

Auditors' Report

To the Board of Directors of
IFGL Refractories Limited

1. We have audited the attached Consolidated Balance Sheet of IFGL Refractories Limited (IFGL) and its subsidiaries (the IFGL Group), as at 31st March 2007, the Consolidated Profit and Loss Account for the year ended on that date and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto, all of which we have signed under reference to this report. These financial statements are the responsibility of the IFGL's management and have been prepared by the IFGL's 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 have 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 prepared in all material respects, in accordance with an identified financial reporting framework and are free of material mis-statement. 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. We did not audit the financial statements of the subsidiary companies, whose Financial Statements reflect total assets of Rs. 12,666.42 lacs as at 31st March 2007, the total revenue of Rs. 17,426.77 lacs and Cash Flows of Rs. (277.98) lacs for the year ended on that date. These financial statements and other financial information have been audited by other auditors except one overseas subsidiary, the financial statements of which reflect total assets of Rs. 311.00 lacs as at 31st March 2007, the total revenue of Rs. 1373.20 lacs and Cash Flows of Rs. (44.73) lacs for the year ended on that date, which was not audited but subject to analytical review by other auditors based on the records available and was also not considered material by the said auditors. The report of the other auditors has been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the aforesaid subsidiaries, is based solely on the report of other auditors.
4. We report that the consolidated financial statements have been prepared by the IFGL's management in accordance with the requirements of Accounting Standard 21 on "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.
5. Based on our audit and on consideration of report of other auditors referred to in paragraph 3 above on separate financial statements and 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 conformity with the accounting principles generally accepted in India :
 - (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the IFGL Group as at 31st March 2007;
 - (b) in the case of the Consolidated Profit and Loss Account, of the Profit for the year ended on that date; and
 - (c) in the case of the Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

P Law
Partner

Membership Number - 51790

For and on behalf of

PRICE WATERHOUSE

Chartered Accountants

Kolkata
10th May 2007

CONSOLIDATED BALANCE SHEET As at 31st March 2007

(Rs. in lacs)

Schedule	As at 31st March 2007		As at 31st March 2006	
SOURCES OF FUNDS				
Shareholders' Fund				
Capital	1	3,461.05		3,461.05
Reserves and Surplus	2	<u>4,382.98</u>	7,844.03	<u>2,440.26</u>
			9.82	5,901.31
Minority Interest				
				8.54
Loan Funds				
Secured Loans	3A	8,882.94		8,268.55
Unsecured Loans	3B	<u>609.29</u>	9,492.23	<u>646.91</u>
				8,915.46
Deferred Tax Liabilities (Net) (Note 13 on Schedule 14)				
			<u>480.88</u>	<u>485.33</u>
TOTAL			<u>17,826.96</u>	<u>15,310.64</u>
APPLICATIONS OF FUNDS				
Fixed Assets				
Gross Block	4	14,503.26		13,660.26
Less : Depreciation		<u>6,861.98</u>		6,248.05
Net Block		7,641.28		7,412.21
Capital Work-in-Progress		<u>568.47</u>	8,209.75	<u>4.04</u>
				7,416.25
Current Assets, Loans and Advances				
Inventories	5	4,020.74		3,651.56
Sundry Debtors	6	8,378.62		6,849.29
Cash and Bank Balances	7	1,198.69		1,206.84
Loans and Advances	8	1,288.15		789.73
		<u>14,886.20</u>		<u>12,497.42</u>
Less : Current Liabilities and Provisions				
Liabilities	9	4,458.54		3,685.12
Provisions		<u>810.45</u>		917.91
		<u>5,268.99</u>		<u>4,603.03</u>
Net Current Assets			<u>9,617.21</u>	<u>7,894.39</u>
TOTAL			<u>17,826.96</u>	<u>15,310.64</u>

NOTES ON ACCOUNTS

14

This is the Consolidated Balance Sheet referred to in our report of even date.

The Schedules referred to above form an integral part of the Consolidated Balance Sheet.

P Law
Partner

Membership Number - 51790

For and on behalf of

PRICE WATERHOUSE
Chartered Accountants

Kolkata

10th May 2007

R Agarwal
Company Secretary
P Bajoria
Director & Chief Executive
S K Bajoria
Managing Director

On behalf of the Board of Directors

CONSOLIDATED PROFIT AND LOSS ACCOUNT For the year ended 31st March 2007

(Rs. in lacs)

Schedule	Year ended 31st March 2007	Year ended 31st March 2006
INCOME		
Turnover (Gross)	33,223.42	23,930.93
Less : Excise Duty	953.93	858.59
Turnover (Net)	<u>32,269.49</u>	<u>23,072.34</u>
Income from Service Charge (Net)	0.25	10.39
Other Income	10	58.27
	<u>32,389.64</u>	<u>23,141.00</u>
EXPENDITURE		
(Increase)/Decrease in Finished Goods and Work-in-Progress	11 A	276.35
Raw Materials and Trading Goods	11 B	15,031.16
Manufacturing and Other Expenses	12	7,756.50
Payments and Provisions for Employees	13	4,405.31
Interest (Note 10 on Schedule 14)		700.05
Depreciation		573.92
Adjustments for items capitalised		(74.09)
	<u>28,669.20</u>	<u>(328.61)</u>
Profit before Tax and Minority Interest	3,720.44	2,830.19
Provision for Current Tax	1,124.60	933.76
Profit after Current Tax and before Deferred and Fringe Benefit Tax	2,595.84	1,896.43
Provision for Deferred Tax	(63.52)	(0.70)
Provision for Fringe Benefit Tax	27.00	37.00
Profit after Tax and before Minority Interest	2,632.36	1,860.13
Minority Interest	8.62	2.89
Profit after Tax and Minority Interest	2,623.74	1,857.24
Profit brought forward from previous year	2,188.51	1,138.09
Profit available for appropriation	4,812.25	2,995.33
Transferred to General Reserve	122.93	116.19
Proposed Dividend	605.68	605.68
Tax on Proposed Dividend	102.94	84.95
Balance carried to Balance Sheet	3,980.70	2,188.51
Earning Per Share		
Basic and Diluted (Rs.) (Note 6 on Schedule 14)	7.58	5.37

NOTES ON ACCOUNTS

14

This is the Consolidated Profit and Loss Account referred to in our report of even date.

