal Auditors, Statutory Auditors and the Board of Directors,
- Company's compliance with the legal and statutory requirements.

(ii) The Audit Committee, presently consists of 3 (three) Independent Members. The following Directors are the present Members of the Committee:

<u>Name of the Member</u>	<u>Designation</u>	<u>Nature of Membership</u>
1. Mr.Raj Kumar Bajoria	Director	Independent Non-Executive
2. Mr.S.C.Mishra	Director	Independent Non-Executive
3. Mr.P.K.Gupta	Director	Independent Non-Executive

All the Members of the Audit Committee are financially literate and Mr. S.C.Mishra, Chairman possesses necessary long managerial experience.

(iii) Meetings held and attendance during the year.

During the financial year 2008-09, the Audit Committee met thrice i.e. on 29.06.2008, 30.10.2008 & 30.01.2009.

<u>Members of Audit Committee</u>	<u>No. of Meetings held</u>	<u>No. of Meetings Attended</u>
Mr Raj Kumar Bajoria	3	3
Mr.S.C.Mishra	3	3
Mr.P.K.Gupta	3	3

iv) **Remuneration Committee:**

Details of sitting fees, remuneration etc. paid to Directors:

No sitting fee has been paid to any Director.

Remuneration has been paid to Managing Director during the year as approved by the remuneration committee.

The Company has only one Managing Director, whose appointment and remuneration has been fixed by the Board duly approved and passed by the shareholders of the Company in EOGM.

v) **Code of Conduct**

The Board has laid down a code of conduct for All Board Members and designated senior management of the Company. All Board Members and senior management personnel have affirmed compliance with the code of conduct. A declaration signed by the Director/ Chief Executive Officer (CEO) to this effect is enclosed at the end of this report.

vi) The last three Annual General Meetings were held at Hotel Sishmo, Bhubaneswar as under :-

<u>Year</u>	<u>Location</u>	<u>Date</u>	<u>Time</u>
2006	Hotel Sishmo, Bhubaneswar	28.09.2006	12.30 PM
2007	Hotel Sishmo, Bhubaneswar	29.09.2007	12.30 PM
2008	Hotel Sishmo, Bhubaneswar	30.09.2008	12.30 PM

No special resolution was adopted through postal ballot.

**vii) Disclosures**

Disclosures on materially significant related party transaction of the Company of material nature with its promoters, the director or the management or their subsidiaries or relatives etc. potentially conflicting with the interest of the Company at large during the year.

Details provided in item No 21 of Schedule O of the notes forming part of the Accounts.

No penalty, strictures were imposed by the Stock Exchanges or SEBI or any statutory authorities on any matter related to capital markets during the last 3 years.

**ix) Means of Communication:**

a) In compliance with the requirements of Listing Agreement the Company intimates quarterly financial results to the Stock Exchanges after they are taken on record by the Board. The financial results are normally published in Samay and Indian Express, Bhubaneswar edition. The results are not sent individually to the shareholders. The annual audited results are communicated to the shareholders alongwith the Annual Report.

b) Management Discussion and Analysis Report forms part of the report of the Directors.

**x) General Information for Shareholders**

1. Date, time and Venue of the Annual General Meeting of the Company.  
September 30<sup>th</sup>, 2009 at 12.30 PM at Hotel Sishmo, Bhubaneswar, Dist.Khurda, Orissa.
2. Financial Calendar 2009-10 Board Meeting to be taken on record  
Unaudited Provisional Financial Results.  
For Quarter ending 30-06-2009 Last week of July, 2009  
For Quarter ending 30-09-2009 Last week of October 2009  
For Quarter ending 31-12-2009 Last week of January 2010  
Audited Accounts Last week of June, 2010.

3. Book Closure Date 25<sup>th</sup> September to 30<sup>th</sup> September, 2009
4. Dividend : Since the Company is incurring losses no dividend has been declared.
5. Listing on Stock Exchanges  
The Calcutta Stock Exchange Association Ltd.,  
7, Lyons Range, Kolkata – 700 001  
The Stock Exchange, Mumbai, Code No 502294.  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Mumbai- 400 001

The Company has paid listing fees to Calcutta Stock Exchange upto Financial year 2007-08. Listing fees of Mumbai Stock Exchange has been paid upto financial year 2009-10. The Company's shares are not actively traded in Stock Exchanges.

**6. Share Transfer System**

Share Transfer is normally effected within a maximum period of 30 days from the date of receipt, if the documents submitted are in order. The Share Transfer Committee approves share transfers. Share Transfers are done in physical form. The Company is taking steps to offer to the Shareholders facility of dematerialization shares and trading in the depository system.

During the year ended 31<sup>st</sup> March, 2009, 550 Nos. shares under 6 Nos. Transfers were effected. The share Transfer Committee met 2 times during the financial year 2008-09.

**7. Shareholding Pattern as on 31<sup>st</sup> March, 2009.**

Sl.No.	Category	No. of shares	Percentage of Shareholding(%)
1.	Promoters	6057254	88.29
2.	Banks, Financial Institutions and Insurance Companies	389946	5.68



3.	Mutual Funds	-	-
4.	Private Corporate Bodies (Excluding Promoters)	2050	0.03
5.	Indian Public	412200	6.00
6.	NRIs/OCBs	-	-
7.	GRDs	-	-
	<b>Total</b>	<b>6861450</b>	<b>100</b>

8 - Distribution of Shareholding as on 31<sup>st</sup> March, 2009.

<u>Range</u>	<u>Number of Shareholders</u>	<u>% to Total Shareholders</u>	<u>Number of shares</u>	<u>% to Total Shares</u>
Upto 500	2955	95.72	314900	4.59
500 - 1000	90	2.96	69750	1.02
1001-2000	19	0.63	27550	0.40
2001-3000	1	0.03	2050	0.03
3001-4000	-	-	-	-
4001-5000	-	-	-	-
5001-10000	-	-	-	-
10001 and above	21	0.69	6447200	93.96
<b>Total</b>	<b>3086</b>	<b>100.00</b>	<b>6861450</b>	<b>100.00</b>

Address for correspondence:

The Shareholders may address their communications/suggestions/grievances/queries to:-

The Managing Director

Nilachal Refractories Ltd., Plot No.P/597, BJB Nagar, Lewis Road,

Bhubaneswar 751 014

Tel No. 0674-2433317, 2433389, Fax No.0674-2433317

Dated: 30<sup>th</sup> June 2009

For and on behalf of the Board of Directors

Bhagwati Prasad Jalan  
(Chairman)

To:

The Board of Directors,

Nilachal Refractories Ltd.,

Regd.Office: Plot No.P/597, BJB Nagar, Lewis Road, Bhubaneswar-751014, Orissa.

