

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 2008, 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. 12,565.30 lacs as at 31st March 2008, the total revenue of Rs. 21,174.69 lacs and cash flows of Rs. (217.26) 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. 307.44 lacs as at 31st March 2008, the total revenue of Rs. 1,515.33 lacs and cash flows of Rs. (29.30) 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 2008;
 - (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.

S K Deb
Partner

Membership Number - 13390

For and on behalf of

PRICE WATERHOUSE

Chartered Accountants

Kolkata
7th May 2008



CONSOLIDATED BALANCE SHEET As at 31st March 2008

(Rs. in lacs)

	Schedule	As at 31st March 2008	As at 31st March 2007
SOURCES OF FUNDS			
Shareholders' Fund			
Capital	1	3,461.05	3,461.05
Reserves and Surplus	2	<u>6,225.86</u>	<u>4,382.98</u>
		9,686.91	7,844.03
Minority Interest		9.58	9.82
Loan Funds			
Secured Loans	3A	8,117.10	8,882.94
Unsecured Loans	3B	<u>575.00</u>	<u>609.29</u>
		8,692.10	9,492.23
Deferred Tax Liabilities (Net) (Note 10 on Schedule 14)		406.40	480.88
TOTAL		<u>18,794.99</u>	<u>17,826.96</u>
APPLICATIONS OF FUNDS			
Fixed Assets			
Gross Block	4	14,559.32	14,503.26
Less : Depreciation		<u>6,865.96</u>	<u>6,861.98</u>
Net Block		7,693.36	7,641.28
Capital Work-in-Progress		<u>462.42</u>	<u>568.47</u>
		8,155.78	8,209.75
Current Assets, Loans and Advances			
Inventories	5	4,735.93	4,020.74
Sundry Debtors	6	10,014.84	8,378.62
Cash and Bank Balances	7	770.57	1,198.69
Loans and Advances	8	<u>1,521.91</u>	<u>1,288.15</u>
		17,043.25	14,886.20
Less : Current Liabilities and Provisions	9		
Liabilities		5,385.78	4,458.54
Provisions		<u>1,018.26</u>	<u>810.45</u>
		6,404.04	5,268.99
Net Current Assets		<u>10,639.21</u>	<u>9,617.21</u>
TOTAL		<u>18,794.99</u>	<u>17,826.96</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 Balance Sheet.

S K Deb
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Membership Number - 13390
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants
Kolkata
7th May 2008

On behalf of the Board of Directors

R Agarwal
Company Secretary

P Bajoria
Director & Chief Executive

S K Bajoria
Managing Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT For the year ended 31st March 2008

(Rs. in lacs)

	Schedule	Year ended 31st March 2008	Year ended 31st March 2007
INCOME			
Turnover (Gross)		39,263.99	33,223.42
Less : Excise Duty		1,463.25	953.93
Turnover (Net)		37,800.74	32,269.49
Other Income	10	179.07	119.90
		37,979.81	32,389.39
EXPENDITURE			
(Increase)/Decrease in Finished Goods and Work in-Progress	11 A	(183.06)	276.35
Raw Materials and Trading Goods	11 B	18,574.49	15,031.16
Manufacturing and Other Expenses	12	9,236.76	7,756.25
Payments and provisions for Employees	13	4,874.31	4,405.31
Interest (Note 9 on Schedule 14)		816.16	700.05
Depreciation		631.78	573.92
Adjustments for items capitalised		(59.40)	(74.09)
		33,891.04	28,668.95
Profit before Tax and Minority Interest		4,088.77	3,720.44
Provision for Current Tax		1,263.77	1,124.60
Profit after Current Tax and before Deferred and Fringe Benefit Tax		2,825.00	2,595.84
Provision for Deferred Tax		(63.47)	(63.52)
Provision for Fringe Benefit Tax		32.32	27.00
Profit after Tax and before Minority Interest		2,856.15	2,632.36
Minority Interest		7.38	8.62
Profit after Tax and Minority Interest		2,848.77	2,623.74
Profit brought forward from previous year		3,980.70	2,188.51
Profit available for appropriation		6,829.47	4,812.25
Transferred to General Reserve		126.39	122.93
Proposed Dividend		692.21	605.68
Tax on Proposed Dividend		117.64	102.94
		936.24	831.55
Balance carried to Balance Sheet		5,893.23	3,980.70
Earning per Share			
Basic and Diluted (Rs.)		8.23	7.58
(Note 4 on Schedule 14)			
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 Profit and Loss Account.