The Schedules referred to above form an integral part of the Consolidated Profit and Loss Account

P Law

Partner

Membership Number - 51790

For and on behalf of

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Chartered Accountants

Kolkata

10th May 2007

R Agarwal

Company Secretary

P Bajoria

Director & Chief Executive

S K Bajoria

Managing Director

On behalf of the Board of Directors

CONSOLIDATED CASH FLOW STATEMENT For the year ended 31st March 2007

(Rs. in lacs)

	Year ended 31st March 2007	Year ended 31st March 2006
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit before tax and Minority Interest	3,720.44	2,830.19
Adjustments for :		
Depreciation and Amortisation	573.92	535.64
Interest Expenses (net)	700.05	323.84
Dividend Income	(1.41)	(3.12)
Liability no longer required written back	(11.14)	(38.15)
Profit on Redemption of Current Investment	(0.11)	0.09
Loss on Sale/Discard of Fixed Assets (net)	25.20	3.99
(Profit) on disposal of Subsidiary	(8.60)	—
Bad Debts/Advances written off	275.97	174.99
Unrealised Exchange Loss (Net)	83.57	164.43
Effect of change in Foreign Exchange Translation	(492.13)	(53.53)
	<u>1,145.32</u>	<u>1,108.18</u>
Operating Profit before Working Capital changes	4,865.76	3,938.37
Adjustments for :		
Trade and other Receivables	(1,130.49)	(4,096.04)
Inventories	114.68	(2,532.33)
Trade Payables	(114.60)	2,731.09
	<u>(1,130.41)</u>	<u>(3,897.28)</u>
Cash generated from Operations	3,735.35	41.09
Fringe Benefit Tax Paid	(26.25)	(37.53)
Interest Received on Income Tax Refund	1.38	2.18
Direct Taxes Paid - net	(1,212.22)	(835.35)
	<u>(1,237.09)</u>	<u>(870.70)</u>
Net Cash from/(used in) Operating Activities	2,498.26	(829.61)
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets	(1,065.45)	(5,598.28)
Proceeds from Sale of Fixed Assets	6.14	3.20
Part consideration received on disposal of investment in a step down subsidiary company (Refer Note 2 on Schedule 14)	63.92	—
Consideration for acquisition of step down subsidiary companies (Refer Note 3 on Schedule 14)	(803.92)	—
Proceeds from Sale of Current Investments	681.52	1,383.29
Purchase of Current Investments	(681.41)	(1,383.38)
Interest Received	19.99	14.01
Dividend Received	1.41	3.12
	<u>(1,777.80)</u>	<u>(5,578.04)</u>
Net Cash used in Investing Activities	(1,777.80)	(5,578.04)

CONSOLIDATED CASH FLOW STATEMENT (Contd.)

(Rs. in lacs)

	Year ended 31st March 2007	Year ended 31st March 2006
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Long Term Borrowings	—	8,232.37
Repayment of Long Term Borrowings	(1,278.50)	(440.00)
Proceeds from Short Term Borrowings	170.00	—
Repayment of Short Term Borrowings	(170.00)	—
Increase in Cash Credit facilities	1,796.12	754.51
Repayment of Deferred Sales Tax Loan	(29.45)	(78.18)
Interest Paid	(723.67)	(330.85)
Dividend Paid	(536.93)	(510.93)
Dividend Tax Paid	(84.95)	(72.81)
Dividend paid by a step down subsidiary company to Minority Shareholders	(7.34)	—
	(864.72)	7,554.11
Net Cash (used in)/from Financing Activities	(864.72)	7,554.11
D. EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN CURRENCY	119.71	—
Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C+D)	(24.55)	1,146.46
Cash and Cash Equivalents as at 31st March 2006 (Schedule 7)	1,206.84	60.38
Add : Taken over consequent upon acquisition of Subsidiary (Refer Note 3 on Schedule 14)	22.12	—
Less : Elimination on of disposal of Subsidiary (Refer Note 2 on Schedule 14)	(5.72)	—
	1,223.24	60.38
Cash and Cash Equivalents as at 31st March 2007 (Schedule 7)	1,198.69	1,206.84

Notes :

- (1) The above Consolidated Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard - 3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.
- (2) Refer Note 19 on Schedule 14

This is the Consolidated Cash Flow Statement referred to in our report of even date.

The Schedules referred to above form an integral part of the Consolidated Cash Flow Statement

P Law
Partner

Membership Number - 51790

For and on behalf of

PRICE WATERHOUSE
Chartered Accountants

Kolkata

10th May 2007

R Agarwal
Company Secretary
P Bajoria
Director & Chief Executive
S K Bajoria
Managing Director

On behalf of the Board of Directors

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET
(Rs. in lacs)

	As at 31st March 2007	As at 31st March 2006
1. CAPITAL		
AUTHORISED		
3,99,95,000 Equity Shares of Rs. 10/- each	3,999.50	3,999.50
500 Redeemable Preference Shares of Rs. 100/- each	0.50	0.50
	4,000.00	4,000.00
ISSUED, SUBSCRIBED AND PAID UP		
3,46,10,472 Equity Shares of Rs.10/- each, fully paid up	3,461.05	3,461.05

Notes : Of the above shares -

(1) 1,83,20,973 shares are held by Bajoria Holdings Private Limited, the Holding Company.