Dear Sirs,

I do hereby certify that all the Members of the Board of Directors of the Company and the Senior Management Personnel have affirmed their compliance with the Code of Conduct laid down by the Board of Directors of the Company in their meeting held on 30-06-2009

This certificate is being given in compliance with the requirements of Clause 49(i)D(ii) of the Listing Agreement entered into with the Stock Exchanges.

Dated: 30-06-2009

Place: Kolkata

Bhagwati Prasad Jalan  
(Chairman)



## AUDITORS REPORT

### TO THE MEMBERS OF NILACHAL REFRATORIES LTD

1. We have audited the attached Balance Sheet of Nilachal Refractories Limited, as at 31<sup>st</sup> March, 2009, the Profit & Loss account and also 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 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 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 of our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of section 227 (4A) 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.
  - 4.1 The Board of Industrial and Financial Reconstruction had declared the Company to be a sick Company and vide its Order dated 06/12/2005 has approved the rehabilitation scheme and accordingly a change of Management had taken place with effect from 19/12/2005. The manufacturing process was started from April 2006. The sanctioned rehabilitation scheme has been implemented by the new Management. The financial statements have been drawn on assumption of "Going Concern" concept.
  - 4.2. The Compensation to permanent employees, who had opted for retirement under the Voluntary Separation Scheme of the Company, was being amortized over fifty months. The present management, as per scheme approved by Hon'ble BIFR has opted to amortize the unamortized amount as on 31<sup>st</sup> March 2005 over forty eight months.
  - 4.3. *The liability for Gratuity and leave salary payable to the staffs has been made as per actual liability as on 31<sup>st</sup> March 2009 and not as per actuarial valuation and the liability has not been deposited in separate fund.*
5. Further to our comments in the Annexure referred to above and subject to note 4.3 above and subject to notes in the schedule "O" annexed to the financial statements for the year, we report that:



- a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b. In our opinion, proper books of account as required by law has been kept by the company so far as appears from our examination of our books.
- c. The balance sheet, profit & loss account and cash flow statement dealt with by this report are in agreement with the books of account.
- d. 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.
- e. On the basis of written representations received from the directors and taken on record by the Board of Directors we report that none of the directors is disqualified as on 31<sup>st</sup> March 2009 from being appointed as a director of the Company in terms of section 274(1) (g) of the Companies act, 1956
- f. In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the schedules and notes thereon and attached thereto 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:
  - i. In the case of Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2009;
  - ii. In the case of Profit and Loss account; of the loss for the year ended on that date; andIn the case of Cash Flow statement, of the cash flows for the year ended on that date.

For P. Mukhopadhyay & Co.  
Chartered Accountants

(Sankar Prasad Mukhopadhyay)  
Partner

Membership Number : 050779

Kolkata

Dated : 30<sup>th</sup> June 2009



ANNEXURE TO AUDITORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH,  
2009 OF NILACHAL REFRACTORIES LIMITED.

(Referred to in paragraph 3 of our report of even date)

- i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The assets have been physically verified by the management during the year where no material discrepancies were noticed.
- (c) No significant part of the fixed assets have been disposed off during the year.
- ii) (a) The inventory has been physically verified during the year by the management where no material discrepancies were noticed.
- (b) The procedure of physical verification of inventory followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper record of inventory.
- iii) (a) It is reported to us that the Company has not granted any loan, secured or unsecured to companies, firms or other parties covered under section 301 of the Companies Act, 1956. The Company pursuant to order of the hon'ble BIFR has brought in further unsecured loan, from the promoters amounting in total to Rs.330.35 lakh involving 7 parties and has repaid a sum amounting to Rs.135.00 lakh involving 4 parties retaining a balance of Rs.195.35 lakh, apart from loan brought forward amounting to Rs.765 lakhs.
- (b) The rate of interest and other terms and conditions of the loans brought in are prima facie not prejudicial to the interest of the Company.
- (c) The principal has been partly repaid during the year under consideration as per mutual understanding and since the promoters are trying to revive the unit of the Company no amount is considered to be overdue.
- iv) In our opinion and according to the information and explanations given to us and considering the status of the Company mentioned elsewhere in this report, there are adequate internal control system commensurate with the size of the Company and the nature of its business for the purchases of inventory and fixed assets and for the sale of goods and services. During course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- v) a) According to the information and explanation given to us, the particulars of contracts and arrangements referred in section 301 of the Companies act, 1956 other than as mentioned in clause (iii) above has been entered in the register maintained under that section.
- b) According to the information and explanations given to us, no transactions were made exceeding five lakh rupees during the year.





- (vi) Pursuant to the order of the Hon'ble BIFR the new promoters have brought in unsecured loans. In the opinion of the Directors, since the said amount brought in by the Promoters in compliance with the order of the Hon'ble BIFR, the same is not covered under Public Deposit pursuant to clause 2(b) (xi) of the Companies (Acceptance of Deposits) Rules, 1975.
- (vii) The company has an internal audit system by external agency, commensurate with its size and nature of its business.
- viii) Maintenance of cost records has not been prescribed by the Central Government under Section 209(1) (d) of the Companies Act, 1956 in respect of the Company.
- (ix) a) *The Company is not regular in deposit of undisputed statutory dues of Provident Fund, Employees' State Insurance and Service Tax and no deposit have been made under investor education and protection fund during the year under consideration and the arrear of statutory dues on the last day of the financial year concerned for a period of more than six months from the date they became payable is Rs. Nil (Rs. 39,359) against Service tax including cess thereon.*
- b) According to the information and explanations given to us, there are no disputed dues of income tax, wealth tax, service tax, customs duty, excise duty, and cess except demands raised on sales tax and entry tax assessment which have been disputed and have not been deposited as below:

Financial year to which the matter pertains	Forum where matter is pending	Amount Rs. In Lakhs
1999-00 to 2001-02	Additional Commissioner of Sales Tax, Central Zone, Orissa, Cuttack (Sales Tax)	72.18
2001-02	Assistant Commissioner of Commercial Tax, Range-II, Orissa, Cuttack (Entry Tax)	3.38
2002-03	Assistant Commissioner of Commercial Tax, Range-II, Orissa, Cuttack (Entry Tax)	0.79
2002-03	Assistant Commissioner of Commercial Tax, Range-II, Orissa, Cuttack (Sales Tax)	24.10

- (x) The accumulated losses of the Company are more than fifty percent of its net worth. The Company has incurred cash losses during the financial year covered by our audit and also in the immediately preceding financial year.
- (xi) As per the records and documents verified by us we are unable to form our opinion as to whether the Company has defaulted in repayment of dues to the bank against term loan. However during



- the year under review, the Company has received a further disbursement of Rs.127 lakhs against term loan and has repaid a sum of Rs.212 lakhs inclusive of interest amounting to Rs.78 lakhs.
- (xii) The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
  - (xiii) The provisions of any special statute applicable to chit fund or a nidhi/mutual benefit fund/society are not applicable to the Company.
  - (xiv) The Company is not dealing in or trading in shares, securities, debentures and other investments.
  - (xv) As reported to us the Company has not given any guarantee for loans taken by others.
  - (xvi) The Term Loan taken during the year were applied for the purpose for which the loan was obtained by the Company.
  - (xvii) According to the information and explanations given to us the fund brought in is being utilized for revival of the Company as per sanctioned rehabilitation scheme of Hon'ble BIFR 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 during the year.
  - (xix) The Company has not issued any debenture during the year.
  - (xx) The Company has not raised money by public issue during the year.
  - (xxi) According to the information and explanations given to us during the course of our audit, no fraud on or by the company has been noticed or reported during the year.

For P. Mukhopadhyay & Co.  
Chartered Accountants

(Sankar Prasad Mukhopadhyay)  
Partner  
Membership Number : 050779

Kolkata  
Dated : 30<sup>th</sup> June 2009



**NILACHAL REFRACTORIES LIMITED**

**BALANCE SHEET AS AT 31st MARCH '2009**

Schedule	(Rupees)	Current Year (Rupees)	Previous Year (Rupees)
<b>SOURCES OF FUNDS</b>			
A SHARE CAPITAL		70,232,625	70,232,625
B RESERVE & SURPLUS		1,500,000	1,500,000
TOTAL SHARE HOLDER'S FUNDS		71,732,625	71,732,625
<b>LOANS</b>			
C a. Secured	83,602,025		81,596,722
D b. Unsecured	96,035,000		76,500,000
c. Total Loans		179,637,025	158,096,722
TOTAL FUNDS EMPLOYED		251,369,650	229,829,347
<b>APPLICATION OF FUNDS</b>			
E FIXED ASSETS			
a. Gross Block		102,896,465	98,305,490
b. Less: Depreciation		77,860,850	76,268,507
c. Net Block		25,035,615	22,036,983
DEFERRED TAX		33,535,885	30,789,277
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
F a. Inventories	59,531,731		40,355,532
G b. Sundry Debtors	28,071,070		24,770,330
H c. Cash & Bank Balances	2,745,004		1,095,549
d. Interest Accrued	76,321		9,485
I e. Loans & Advances	9,135,982		6,324,273
f. Total Current Assets		99,560,108	72,555,169
Less: CURRENT LIABILITIES & PROVISIONS:			
J a. Current Liabilities	69,040,034		61,378,520
K b. Provisions	1,110,940		1,174,500
NET CURRENT ASSETS		70,150,974	62,553,020
L MISCELLANEOUS EXPENDITURE		29,409,134	10,002,149
PROFIT & LOSS ACCOUNT		0	8,236,893
		163,389,016	158,764,045
TOTAL APPLICATION OF FUNDS		251,369,650	229,829,347

**O SIGNIFICANT ACCOUNTING POLICIES And NOTES ON ACCOUNTS**

Subject to our report of even date addressed to the members of company to which the Balance Sheet and Profit & Loss A/c are attached

For and on behalf of the Board of Directors  
 Bhagawati Prasad Jalan  
 Director  
 Kamal Prakash  
 Director

For P. Mukhopadhyay & Co.  
 Chartered Accountants

Kolkata  
 Dated : 30<sup>th</sup> June 2009

(Sankar Prasad Mukhopadhyay)  
 Partner  
 Membership Number : 050779



**NILACHAL REFRACTORIES LIMITED**

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH '2009**

Schedule	INCOME	Current Year (Rupees)	Previous Year (Rupees)
M	SALE OF PRODUCTS AND OTHER INCOME	<u>155,029,563</u>	<u>112,956,467</u>
	<b>EXPENDITURE</b>		
N	MANUFACTURING AND OTHER EXPENSES	139,590,389	140,813,490
	DEPRECIATION	1,592,344	1,494,696
	INTEREST	12,870,589	12,778,237
	EMPLOYEES' SEPARATION COMPENSATION AMORTISED ( Refer Note 1.9 to Schedule "O")	8,236,893	8,236,895
	<b>TOTAL EXPENDITURE</b>	<u>162,290,215</u>	<u>163,323,318</u>
	PROFIT/(LOSS) FOR THE YEAR (1-6)	(7,260,652)	(50,366,851)
	PROVISION FOR DEFERRED TAX	2,746,608	26,505,875
	PROVISION FOR FBT	(197,886)	(201,688)
	<b>PROFIT/(LOSS) AFTER TAX</b>	<u>(4,711,930)</u>	<u>(24,062,664)</u>
	PREVIOUS YEAR ADJUSTMENTS	86,959	(94,456)
	PROFIT/(LOSS) BROUGHT FORWARD	(158,764,045)	(134,606,925)
	PROFIT/(LOSS) CARRIED OVER TO BALANCE SHEET	<u>(163,389,016)</u>	<u>(158,764,045)</u>
	Earning Per Share		
	Basic	(0.67)	(3.52)
	Diluted	(0.67)	(3.52)
O	SIGNIFICANT ACCOUNTING POLICIES And NOTES ON ACCOUNTS		