S K Deb
Partner

Membership Number - 13390

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PRICE WATERHOUSE
Chartered Accountants

Kolkata

7th May 2008

R Agarwal
Company Secretary
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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 2008

(Rs. in lacs)

	Year ended 31st March 2008	Year ended 31st March 2007
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit before tax and Minority Interest	4,088.77	3,720.44
Adjustments for :		
Depreciation and Amortisation	631.78	573.92
Interest Expenses (net)	816.16	700.05
Dividend Income	—	(1.41)
Liability no longer required written back	(98.37)	(11.14)
Profit on Redemption of Current Investment	—	(0.11)
(Profit)/loss on Sale/Discard of Fixed Assets (net)	(34.07)	25.20
(Profit) on disposal of a step down Subsidiary	—	(8.60)
Bad Debts/Advances written off	65.56	275.97
Unrealised Exchange Loss (Net)	231.80	83.57
Effect of change in Foreign Exchange Translation	192.38	(492.13)
	<u>1,805.24</u>	<u>1,145.32</u>
	5,894.01	4,865.76
Operating Profit before Working Capital changes		
Adjustments for :		
Trade and other Receivables	(1,958.42)	(1,130.49)
Inventories	(715.19)	114.68
Trade Payables	817.44	(114.60)
	<u>(1,856.17)</u>	<u>(1,130.41)</u>
Cash generated from Operations	4,037.84	3,735.35
Fringe Benefit Tax Paid	(29.83)	(26.25)
Interest Received on Income Tax Refund	1.02	1.38
Direct Taxes paid - Net	(1,158.47)	(1,212.22)
	<u>(1,187.28)</u>	<u>(1,237.09)</u>
Net Cash from Operating Activities	2,850.56	<u>2,498.26</u>
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets	(943.87)	(1,065.45)
Proceeds from Sale of Fixed Assets	65.60	6.14
Part consideration received on disposal of investment in a step down subsidiary company	238.07	63.92
Consideration for acquisition of step down subsidiary companies	—	(803.92)
Proceeds from Sale of Current Investments	—	681.52
Purchase of Current Investments	—	(681.41)
Interest Received	26.50	19.99
Dividend Received	—	1.41
	<u>(613.70)</u>	<u>(1,777.80)</u>
Net Cash used in Investing Activities	(613.70)	<u>(1,777.80)</u>

CONSOLIDATED CASH FLOW STATEMENT (Contd.)
(Rs. in lacs)

	Year ended 31st March 2008	Year ended 31st March 2007
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Long Term Borrowings	490.00	—
Repayment of Long Term Borrowings	(1,342.70)	(1,278.50)
Proceeds from Short Term Borrowings	300.00	170.00
Repayment of Short Term Borrowings	(325.00)	(170.00)
Increase in Cash Credit facilities	(101.97)	1,796.12
Repayment of Deferred Sales Tax Loan	—	(29.45)
Interest Paid	(868.06)	(723.67)
Dividend Paid	(656.00)	(536.93)
Dividend Tax Paid	(102.94)	(84.95)
Dividend paid by a step down subsidiary company to Minority Shareholders	(7.63)	(7.34)
	(2,614.30)	(864.72)
Net Cash used in Financing Activities	(2,614.30)	(864.72)
D. EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN CURRENCY	(50.68)	119.71
Net Decrease in Cash and Cash Equivalents (A+B+C+D)	(428.12)	(24.55)
Cash and Cash Equivalents as at 31st March 2007 (Schedule 7)	1,198.69	1,206.84
Add : Taken over consequent upon acquisition of Subsidiary	—	22.12
Less : Elimination on of disposal of Subsidiary	—	(5.72)
	1,198.69	1,223.24
Cash and Cash Equivalents as at 31st March 2008 (Schedule 7)	770.57	1,198.69

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) Previous year's figures have been re-grouped / re-arranged wherever necessary.

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

S K Deb
Partner

Membership Number - 13390

For and on behalf of

PRICE WATERHOUSE
Chartered Accountants

Kolkata

7th May 2008

R Agarwal
Company Secretary
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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 2008	As at 31st March 2007
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
2. RESERVES AND SURPLUS		
Capital Reserve	5.00	5.00
General Reserve		
At the commencement of the year	320.40	197.47
Add : Transfer from Profit and Loss Account	126.39	122.93
	446.79	320.40
Foreign Exchange Translation Adjustment Account		
At the commencement of the year	76.88	49.28
Add : Net (deletion)/additions during the year	(196.04)	27.60
	(119.16)	76.88
Profit and Loss Account	5,893.23	3,980.70
	6,225.86	4,382.98
3. LOAN FUNDS		
A. SECURED LOANS		
Cash Credit/Packing Credit		
From State Bank of India (Note 1 below)	2,473.43	2,119.91
From ICICI Bank Ltd., UK (Note 2 below)	104.69	625.54
From Barclays Bank (Note 4 below)	—	298.07
From HSBC Bank (Note 7 below)	400.36	—
Term Loan		
From State Bank of India		
- Term Loan I (Note 3 below)	1,800.00	2,400.00
- Term Loan II (Note 8 below)	490.00	—
From ICICI Bank Ltd., UK (Note 2 below)	2,812.64	3,391.04
From Barclays Bank (Note 5 below)	35.98	47.91
Term Loan from other Banks (Note 6 below)	—	0.47
	8,117.10	8,882.94