(2) 1,66,00,872 shares were allotted as fully paid up other than in cash, pursuant to a Scheme of Amalgamation.

2. RESERVES AND SURPLUS		
Capital Reserve	5.00	5.00
General Reserve		
At the commencement of the year	197.47	81.28
Add : Transfer from Profit and Loss Account	122.93	116.19
	320.40	197.47
Foreign Exchange Translation Adjustment Account		
At the commencement of the year	49.28	—
Add : Net additions during the year	27.60	49.28
	76.88	49.28
Profit and Loss Account	3,980.70	2,188.51
	4,382.98	2,440.26

3. LOAN FUNDS		
A. SECURED LOANS		
Cash Credit/Packing Credit/Demand Loan		
From State Bank of India (Note 1 below)	2,119.91	1,235.51
From ICICI Bank Ltd., UK (Note 2 below)	625.54	—
From Barclays Bank (Note 4 below)	298.07	—
Term Loan		
From State Bank of India (Note 3 below)	2,400.00	3,000.00
From ICICI Bank Ltd., UK (Note 2 below)	3,391.04	4,028.43
From Barclays Bank (Note 5 below)	47.91	—
Term Loan from Other Banks (Note 6 below)	0.47	4.61
	8,882.94	8,268.55

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)

(Rs. in lacs)

	As at 31st March 2007	As at 31st March 2006
3. B. UNSECURED LOANS		
From a Body Corporate	600.00	600.00
Interest accrued and due on unsecured loan	9.29	9.18
Deferred Sales Tax	—	37.73
	<u>609.29</u>	<u>646.91</u>

Notes :

- (1) Secured by hypothecation of stocks of raw materials, stock in process, finished goods, consumables, spares, stores, receivables and other liquid assets, merchandise covered under Letter of Credit and Counter Guarantee and by a second charge over all Fixed Assets of the Parent Company, including land and other immovable properties of erstwhile Indo Flogates Ltd., situated at Sector 'A' and 'B' of Kalunga Industrial Estate, near Rourkela.
- (2) The Term Loan and Cash Credit (Euro and US dollar currencies) from ICICI Bank U. K. Ltd. is secured by :
- Mortgage of movable and immovable assets.
 - Mortgage of movable and immovable assets of Mono Ceramics Inc., United States of America - a subsidiary of Monocon Overseas Limited (MOL).
 - Shortfall undertaking from IFGL Refractories Limited.
 - Pledge of IFGL Worldwide Holdings Limited (IWHL's) holding in IFGL Monocon Holdings Limited (IMHL).
 - Pledge of IMHL's holding in MIRL.
 - Pledge of MIRL's holding in MOL.
 - Non-disposal undertaking from IWHL for its holding in subsidiaries in China and Brazil.
- (3) Secured by first charge over all the Fixed Assets of parent Company, including land and other immovable properties of erstwhile Indo Flogates Ltd., situated at Sector 'A' and 'B' of Kalunga Industrial Estate, near Rourkela and by an extension of charge over the current assets.
- (4) Cash Credit from Barclays Bank is secured against debtors and inventory of Goricon Metallurgical Services Ltd.
- (5) Term Loan from Barclays Bank is secured against plant and machinery taken on hire purchase by Goricon Metallurgical Services Ltd.
- (6) Secured by hypothecation of vehicles purchased by the parent Company with the loans.

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)

(Rs. in lacs)

DESCRIPTION OF THE ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK					
	As at 01.04.06	Acquisition (Note 2 below)	Additions during the year	Deductions during the year	Exchange Difference	Total as at 31.03.07	As at 01.04.06	Acquisition (Note 2 below)	For the year	On Deductions	Exchange Difference	Total upto 31.03.07	As at 31.03.07	As at 01.04.06
TANGIBLE														
Land - Lease hold (Note 1 below)	34.76	—	—	—	—	34.76	1.29	—	0.44	—	—	1.73	33.03	33.47
- Freehold	129.07	—	—	—	12.03	141.10	—	—	—	—	—	—	141.10	129.07
Buildings	1,993.84	—	45.12	47.80	78.47	2,069.63	592.51	—	58.96	21.63	18.05	647.89	1,421.74	1,401.33
Plant and Machinery	7,083.39	439.67	343.81	494.96	79.95	7,451.86	4,389.05	330.29	427.58	351.90	60.77	4,855.79	2,596.07	2,694.34
Computers	357.39	—	23.01	42.16	21.09	359.33	300.89	—	26.65	40.37	19.14	306.31	53.02	56.50
Furniture and Fixtures	282.53	1.17	10.01	—	19.55	313.26	243.26	0.41	6.53	—	19.37	269.57	43.69	39.27
Equipments	80.73	24.26	4.08	—	(0.96)	108.11	56.87	20.00	5.46	—	(0.90)	81.43	26.68	23.86
Vehicles	163.75	—	27.15	24.09	3.10	169.91	77.08	—	15.54	16.30	3.08	79.40	90.51	86.67
Total : A	10,125.46	465.10	453.18	609.01	213.23	10,647.96	5,660.95	350.70	541.16	430.20	119.51	6,242.12	4,405.84	4,464.51
INTANGIBLE														
Goodwill arising on amalgamation	503.06	—	—	—	—	503.06	503.06	—	—	—	—	503.06	—	—
Goodwill arising on acquisition	—	7.39	—	—	(0.16)	7.23	—	—	—	—	—	—	7.23	—
Goodwill arising on consolidation	2,881.64	160.21	—	166.33	313.91	3,189.43	—	—	—	—	—	—	3,189.43	2,881.64
Computer Software	—	—	5.48	—	—	5.48	—	—	2.74	—	—	2.74	2.74	—
Technical Know-how (Note 3 below)	150.10	—	—	—	—	150.10	84.04	—	30.02	—	—	114.06	36.04	66.06
Total : B	3,534.80	167.60	5.48	166.33	313.75	3,855.30	587.10	—	32.76	—	—	619.86	3,235.44	2,947.70
GRAND TOTAL (A + B)	13,660.26	632.70	458.66	775.34	526.98	14,503.26	6,248.05	350.70	573.92	430.20	119.51	6,861.98	7,641.28	7,412.21
Previous Year :	5,403.62	7,205.84	1,063.82	13.02	—	13,660.26	3,034.59	2,683.92	535.64	6.10	—	6,248.05	568.47	4.04
Capital Work-in-Progress													8,209.75	7,416.25