Subject to our report of even date addressed to the members of company to which the Balance Sheet and Profit & Loss A/c are attached

For and on behalf of the Board of Directors  
Bhagawati Prasad Jalan  
Director  
Kamal Prakash  
Director

For P. Mukhopadhyay & Co.  
Chartered Accountants

Kolkata  
Dated : 30<sup>th</sup> June-2009

(Sankar Prasad Mukhopadhyay)  
Partner  
Membership Number : 050779



## SCHEDULES FORMING PART OF THE BALANCE SHEET

<b>SCHEDULE "A": SHARE CAPITAL</b>	<b>Current Year (Rupees)</b>	<b>Previous Year (Rupees)</b>
<b>AUTHORISED</b>		
78,50,000 Equity shares of Rs. 10/- each	78,50,000	78,50,000
15,000, 11% Redeemable Cumulative Preference shares of Rs. 100/- each	1,50,000	1,50,000
Total	<u>80,00,000</u>	<u>80,00,000</u>
<b>ISSUED AND SUBSCRIBED</b>		
69,00,000 Equity shares of Rs. 10/- each	69,00,000	69,00,000
15,000, 11% Redeemable Cumulative Preference shares of Rs. 100/- each	1,50,000	1,50,000
Total	<u>70,50,000</u>	<u>70,50,000</u>
<b>PAID UP</b>		
68,61,450 Equity shares of Rs. 10/- each	68,61,450	68,61,450
14,980, 11% Redeemable Cumulative Preference shares of Rs. 100/- each	<u>1,498,000</u>	<u>1,498,000</u>
	70,112,500	70,112,500
Add: Forfeited Share Amount (Originally Paid Up)	<u>120,125</u>	<u>120,125</u>
	<u>70,232,625</u>	<u>70,232,625</u>
<b>SCHEDULE "B": RESERVE &amp; SURPLUS</b>		
Central Subsidy	<u>1,50,000</u>	<u>1,50,000</u>
<b>SCHEDULE "C": SECURED LOAN</b>		
a. Term Loan with Canara Bank* (Secured by hypothecation of plant & machinery)	48,920,769	49,698,241
b. Cash credit with Canara Bank (Secured by book debt, hypothecation of stock of Raw Material, Stores, Finished goods and Goods in process and first charge on the Fixed Assets of the Company)	34,681,256	31,898,481
* Rs 60.00 Lakh (P.Y Rs 100 Lakh) payable within a year	<u>83,602,025</u>	<u>81,596,722</u>



**SCHEDULE "D":  
UNSECURED LOAN**

a. Unsecured Loan from Promoters	<b>96,035,000</b>	<b>76,500,000</b>
	<b>96,035,000</b>	<b>76,500,000</b>

**SCHEDULE "E":  
SCHEDULE OF FIXED ASSETS AS ON 31st MARCH'2009**

Description	Gross Block at cost as at 31.03.2008 (Rs)	Addition/ (Deletions) (Rs)	Gross Block at cost as at 31.03.2009 (Rs)	Total Depreciation Upto 31.3.2008 (Rs)	Depreciation for the Year (Rs)	Depreciation/ Amortisation/ Impairment Adjustment for the Year (Rs)	Total Depreciation Upto 31.3.2009 (Rs)	Net Block as on 31.03.2009 (Rs)	Net Block as on 31.03.2008 (Rs)
Land & Site Development (*)	1,751,851	-	1,751,851	-	0	-	-	1,751,851	1,751,851
Buildings	20,104,855	298,944	20,403,799	11,343,075	522,907	-	11,865,982	8,537,817	8,761,779
Plant & Machineries	68,442,189	4,110,689	72,552,878	58,874,525	733,242	-	59,607,767	12,945,111	9,567,665
Furnitures, Fittings & Equipments	4,592,866	181,342	4,774,208	3,416,073	244,729	-	3,660,802	1,113,406	1,176,792
Vehicles	3,413,729	-	3,413,729	2,634,834	91,465	-	2,726,299	687,430	778,895
<b>TOTAL</b>	<b>98,305,490</b>	<b>4,590,975</b>	<b>102,896,465</b>	<b>76,268,507</b>	<b>1,592,343</b>	<b>-</b>	<b>77,860,850</b>	<b>25,035,615</b>	<b>22,036,983</b>
<b>PREVIOUS YEAR</b>	<b>93,872,952</b>	<b>4,432,685</b>	<b>98,305,490</b>	<b>74,773,811</b>	<b>1,494,696</b>	<b>-</b>	<b>76,268,507</b>	<b>22,036,983</b>	<b>19,099,141</b>

Note: (\*) Land acquired by the Govt. of Orissa (Refer Note 4 to Schedule "O")

**SCHEDULE "F":  
INVENTORIES**

	<b>Current Year (Rupees)</b>	<b>Previous Year (Rupees)</b>
a. Raw Material, Coal & Fuel ( Valued at cost )	<b>15,077,314</b>	<b>7,587,468</b>
b. Work-in-process ( Valued at cost )	<b>10,095,319</b>	<b>8,069,681</b>
c. Finished Goods ( Valued at lower of cost and net realisable value)	<b>31,360,659</b>	<b>22,209,779</b>
d. By-Product (At net realisable value)	<b>215,000</b>	<b>143,250</b>
e. Stores & Spares ( Valued at cost)	<b>2,783,439</b>	<b>2,345,354</b>
<b>Total</b>	<b>59,531,731</b>	<b>40,355,532</b>



**SCHEDULE "G":  
SUNDRY DEBTORS (UNSECURED)**

(Refer note 7 of Schedule "O")

a. Due for more than six months (Considered good unless otherwise mentioned)	7,530,119	11,103,882
Less: Provision for doubtful debt (included in 'a' above)	<u>1,002,537</u>	<u>1,002,537</u>
	6,527,582	10,101,345
b. Due for less than six months (considered good)	<u>21,543,488</u>	<u>14,668,985</u>
Total	<u><u>28,071,070</u></u>	<u><u>24,770,330</u></u>

**SCHEDULE "H":  
CASH & BANK BALANCES**

A. Cash & Stamp in hand	65,781	72,165
B. Balance with Scheduled Banks		
a. In Current Accounts	620,906	323,090
b. In Deposit Accounts (*)	<u>2,058,317</u>	<u>700,294</u>
Total	<u><u>2,745,004</u></u>	<u><u>1,095,549</u></u>