Notes :

- (1) Acquired under a lease of 99 years with a renewal option.
- (2) Refer Note 3 on Schedule 14.
- (3) Technical know-how represents technical drawings, designs, etc. relating to manufacture of the Parent Company's products and acquired pursuant to various agreements conferring the right to usage only.

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)

(Rs. in lacs)

	As at 31st March 2007	As at 31st March 2006
5. INVENTORIES (At lower of cost and net realisable value)		
Stores and Spares	96.31	87.58
Raw Materials and Components	1,900.54	1,562.93
Raw Materials and Components in Transit	142.05	31.35
Work-in-Progress	421.03	299.74
Finished Goods		
- Manufactured Goods	1,251.22	1,440.64
- Trading Goods	67.36	74.58
Stock with third parties		
- Manufactured Goods	142.23	154.74
	<u>4,020.74</u>	<u>3,651.56</u>
6. SUNDRY DEBTORS (Unsecured)		
Debts outstanding for more than six months	348.56	345.24
Other Debts		
- Considered Good	8,030.06	6,504.05
- Considered Doubtful	159.30	—
	<u>8,537.92</u>	<u>6,849.29</u>
Less : Provision for Doubtful Debts	159.30	—
	<u>8,378.62</u>	<u>6,849.29</u>
7. CASH AND BANK BALANCES		
Cash in hand (includes cheques-in-hand Nil, Previous year - Rs.0.26)	18.57	11.11
With Scheduled Banks		
- On Current Accounts	979.84	718.80
- On Dividend Accounts	92.37	23.62
- On Fixed Deposit Accounts (as margin on Letter of Credit and Bank Guarantee)	40.00	406.09
Remittance in Transit	67.91	47.22
	<u>1,198.69</u>	<u>1,206.84</u>
8. LOANS AND ADVANCES (Unsecured, Considered Good)		
Advances recoverable in cash or in kind or for value to be received	688.24	376.83
Accrued Export benefits under DEPB Scheme	293.58	265.06
Balance with Customs and Excise Authorities	246.63	112.40
Other Deposits	59.70	34.91
Fringe Benefit Tax (Net of provision for Fringe Benefit Tax Rs. Nil, Previous year - Rs. 37.53)	Refer Schedule 9	0.53
Advance Tax/Tax Deducted at Source	Refer Schedule 9	Refer Schedule 9
	<u>1,288.15</u>	<u>789.73</u>

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)

(Rs. in lacs)

	As at 31st March 2007	As at 31st March 2006
9. CURRENT LIABILITIES AND PROVISIONS		
Liabilities -		
Sundry Creditors		
- For Goods	2,276.75	2,063.94
- For Expenses	1,849.05	1,460.39
Advance Received from Customers	1.21	17.75
Investor Education and Protection Fund shall be credited by Unpaid Dividend*	92.37	23.62
Other Liabilities	228.04	105.94
Interest accrued but not due on Loans	11.12	13.48
	<u>4,458.54</u>	<u>3,685.12</u>
Provisions -		
Taxation (Net of Advance Income Tax/Tax Deducted at Source)	91.36	178.97
Fringe Benefit Tax (Net of Advance Fringe Benefit Tax Rs. 63.78, Previous year - Rs. Nil)	0.22	Refer Schedule 8
Proposed Dividend	605.68	605.68
Tax on Proposed Dividend	102.94	84.95
Employee Benefits	10.25	48.31
	<u>810.45</u>	<u>917.91</u>
	<u>5,268.99</u>	<u>4,603.03</u>

* No amount is due as on 31st March 2007 for credit to Investor Education and Protection Fund.

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

(Rs. in lacs)

	Year ended 31st March 2007	Year ended 31st March 2006
10. OTHER INCOME		
Commission	0.62	0.25
Dividend from Mutual Funds	1.41	3.12
Profit/(Loss) on Sale/Redemption of Current Investments	0.11	(0.09)
Liabilities no longer required written back	11.14	38.15
Miscellaneous Income	106.62	16.84
	<u>119.90</u>	<u>58.27</u>
11A. INCREASE / DECREASE IN FINISHED GOODS AND WORK IN-PROGRESS		
Opening Work-in-Progress	299.74	178.66
Opening Finished Goods*	<u>1,791.09</u>	<u>1,387.85</u>
	2,090.83	1,566.51
Less : Closing Work-in-Progress	421.03	299.74
Closing Finished Goods	<u>1,393.45</u>	<u>1,595.38</u>
	276.35	(328.61)

* Includes Rs. 195.71 on acquisition of two step down subsidiaries referred to in Note 3 on Schedule 14.

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)

(Rs. in lacs)

	Year ended 31st March 2007	Year ended 31st March 2006
11B. RAW MATERIALS AND TRADING GOODS		
Raw Materials Consumed*	14,333.72	10,834.35
Opening Stock of Trading Goods	74.58	39.52
Add : Purchases of Trading Goods	<u>690.22</u>	<u>526.06</u>
	764.80	565.58
Less : Closing Stock of Trading Goods	<u>67.36</u>	<u>74.58</u>
	<u>697.44</u>	491.00
	<u>15,031.16</u>	<u>11,325.35</u>

* Net of Rs. 449.58 (Previous year - Rs. 559.84), being duty benefit pertaining to exports.

12. MANUFACTURING AND OTHER EXPENSES		
Consumable Stores and Spares	514.36	552.73
Power and Fuel	937.72	689.04
Repairs and Maintenance		
- Plant and Machinery	239.38	148.85
- Buildings	32.77	26.02
- Others	<u>65.85</u>	<u>37.09</u>
	338.00	211.96
Rent	203.84	63.40
Rates and Taxes	66.85	44.56
Insurance	208.52	150.14
Postage, Telephone, Telex etc.	151.91	36.79
Travelling and Conveyance	747.71	508.38
Packing and Material Handling Expenses	1,243.79	543.87
Delivery and Forwarding Expenses	1,165.54	697.31
Professional Fees	276.34	269.91
Processing Charges	145.55	114.68
Royalty	181.99	50.92
Commission	573.84	623.21
Service Charges	116.09	131.81
Directors' Sitting Fees	2.41	2.84
Foreign Exchange (Gain)/Loss (net)	(191.56)	228.88
Bad Debts/Advances written off	275.97	174.99
Loss on Sale/Discard of fixed assets (net)	25.20	3.99
Other Expenses	772.43	463.60
	<u>7,756.50</u>	<u>5,563.01</u>

13. PAYMENTS AND PROVISIONS FOR EMPLOYEES		
Salaries and Wages	4,028.71	2,591.62
Staff Welfare Expenses	204.43	126.75
Contribution to Provident and Other Funds	<u>172.17</u>	<u>173.21</u>
	<u>4,405.31</u>	<u>2,891.58</u>

14. NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS
(All figures are in Rs. in lacs)

1. a) Principles of Consolidation

The Consolidated Financial Statements comprise the financial statements of IFGL Refractories Limited (Parent Company) and its subsidiary companies (Group). The Consolidated Financial Statements are in conformity with Accounting Standard 21 on "Consolidated Financial Statements" issued by The Institute of Chartered Accountants of India and are prepared on the following basis :

- The financial statements of the Parent Company and its subsidiaries (listed below) have been combined on a line-by-line basis by adding together the book value of like items of assets, liabilities, income and expenses after adjustments/elimination of intra Group balances and intra Group transactions and resulting unrealised profits. Unrealised losses resulting from intra Group transactions are eliminated unless cost cannot be realised.
- The Consolidated Financial Statements are prepared by adopting uniform accounting policies for like transactions and other events in similar circumstances in all material respect, except as indicated in the Note 5 below, are presented to the extent possible, in the same manner as the Parent Company's separate Financial Statements.
- The excess of cost to the Parent Company of its investment in the subsidiaries (including step down subsidiaries) over parent's portion of equity of subsidiaries at the dates they become subsidiaries is recognised in the financial statements as goodwill. Goodwill arising on consolidation is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment loss.
- The translation of functional currencies into Indian Rupees (reporting currency) is performed for equity in foreign subsidiary, assets and liabilities using the closing exchange rate at the balance sheet date, for revenues, costs and expenses using average exchange rate prevailing during the year. The resultant exchange difference arising out of such translations is recognised as part of equity (Foreign Currency Translation Adjustment Account) by the Parent Company until the disposal of investment.
- Minority interest in the consolidated financial statements is identified and recognised after taking into consideration :
 - The amount of equity attributable to minorities at the date on which investment in subsidiary is made.
 - The minority's share of movement in equity since the date parent - subsidiary relationship came into existence.
 - Losses applicable to the minority in excess of the minority's interest, if any, in the subsidiary's equity are allocated against the interest of the Group.
- Monotec Refratarios Ltda, Tianjin Monocon Refractories Company Limited and Tianjin Monocon Aluminous Refractories Company Limited (step down subsidiaries), each has an accounting period end of 31st December 2006. These subsidiaries have been consolidated using the financial statements for the year ended on that date adjusted for management account movements to 31st March 2007.
- The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition/incorporation or up to the effective date of disposal as appropriate.

b) The subsidiaries (including step down subsidiaries) considered in the consolidated financial statements are :

Subsidiary	Country of Incorporation	Proportion of Ownership Interest	Accounting Year Ended
IFGL Worldwide Holdings Ltd. (IWHL)	Isle of Man	100%	31st March
Step down subsidiaries			
IFGL Monocon Holdings Limited (IMHL)	United Kingdom	100%	31st March
Monocon International Refractories Limited (MIRL)	United Kingdom	100%	31st March
Monocon Overseas Limited (MOL)	United Kingdom	100%	31st March
Mono Ceramics Inc (MCI)	United States of America	100%	31st March
Tianjin Monocon Refractories Company Limited (TMRCL)	Peoples Republic of China	100%	31st December
Monocon Taiwan Company Limited (MTCL) (Refer Note 2 below)	Taiwan	100%	31st March
Monotec Refratarios Ltda (MRL)	Brazil	95%	31st December
Goricon Metallurgical Services Limited (GMSL) (Refer Note 3 below)	United Kingdom	100%	31st March
Goricon LLC (GLLC) (Refer Note 3 below)	United States of America	100%	31st March
Tianjin Monocon Aluminous Refractories Company Limited (TMARCL) (Refer Note 4 below)	Peoples Republic of China	100%	31st December

14. NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS (Contd.)
(All figures are in Rs. in lacs)

2) During the year, one of the step down subsidiaries, divested 20,00,000 shares of NT\$ (New Taiwanese Dollar) 10, representing 100% stake in Monocon Taiwan Company Limited, a step down subsidiary company registered in Taiwan, under a share purchase agreement dated 6th March 2007.

3) During the year, the step down subsidiaries acquired 100% stake in Goricon Metallurgical Services Ltd. U.K. and Goricon LLC, U.S.A. The acquisitions were made on 15th December 2006.

4) During the year, Tianjin Monocon Aluminous Refractories Company Limited was incorporated on 8th August 2006, as a step down subsidiary of IFGL Worldwide Holdings Ltd., has been consolidated from 8th August 2006 to 31st March 2007.

5) Accounting policies for the Group are same as followed by the Parent Company as indicated in Note 1 on the Schedule 15 of Parent Company's Accounts for the year ended 31st March 2007, except as follows :

a) Fixed Assets of operating step down subsidiaries are depreciated under Straight Line Method over their estimated useful lives (being lower than the useful lives prescribed under Schedule XIV to the Companies Act, 1956 of India except in case of Buildings), as indicated below :

Building	50 years
Plant and Machinery	3 – 10 years
Fixtures and Fittings	1 – 10 years
Office Equipments	1 – 4 years
Computers	1 – 4 years
Motor Vehicles	4 years

Depreciation charge for the year and year-end accumulated depreciation pertaining to the aforesaid subsidiaries amount to Rs. 206.33 (Previous year - Rs. 124.35) and Rs. 3343.50 (Previous year - Rs. 2807.99) respectively.

Had the operating subsidiaries followed the depreciation rates under Straight Line Method prescribed under Schedule XIV to the Companies Act, 1956 of India, the amount by which the net depreciation charge would have been lower, is not ascertainable at this stage.

b) The Parent Company does not recognise surplus, if any, relating to defined benefit retirement plans. However, Goricon Metallurgical Services Ltd., U.K. a step down subsidiary, recognises such surplus [year end balance Rs. 209.61 (Previous year - Nil)] only to the extent it is recoverable.

6) Earning Per Share (EPS) - The numerators and denominators used to calculate Basic and Diluted EPS :

		2006-2007	2005-2006
Profit after Tax and Minority Interest attributable to the Equity shareholders	A	2623.74	1857.24
Basic/Weighted average of Equity Shares outstanding during the year (Nos.)	B	34,610,472	34,610,472
Diluted Potential Equity Shares		—	—
Nominal Value of each Equity Share (Rs.)		Rs.10	Rs.10
Basic/Diluted EPS (Rs.)	A/B	7.58	5.37
7) Estimated amounts of Capital Commitments (net of advances) outstanding as at 31st March 2007 and not provided for is Rs. 270.15 (Previous year - Rs. 58.77)			
8) Contingent Liabilities not provided for :			
a) Claims against the Company not acknowledged as debts :			
i) Sales Tax matter under appeal net of Rs. 5.49 [Previous year - Rs. 5.49] paid under protest]		56.70	56.70
ii) Excise Duty matters under dispute		0.50	0.50
iii) Others		4.40	4.40
iv) Mono Ceramics Inc (MCI) of United States of America, being one of the step down subsidiary companies, incurred a bad debt through its customer Bethlehem Steel Corporation Inc (BSC) going into "Chapter 11 bankruptcy" during the year 2001. Whole of the amount was provided for and written off. Lawyers of BSC's senior (secured) creditors have lodged a preference claim under the United States Bankruptcy Law for payment of sums paid to MCI during the 90 days period prior to bankruptcy by BSC. The payment amounts to approx. USD 1.00 million (approx Rs. 450 lacs). The claim has been defended by MCI's lawyers in United States of America. Said claim, according to the management, is not sustainable and, therefore, can be defended. Currently, the Directors consider it unlikely that the said claim will be payable.			

14. NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS (Contd.)

(All figures are in Rs. in lacs)

	2006-2007	2005-2006
9) Outstanding Bank Guarantees (net of margin money)	377.87	281.09
10) (a) Interest paid/payable is net of Interest Received [Tax Deducted at Source Rs. 0.43 (Previous year - Rs.0.12)], as detailed below :		
Interest on Bank Deposits	13.86	1.48
Interest on Customers' Overdue Bills	5.93	1.83
Interest from Employees and Others	0.20	10.70
Interest on Income Tax Refunds	1.38	2.18
Total	21.37	16.19

(b) Interest paid/payable includes interest on Fixed Loans during the year Rs. 486.95 (Previous year - Rs.264.59)

(c) No interest was capitalised during the year.