\* Out of the same Rs.490294 is lying with Bank as Margin Money

**SCHEDULE "I":  
LOANS & ADVANCES**

(Unsecured considered good unless otherwise stated)

a. Pre-paid expenses & Recoverable Dues	221,668	399,046
b. Other Sundry Advances	6,500,282	3,432,402
(Recoverable in cash or kind or for value to be received)		
c. Deposit of Security and Earnest Money	<u>2,505,081</u>	<u>2,583,874</u>
	9,227,031	6,415,322
Less: Prov. for Irrecoverable Advance	91,049	91,049
Total	<u><u>9,135,982</u></u>	<u><u>6,324,273</u></u>



**SCHEDULE "J":  
CURRENT LIABILITIES & PROVISIONS**

(Refer Note 7 and 9 to Schedule "O")

a. Sundry Creditors			
SSI	854131		1,105,780
Others	61689054	62,543,185	41,890,336
b. Liabilities for Expenses		4,016,617	4,653,468
c. Statutory Liabilities		1,225,350	5,412,076
d. Security Deposits Received		648,023	638,023
e. Advance Received from Customers		606,859	6,179,074
f. Bank Overdraft (Due to excess issue of Cheque)		-	1,499,763
Total		<u>69,040,034</u>	<u>61,378,520</u>

**SCHEDULE "K":  
PROVISIONS**

Provision For Gratuity	576,180		457,932
Provision for Leave Encashment	475,288		406,650
Provision for Fringe Benefit Tax	59,544		309,918
Total		<u>1,110,940</u>	<u>1,174,500</u>

**SCHEDULE "L":  
MISCELLANEOUS EXPENDITURE**

(To the extent not written off or adjusted)

Employees' Separation Compensation	8,236,893		16,473,788
Less: Amortised during the year	8,236,893		8,236,895
Balance Carried Forward		<u>0</u>	<u>8,236,893</u>





**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT**

	(Rupees)	Current Year (Rupees)	Previous Year (Rupees)
<b>SCHEDULE "M":</b>			
<b>SALE OF PRODUCTS &amp; OTHER INCOME</b>			
1. Sale of Products		164,267,374	125,025,563
Less: Excise Duty	15,249,770		16,816,833
Less : Sales Return	1,153,687	16,403,457	
		147,863,917	108,208,730
2. Other Income:			
a. Sale of Waste Material	5,119,926		3,005,005
b. Interest earned on Deposits (Gross TDS 14805/- PY 8440/-)	191,439		47,116
c. Miscellaneous Receipts	1,854,281		926,064
d. Foreign Exchange Fluctuation			769,552
		7,165,646	4,747,737
Total		<u>155,029,563</u>	<u>112,956,467</u>
<b>SCHEDULE "N":</b>			
<b>MANUFACTURING &amp; OTHER EXPENSES</b>			
1. Raw Materials consumed		55,465,358	60,874,734
2. Stores & Spares consumed		3,929,888	4,487,572
3. Coal & Fuel Consumed		32,743,959	23,922,493
4. Payment to & Provision for Employees:			
a. Salaries, Wages & Bonus (Refer to Note 1.12 to Schedule "O")	7,722,673		7,663,943
b. Contribution to PF & Other Funds	2,716,633		2,169,475
c. Workmen & Staff welfare Expenses	434,898		297,258
		10,874,204	10,130,676
5. Operation & Other Expenses			
a. Electricity & Water charges	9,183,301		7,756,526
b. Insurance & Tax	296,748		206,800
c. Rents & Rates	373,016		219,343
d. Conversion & other Mfg. Expenses	18,087,237		11,925,503
e. Repairs to Plant & Machinery	7,638,541		7,258,687
f. Repairs to Buildings	248,378		111,157
g. Other Repairs	149,519		1,105,014
h. Travelling & Conveyance	1,645,805		1,626,483
i. Telephone & Telex	367,106		458,286
j. Foreign Exchange Fluctuation	1,275,137		-
k. Other expenses	8,560,460		10,204,090
		47,825,248	40,871,889
6. (Increase)/Decrease in stock of finished goods & work in process)			
a. Closing stock	41,670,978		30,422,710
b. Opening stock	30,422,710		30,948,836
Total		<u>(11,248,268)</u>	<u>526,126</u>
		<u>139,590,389</u>	<u>140,813,490</u>



## SCHEDULE "O"

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

#### 1. ACCOUNTING POLICY

Accounts are maintained under the mercantile system of accounting, adopting historical cost convention. The significant accounting policies are:

##### 1.1. Revenues:

Sales are inclusive of excise duty. Bonus claims, linked to operating efficiency of products, are recognized upon crystallization.

##### 1.2. Claims:

Claims of the Company towards loss, damage and escalation are accounted when there is a certainty that the claim is realizable.

##### 1.3. Valuation of Inventories:

Raw materials, semi finished products and goods-in-process are valued at cost. Finished products are carried at lower of cost and net realizable value. Stores and spares are carried at cost. Cost for the purpose of valuation is generally ascertained on weighted average basis.

##### 1.4. Fixed Assets:

Fixed assets are valued at original cost of acquisition including taxes, duties, freight and other incidental expenses relating to acquisition and installation.

##### a) Depreciation:

Depreciation is provided on a straight line basis applying the rates specified in Schedule XIV to the Companies Act, 1956.

##### b) Impairment of Assets :

The Company reviews the carrying value of the assets for any possible impairment on each balance sheet date. Impairment loss, if any, is recognized in the year in which impairment takes place.

##### 1.5. Foreign Currency:

Transactions in foreign currency are accounted for at the prevailing rate on the transaction date. The year end balances in foreign currency are re-stated at the closing rate and the resultant difference is carried to Profit & Loss Account.

##### 1.6. Borrowing Cost:

The borrowing costs those are directly attributable to the acquisition, construction or production of a qualifying assets are capitalized.

##### 1.7. Research and Development Expenditure:

Revenue expenditure on Research and Development is charged out in the year in which it is incurred. Expenditure, which results in creation of assets, is included in fixed assets and depreciation is provided on such assets are applicable.

##### 1.8. Miscellaneous Expenditure:

Compensation to permanent employees who have opted for retirement under the Voluntary Separation Scheme of the Company had been amortized over fifty months till 31.3.2005. The present management has opted to amortise the unamortized amount as on 31<sup>st</sup> March 2005 over forty eight months.



Compensation to ex-employees who were earlier separated under the Golden Handshake Schemes under the condition to get a fixed monthly payment for a period of 100 months or till retirement, whichever was earlier, have been paid a lumpsum amount towards full and final settlement under the Modified Golden Handshake Schemes in lieu of the original Schemes, has been amortized over fifty months.

#### **1.9. Basis of Preparation of Financial Statements:**

- (i) The financial statements are prepared under the historical cost convention, except for certain fixed assets which are revalued, in accordance with generally accepted accounting principles in India and the provisions of the Companies Act, 1956.
- (ii) The Company generally follows the mercantile system of accounting and recognizes significant items of income and expenditure on accrual basis.

#### **1.10. Use of Estimates.**

The preparation of financial statements requires estimates and assumption to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognized in the period in which the results are known/ materialized.

#### **1.11. Provision, Contingent Liabilities and Contingent Assets :**

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

#### **1.12. Retirement Benefits:**

- a) Contribution towards Provident Fund is being charged to revenue on accrual basis and is deposited to regional office of the concerned authority
- b) Provision for gratuity has been made on the method as prescribed in the respective act.
- c) Provision has been made for accrued leave salary due to the employees, computed with reference to unavailed leave of the employee at the year end.

#### **NOTES ON ACCOUNT**

- 1) a. In pursuant to order of the Hon'ble BIFR dt: 06.12.2005 the Rehabilitation Scheme is under implementation.  
b. Pursuant to Para No. 13.13. (2) of the Order of the Hon'ble BIFR, the new promoters have bought in Unsecured loan amounting to Rs. 960.35 Lacs (P.Y. 765.00 Lacs) to meet the rehabilitation cost. Since the said amount brought in by the Promoters in compliance with the order of the Hon'ble BIFR, the same is not covered under Public Deposit pursuant to Clause 2(b) (xi) of the Companies (Acceptance of Deposits) Rules, 1975.
- 2) Preference shares were redeemable before September 1995 by giving six months notice by such redemption to the holders thereof. However, as per the terms of the Sanctioned Rehabilitation Scheme, the preference Shares are to be continued with roll over option for another 5 years and no interest is payable during such rehabilitation period. Accordingly, no provision for any interest has been made during the year.  
  
Due to non-availability of profit, no provision has been made for payment of dividend to the Preference Shareholders; cumulative from the date of allotment i.e 20<sup>th</sup> September 1980 upto the due date of redemption amounting to Rs. 41.60 Lacs or the dividend payable thereafter.
- 3) The total unsecured loan includes Rs 205.35 Lacs (previous year Rs.230.00) taken from directors of the Company.



- 4) Government of Orissa have acquired 8.73 acres of unutilized portion of land of the Company for which the cost of the land has been proportionately reduced. Since the Government have not intimated the acquisition compensation of the land, surplus/ deficit will be recognized in revenue on receipt of such intimation from the Government.
- 5) Voluntary Retirement Scheme (VSS) was introduced under which terminal date of employment was fixed as 31<sup>st</sup> July 2002. Provision for unpaid compensation has been made for the employees who have not taken the same. Modified Golden Handshake Schemes containing similar benefits as that of Voluntary Separation Scheme were introduced (in respect of ex-employees who were separated under the Golden Handshake Scheme 3 & 4) wherein cut off date for computation of compensation was kept as 31<sup>st</sup> July 2002. Provision for unpaid lump sum payment has been made for the ex-employees who have not taken the same.
- 6) The deferred Tax Assets as at 31st March 2009 comprises of the following:

(i) Liabilities	As at 31.03.2009	As at 31.03.2008
For Difference in Depreciation between books and IT	18,06,671.	15,59,304
For timing difference of expenses	0	23,99,683
Total of liabilities	<u>18,06,671</u>	<u>39,58,987</u>
(ii) Assets		
For timing difference of expenses	3,24,881	2,67,156
For Losses Under I.T.Act.	3,50,17,675	3,44,81,108
Total of assets	<u>3,53,42,556</u>	<u>3,47,48,264</u>
Net Deferred Tax Assets (i) –(ii)	<u>3,35,35,885</u>	<u>3,07,89,277</u>

- 7) Confirmation of Parties concerned for amount due, receivable from and/or payable to them as per the accounts of the company has not been received. Necessary adjustment, if any, shall be done at the time of settlement of respective account.
- 8) The financial result of the company pertains to operations related to refractories which is the only significant business segment of the Company as per AS-17 issued by the ICAI.
- 9) There are no micro, small and medium enterprises to whom the company owes dues., which are outstanding for more than 45 days as at March 31, 2009 excepting as mentioned below. The above information regarding micro, small and medium enterprises have been determined to the extent such parties have been identified on the basis of information available with the Company. The name of SSI Units to whom amount in excess of Rs. 1.00 Lacs are due for more than 30 days are given below. :

<u>Name of the Company</u>	<u>Amount (Rs.)</u>
Biswakarma Fabricators	2.38 lacs
Refcem Pvt. Ltd.	4.98 lacs
Shakti Pack Ind. Pvt. Ltd	1.18 lacs

- 10) As per practice followed/adopted excise duty payable on finished goods held in stock is neither included in expenditure nor considered in valuing such stocks, but is accounted for on clearance of goods from factory. This has however no impact on the Profit & Loss Account of the company.
- 11) Loans and advances include Rs. 8.11 lacs (Previous Year Rs. 8.11 Lacs) collected by Sales Tax & Central Excise authorities against demand not acknowledged by the Company as a debt. The above amounts are included in the figure disclosed under item 12.3.1 of this schedule.
- 12.1) The Company does not acknowledge further claim of landowners against acquired land and the same is being contested in appropriate Court of law.



12.2) Contingent Liabilities not provided.

	<b>2008-09</b> (Rs.in Lacs)	2007-08 (Rs.in Lacs)
Counter Guarantee for Bank Guarantee issued	<b>65.31</b>	20.46

12.3) Claims against the company not acknowledged as debt and are being contested before appropriate authorities.