- 11) The Parent Company, in March 2004, withdrew its application for exemption under Para 39 of the Employees' Pension Scheme, 1995 (EPS, 95) pending with the Regional Provident Fund Commissioner (RPFC) at Rourkela. Subsequent thereto, from April 2004, the Parent Company has been depositing contributions under EPS, 95 with the RPFC. A sum of Rs. 81.72 lacs has been paid in earlier year to RPFC from the Parent Company's Superannuation Fund/Staff Provident Fund towards contribution (as estimated by the Parent Company) under EPS, 95 for the period 16th November 1995 to 31st March 2004 in respect of employees continuing in the Parent Company's employment as on 31 March 2004.

RPFC, however, demanded from the Parent Company the contribution under EPS, 95 in respect of all employees (both past and present) of the Parent Company for the period 16th November 1995 to 31st March 2004. The aforesaid amount of Rs. 81.72 is yet to be confirmed by the RPFC and the matter is pending.

- 12) Provision for Current Tax is net of Rs. Nil (Previous year - Rs. 43.04) written back in respect of earlier years.

- 13) The break up of Deferred Tax (Assets) and Liabilities at the year end into major components of the respective balances are :

Tax Impact of -		
Accrued expenses deductible when paid	(56.58)	(5.84)
Difference between tax depreciation and book depreciation	447.63	491.17
Other Items	89.83	—
Total	480.88*	485.33

*After considering net deferred tax liability of Rs. 41.09 (Previous year - Rs. Nil) arising on acquisition of two step down subsidiaries referred to in Note 3 above.

Note : Deferred tax charge for the year includes Rs 17.98 (Previous year - Rs. Nil) on account of exchange fluctuations due to re-statement of year end deferred tax assets and liabilities.

- 14) Related Party Disclosures in keeping with Accounting Standards - 18 issued by the Institute of Chartered Accountants of India.

a) List of Related Parties	
I) Where Control exists	
Holding Company	Bajoria Holdings Private Limited (BHPL)
II) Others	
Key Management Personnel	S K Bajoria (Managing Director) P Bajoria (Director & Chief Executive)
Relative of Key Management Personnel	B P Bajoria
Enterprises in which Key Management Personnel has significant influence	Heritage Health Services Private Limited (HHSPL) Coris Heritage Asia Pacific Private Limited (CHAPPL) Heritage Insurance Brokers Private Limited (HIBPL)

14. NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS (Contd.)

14) b) Particulars of Transactions during the year

(All figures are in Rs. in lacs)

Sl	Nature of Transactions	Holding Company	Key Management Personnel			Relative of Key Management Personnel	Enterprise in which a key management personnel has significant influence			
			BHPL	S K Bajoria	P Bajoria		Total	HHSPL	HIBPL	Others
i)	Rent for Office Premises	6.08 (6.08)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)
ii)	Maintenance Charges	10.89 (10.79)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)
iii)	Reimbursement of Expenses	13.39 (10.61)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)
iv)	Recovery of Expenses	0.50 (—)	— (—)	— (—)	— (—)	— (—)	5.86 (—)	3.28 (1.11)	0.48 (—)	9.62 (1.11)
v)	Interest Expense	51.10 (32.49)	— (—)	— (—)	— (—)	— (—)	— (—)	0.02 (—)	— (—)	0.02 (—)
vi)	Sitting Fees	— (—)	— (—)	— (—)	— (—)	0.40 (0.70)	— (—)	— (—)	— (—)	— (—)
vii)	Loan taken during the year	150.00 (815.00)	— (—)	— (—)	— (—)	— (—)	— (—)	20.00 (—)	— (—)	20.00 (—)
viii)	Loan repaid during the year	150.00 (215.00)	— (—)	— (—)	— (—)	— (—)	— (—)	20.00 (—)	— (—)	20.00 (—)
ix)	Director's Remuneration	— (—)	106.56 (117.85)	101.78 (112.00)	208.34 (229.85)	— (—)	— (—)	— (—)	— (—)	— (—)
	Total	381.96 (1,089.97)	106.56 (117.85)	101.78 (112.00)	208.34 (229.85)	0.40 (0.70)	5.86 (—)	43.30 (1.11)	0.48 (—)	49.64 (1.11)
	Year end Balances									
i)	Unsecured Loan	609.29 (609.46)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)
ii)	Loans and Advances	— (—)	— (—)	— (—)	— (—)	— (—)	— (0.02)	— (—)	0.33 (—)	0.33 (0.02)
iii)	Other Liabilities	— (—)	27.37 (26.21)	27.37 (26.21)	54.74 (52.42)	— (—)	— (—)	— (—)	— (—)	— (—)

Figures in brackets relate to previous year.

15) Segment Information for the year ended 31st March 2007 in accordance with AS - 17 issued by ICAI

(A) Primary Segment Reporting (by geographical location of operations)

i) **Composition of Geographical Segments** - The Group is predominantly a manufacturer and trader of Specialised Refractories and accordingly a single business segment Group. The Group has adopted the geographical location of its operations (where its products are produced or service rendering activities are based) as its primary segment with effect from this year and presented the related information accordingly together with corresponding figures for the previous year. The Group's production facilities have been segmented into India, Europe (United Kingdom), Asia excluding India (China and Taiwan) and Americas (USA and Brazil).

ii) **Inter Segment Transfer Pricing** - Inter Segment Prices are normally negotiated amongst the segments with reference to the costs, market prices and business risks, within an overall optimisation objective for the Group.

14. NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS (Contd.)

III) Segment Revenues, Result and Other Information.