	<b>2008-09</b> (Rs.in Lacs)	2007-08 (Rs. In Lakhs)
12.3.1 Sales Taxes	<b>96.28</b>	96.28
12.3.2 Water Charges	<b>7.14</b>	7.14
12.3.3 Other Liabilities	<b>24.70</b>	24.70
12.3.4 Orissa Entry Tax	<b>4.17</b>	4.17

13. Miscellaneous expenses include following payment to auditors :

13.1 As Auditors	<b>25000.00</b>	18,000
13.2 For other services	<b>1000.00</b>	NIL
13.3 Reimbursement of expenses	<b>NIL</b>	NIL

(The above figures are excluding Service Tax and Cess Thereon)

14. Information of goods manufactured : (Refractories & Mortar)

Licensed Capacity (MT)	<b>28,000</b>	28,000
Installed Capacity (MT)	<b>28,000</b>	28,000
Actual Production (MT)	<b>12,835</b>	11,183

15 Turnover, Opening and Closing Stock :

		<b>2008-09</b>		2007-08	
		(MT)	(Rs.in lakhs)	(MT)	(Rs.in lakhs)
Turnover	<b>Mortar</b>	<b>1145</b>	<b>97.66</b>	1540	107.70
	<b>Bicks</b>	<b>10758</b>	<b>1545.01</b>	10290	1142.55

Opening & Closing Stock :

	<b>2008-09</b> (MT)	2007-08 (MT)
Opening Stock (Bricks)	<b>1741*</b>	2388*
Opening Stock (Mortar)	0	0
Closing Stock (Bricks)	<b>2673*</b>	1741*
Closing Stock (Mortar)	0	0

\*Includes 354 MT of assorted Bricks(rejected/non moving finished goods)



16. Raw Material Consumption

	2008-09		2007-08	
	(MT)	(Rs)	(MT)	(Rs)
Plastic Clay	2966	3977863	2298	2868233
Raw Non-Plastic Clay	6254	4172698	4833	3873023
Salvaged Bricks	2954	9720437	4950	17606248
Bauxite	689	5151733	1293	10329486
Molasses	296	2241407	265	1652268
Others	11413	30201219	3747	24545476
Total :	24572	55465357	17386	60874734

Cenvat during the year amounting to Rs. 33,37,718 (Previous Year : Rs.52,38,329) has been adjusted against their respective raw material account.

17.1. Value of consumption of imported and indigenous raw materials and their percentage of each to total consumption :

	2008-09		2007-08	
	(Rs.)	(%)	(Rs.)	(%)
Imported Raw Materials	1804672	3.25	9601943	16
Indigenous Raw Materials	53660685	96.75	51272791	84

17.2. Value of consumption of imported and indigenous stores & spares and their percentage of each to total consumption :

	2008-09		2007-08	
	(Rs.)	(%)	(Rs.)	(%)
Indigenous stores & spares	3929888	100	4487572	100

18. Earning per share

31-03-2009

31-03-2008

Net profit/(-) loss for the period	(Rs.)	-4624971	-24157122
Less : Dividend on preference share	(Rs.)	Nil	Nil
Net profit attributable to equity shareholders	(Rs.)	-4624971	-24157122
Basic weighted average number of shares		6861450	68,61,450
Basic E.P.S	(Rs.)	-0.67	-3.52
Diluted weighted average number of shares		6861450	68,61,450
Diluted E.P.S	(Rs.)	-0.67	-3.52
Nominal value of Equity shares (Basic/Diluted)	(Rs.)	10	10

19.1. Value of Imports

(Calculated on CIF Basis)

2008-2009

2007-2008

Raw Materials 4414374.00 3021931.00

19.2. Expenditure in Foreign Currency (On Cash Basis)

Raw Materials 2182483.00 0.00

Traveling 45728.00 89210.00

20.1 Earnings in Foreign Exchange

Sales 21848181.00 2804072.00

20.2 Reimbursement of Expenses Received in Foreign Currency

Traveling 16729.00 208546.00



21. Related Party Disclosures :

21.1 List of Related Parties where control exists :- Nil

21.2 Other Related Parties with whom transactions have taken Place during the year :

Name	Nature of Transaction	2008-09 (Amount in Rs.)	2007-08 (Amount in Rs.)
Associated Ind. Furnaces Pvt. Ltd.	Purchase	41427.00	—
Sri T.B Singh	Remuneration	225000.00	297200.00
Minicraft Enterprise Pvt Ltd	Loan taken	1000000.00	8375000.00
Minicraft Enterprise Pvt Ltd	Repayment of Loan	1500000.00	4275000.00
Metropolitan Commercial Pvt. Ltd.	Loan Taken	—	2500000.00
Chetna Distributors Pvt Ltd	Loan taken	10000000.00	—
P.P.Suppliers & Agencies Pvt Ltd	Loan taken	—	4300000.00
Pushpak Dealcom Pvt Ltd	Loan taken	6000000.00	12700000.00
Sushil Kumar Agarwal	Loan taken	3500000.00	11250000.00
Sushil Kumar Agarwal	Repayment of Loan	5000000.00	—
Unimark International :Pvt Ltd	Loan taken	6500000.00	16575000.00
Unimark International :Pvt Ltd	Repayment of Loan	—	675000.00
Vijay Kumar Agarwal	Loan taken	4035000.00	11750000.00
Vijay Kumar Agarwal	Repayment of Loan	5000000.00	—
Ganapati Industrial Pvt. Ltd.	Loan taken	2000000.00	—
Ganapati Industrial Pvt. Ltd.	Repayment of Loan	2000000.00	—
Industrial Associates	Sales	0.00	39123228.00
Industrial Associates	Purchase	0.00	1162908.00

22. Previous year's figures have been regrouped and recasted wherever necessary to confirm to current year layout.

23. Salaries, Wages and Bonus includes Remuneration paid to 1 (One) Whole Time Director (Previous year One whole time Directors) amounting to Rs. 2.25 Lakhs for the financial year 2008-09 (Previous year 2.97 lakhs) as approved by the Shareholders.



## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

### 24.1 REGISTRATION DETAILS

a) Registration No.	:	735
b) State Code	:	15
c) Balance Sheet Date	:	31-Mar-09

### 24.2 CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS. THOUSANDS)

a) Public Issue	:	Nil
b) Right Issue	:	Nil
c) Bonus Issue	:	Nil
d) Private Placement	:	Nil

### 24.3 POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RS. THOUSANDS)

Total Liabilities	:	251,370
Total Assets	:	251,370

#### A) SOURCES OF FUNDS:

Paid up Share Capital	:	70,233
Reserves & Surplus	:	1,500
Secured Loans	:	83,602
Unsecured Loans	:	96,035

#### B) APPLICATION OF FUNDS:

Net Fixed Assets	:	25,036
Investments	:	—
Deferred Tax Assets	:	33,536
Net Current Assets	:	29,409
Misc. Expenditure	:	—
Accumulated Losses	:	163,389

### 24.4 PERFORMANCE OF COMPANY (AMOUNT IN RS. THOUSANDS)

a) Turn Over (Gross Revenue)	:	155,030
b) Total Expenditure	:	162,290
c) Profit / (Loss) before Tax	:	(7,261)
d) Profit / (Loss) after Tax	:	(4,625)
e) Earning Per Share in Rs.	:	(0.67)
f) Dividend Rate %	:	Nil





**24.5 GENERIC NAME OF THREE PRINCIPAL PRODUCTS OF COMPANY  
(AS PER MONETARY TERMS)**

24.5.1	Item Code No.(ITC Code)	:	69022020
	Product Description	:	<u>Bricks &amp; Shapes, High Alumina</u>
24.5.2	Item Code No.(ITC Code)	:	69029010
	Product Description	:	Fire Clay Bricks & Shapes
24.5.3	Item Code No.(ITC Code)	:	69039040
	Product Description	:	Monolithics/Castables (Fireclay, High Alumina)

Signature to Schedule "A" to "O"

Subject to our report of even date addressed to the members of the company to which the Balance Sheet and Profit & Loss Account are attached

For & on behalf of the Board of Directors

For P. Mukhopadhyay & Co.  
Chartered Accountants

Bhagawati Prasad Jalan  
Director

Kamal Prakash  
Director

(Subhash Mukhopadhyay)  
Partner  
Membership No. 50384

Kolkata

Dated: 30th June, 2009



## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH' 2009

	(Rupees)	Current Year (Rupees)	Previous Year (Rupees)
<b>A. CASH FLOW FROM OPERATION ACTIVITIES</b>			
Net profit as per Profit & Loss Account		(7,371,580)	(50,662,995)
Less : Interest earned	191,439		47,116
		191,439	47,116
Net profit before Tax and before extraordinary items		(7,563,019)	(50,710,111)
Add: Depreciation	1,592,344		1,494,696
Amortised Miscellaneous Expenses	8,236,893		8,236,895
		<u>9,829,237</u>	<u>9,731,591</u>
Operating profit before			
Working capital change		2,266,218	(40,978,520)
Change in:			
Trade & Other Receivables	(6,179,285)		(9,728,476)
Inventories	(19,176,199)		(7,774,753)
Trade Payables & Other Liabilities	7,597,954		(9,187,713)
Deferred Revenue Expenditures	-		-
		<u>(17,757,530)</u>	<u>(11,141,436)</u>
Net Cash used/generated in Operating Activities		<u>(15,491,312)</u>	<u>(52,119,956)</u>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Fixed Assets	(4,590,975)		(4,432,537)
Sale of Fixed Assets	-		-
Interest received	1,491,439		47,116
Net Cash used/generated in Investing Activities		<u>(4,399,536)</u>	<u>(4,385,421)</u>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>			
Receipt of Call money of Share Capital		-	-
Receipt of Investment money			7,763,771
Proceeds from Secured Borrowings	2,005,303		62,500,000
Proceeds from Unsecured Borrowings	19,535,000		54,736,229
		<u>21,540,303</u>	<u>54,736,229</u>
Repayment of Secured Borrowings	-		-
Repayment of Unsecured Borrowings	-		-
Net Cash used/generated in Financing Activities		<u>21,540,303</u>	<u>54,736,229</u>
<b>NET INCREASE IN CASH &amp; CASH EQUIVALENT (A+B+C)</b>		<u><u>1,649,455</u></u>	<u><u>(1,769,148)</u></u>
Cash & Cash equivalent at start of the year		<u>1,095,549</u>	2,864,697
Cash & Cash equivalent at close of the year		<u><u>2,745,004</u></u>	<u><u>1,095,549</u></u>

Bhagawati Prasad Jalan  
(Director)

Kamal Prakash  
(Director)

AUDITORS' CERTIFICATE

We have verified the above cash flow statement of Nilachal Refractories Ltd., derived from the audited financial statements for the year ended 31st March 2009 and found the same to be drawn in accordance therewith and also with the requirements of clause 32 of listing agreements with the stock exchanges.

For P.Mukhopadhyay & Co  
Chartered Accountants

(Sankar Prasad Mukhopadhyay), Partner  
Membership Number : 050779

Kolkata, Dt. 30-06-2009



**NILACHAL REFRACTORIES LIMITED**  
**PROXY FORM**

I/We.....

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

being a member/members 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 vote for me/us on my/our behalf at the Thirty <sup>Second</sup> ~~First~~ Annual General Meeting of the Company to be held on 30th day of September, 2009 and at any adjournment thereof.

Signature

Please  
affix 30  
Paise  
Revenue  
Stamp

**NILACHAL REFRACTORIES LIMITED**

Member/Proxy\*

(in Block letters)

Name of Proxy .....

(in Block letters, to be filled in if the Proxy attends instead of the Member)

No. of shares held .....

I hereby record my presence at the Annual General Meeting to be held on 30th day of September, 2009.

Signed this ..... day of ..... 2009.

Member's/Proxy's Signature \*\*

\* Delete whichever is not applicable

\*\* To be signed at the time of handing over this slip.

Note : 1 You are requested to sign and hand over this slip at the entrance of the meeting venue.



*If undelivered, please return to :*

**NILACHAL REFRACTORIES LIMITED**  
P/597, BJB Nagar, Lewis Road  
Bhubaneswar - 751 014

**BOOK POST**  
(PRINTED MATTER ONLY)