(All figures are in Rs. in lacs)

	India	Europe	Asia Excluding India	Americas	Total of Reportable Segments
External Sales (Net of Excise Duty)	14,898.34 13,002.82	9,100.22 5,725.75	1,903.97 288.16	6,366.96 4,055.61	32,269.49 23,072.34
Inter Segment Sales	183.55 24.43	1,126.30 666.09	875.17 639.05	— —	2,185.02 1,329.57
Other Income	37.33 —	— —	— —	— —	37.33 —
Segment Revenues	15,119.22 13,027.25	10,226.52 6,391.84	2,779.14 927.21	6,366.96 4,055.61	34,491.84 24,401.91
Segment Result	2,955.60 2,483.92	767.01 1,197.42	593.42 62.91	207.62 28.15	4,523.65 3,772.40
Segment Assets	10,571.61 8,971.49	6,642.95 6,192.46	1,522.25 773.48	2,210.12 2,581.08	20,946.93 18,518.51
Segment Liabilities	2,097.73 1,713.38	2,327.72 2,671.04	422.35 362.02	298.72 377.00	5,146.52 5,123.44
Capital Expenditure (Net)	479.72 960.15	69.87 26.28	464.05 6.96	9.45 50.24	1,023.09 1,043.63
Depreciation	367.58 411.30	110.45 56.80	36.90 21.96	58.99 45.58	573.92 535.64
Non cash expenses other than depreciation	159.49 174.99	108.41 —	— —	8.07 —	275.97 174.99

IV) Reconciliation of Reportable Segments with the Financial Statements

	Revenues	Net Profit	Assets	Liabilities @
Total of Reportable Segments	34,491.84 24,401.91	4,523.65 3,772.40	20,946.93 18,518.51	5,146.52 5,123.44
Corporate - Unallocated (Net)/Adjustments	82.83 68.66	(103.16) (618.37)	2,149.02 1,395.16	10,095.58 8,880.38
Inter Segment Sales	(2,185.03) (1,329.57)	— —	— —	— —
Interest (net)	— —	(700.05) (323.84)	— —	— —
Provision for Taxation				
- Current	— —	(1,124.60) (933.76)	— —	— —
- Fringe Benefit	— —	(27.00) (37.00)	— —	— —
- Deferred	— —	63.52 0.70	— —	— —
As per Financial Statements	32,389.64 23,141.00	2,632.36 1,860.13 @@	23,095.95 19,913.67	15,242.10 14,003.82

@ Excluding Shareholders' Funds and Minority Interest.

@@ Profit after Taxation and before Minority Interest.

14. NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS (Contd.)
(All figures are in Rs. in lacs)

- V) Revenue from sales to external customers for customer based Geographical Segments.

	Total
India	6,427.90 5,620.66
United Kingdom	4,040.88 1,797.77
Europe other than United Kingdom	6,231.52 4,571.64
Asia Excluding India	4,008.62 3,337.63
Americas	7,434.78 4,946.99
Others	4,125.79 2,797.65
Total Sales	32,269.49 23,072.34

Figures in Bold type relate to current year.

- 16) The carrying amount of Net Assets and results of the Subsidiary Companies, as referred to in Note 3 and Note 4 above, from the date of Acquisition/Incorporation are as under :

	GMSL As at 31st March 2007	GLLC As at 31st March 2007	TMARL As at 31st March 2007
Carrying Amount of Net Assets	546.73	16.77	443.47
	From date of acquisition to 31st March 2007	From date of acquisition to 31st March 2007	From date of incorporation to 31st March 2007
Net Profit/(Loss)	(80.83)	13.72	Nil

- 17) The effect of disposal of Group's Investment in a step down subsidiary, as referred to in Note 2 above, on the year end financial position, the results for the year and together with the corresponding amounts for the preceding year are set out below :

	As at 31st March 2006	As on the date of Disposal
Carrying Amount of Net Assets	255.78	310.99
Profit on disposal of subsidiary	—	8.60
Sale Consideration	—	319.59
	For the year 2005-06	Upto the date of disposal
Net Profit/(Loss)	(29.87)	32.93

14. NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS (Contd.)
(All figures are in Rs. in lacs)
18) Operating Lease Commitments

- a) The Group entered into various non-cancelable operating lease agreements in connection with certain Properties, Plant and Equipment and Vehicles. Tenure of lease generally varies between 1 and 3 years. Terms of the lease includes operating term of renewal, increase in rent in future periods, terms of cancellation, etc. The future minimum lease commitments of the Group are as follows :

	As at 31st March 2007	As at 31st March 2006
Within 1 year	221.26	102.50
More than 1 year up to 5 years	236.60	77.60
More than 5 years	4.06	—
Total	<u>461.92</u>	<u>180.10</u>

Lease rentals recognised in this Profit and Loss Account amount to Rs. 197.76 (Previous year - Rs.57.32.)

- b) The Group has also entered into non-cancelable operating lease agreements in connection with certain office spaces. Tenure of lease is for a period of 3 years. Terms of the lease include operating terms of renewal, re-imbursement of maintenance charges, increase in future maintenance charges, etc. The future minimum lease commitments of the Company is as follows :

	As at 31st March 2007	As at 31st March 2006
Within 1 year	6.08	6.08
More than 1 year up to 5 years	3.04	9.12
Total	<u>9.12</u>	<u>15.20</u>

Lease rentals recognised in this Profit and Loss account amount to Rs. 6.08 (Previous year - Rs.6.08)

- 19) Previous years figures have been re-grouped/re-arranged wherever necessary. However, in view of inclusion of subsidiaries with effect from the date of acquisition i.e. 24th August 2005 for the purpose of consolidated financial statements (figures for the previous year are not comparable with those of the current year.)

Signatures to Schedules 1 to 14

On behalf of the Board of Directors

 Kolkata
10th May 2007

R Agarwal
Company Secretary

P Bajoria
Director & Chief Executive

S K Bajoria
Managing Director