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

	As at 31st March 2008	As at 31st March 2007
3. LOAN FUNDS		
B. UNSECURED LOANS		
From a body corporate	575.00	600.00
Interest accrued and due on unsecured loan	—	9.29
	<u>575.00</u>	<u>609.29</u>

Notes :

- (1) Secured by hypothecation of stock of raw materials, stock in process, finished goods, consumables, spares, stores, receivables and other liquid assets, merchandise covered under Letter of Credits and Counter Guarantees ranking pari pasu with charge to be created in favour of Hongkong and Shanghai Banking Corporation Limited for Rs. 1,000 and by a second charge over all fixed assets of the Parent Company, including land and other immovable properties, situated at Sectors 'A' and 'B' of Kalunga Industrial Estate, near Rourkela.
- (2) 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 (including intangibles) of Monocon International Refractories Limited, UK (MIRL).
 - 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 the Parent Company, including land and other immovable properties, situated at Sectors '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 mortgage of movable and immovable assets of Goricon Metallurgical Services Limited (GMSL).
- (5) Term Loan from Barclays Bank is secured against plant and machinery taken on hire purchase by GMSL.
- (6) Secured by hypothecation of vehicles purchased by the Parent Company with the loans.
- (7) To be secured by charge for Rs. 1,000 on the current assets of the Company ranking pari pasu with that created in favour of State Bank of India and by second charge for Rs. 1,000 on all Fixed Assets of the Company.
- (8) Secured by first charge over Plant and Machinery and other fixed assets acquired/to be acquired for the Expansion Project.

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)
4. FIXED ASSETS
(Rs. in lacs)

DESCRIPTION OF THE ASSETS	GROSS BLOCK				DEPRECIATION			NET BLOCK					
	As at 01.04.07	Acquisition during the year	Additions during the year	Deductions during the year	Exchange Difference	Total as at 31.03.08	As at 01.04.07	For the year	On Deductions	Exchange Difference	Total upto 31.03.08	As at 31.03.08	As at 01.04.07
TANGIBLE													
Land - Lease hold (Note 1 below)	34.76	—	—	—	—	34.76	1.74	0.43	—	—	2.17	32.59	33.02
- Freehold	141.09	—	—	—	(10.26)	130.83	—	—	—	—	—	130.83	141.09
Buildings	2,069.63	—	135.88	—	(90.78)	2,114.73	647.89	53.67	—	(26.92)	674.64	1,440.09	1,421.74
Plant and Machinery (Note 3 below)	7,451.87	—	827.46	376.89	(199.09)	7,703.35	4,855.79	473.71	353.73	(160.29)	4,815.48	2,887.87	2,596.08
Computers	359.33	—	20.16	0.94	(19.47)	359.08	306.31	33.69	—	(18.19)	321.81	37.27	53.02
Furniture and Fixtures	313.26	—	5.66	3.35	(15.40)	300.17	269.57	8.40	3.23	(14.63)	260.11	40.06	43.69
Equipments	108.11	—	14.02	21.14	(3.89)	97.10	81.43	7.68	20.09	(3.37)	65.65	31.45	26.68
Vehicles	169.91	—	59.48	30.09	(3.92)	195.38	79.40	14.08	23.83	(3.60)	66.05	129.33	90.51
Total - A	10,647.96	—	1,062.66	432.41	(342.81)	10,935.40	6,242.13	591.66	400.88	(227.00)	6,205.91	4,729.49	4,405.83
INTANGIBLE													
Goodwill arising on amalgamation	503.06	—	—	—	—	503.06	503.06	—	—	—	503.06	—	—
Goodwill arising on acquisition	7.23	—	—	—	(0.53)	6.70	—	6.62	—	0.08	6.70	—	7.23
Goodwill arising on consolidation	3,189.43	—	—	—	(232.33)	2,957.10	—	—	—	—	—	2,957.10	3,189.43
Computer Software	5.48	—	1.48	—	—	6.96	2.74	3.48	—	—	6.22	0.74	2.74
Technical Know-how (Note 2 below)	150.10	—	—	—	—	150.10	114.05	30.02	—	—	144.07	6.03	36.05
Total - B	3,855.30	—	1.48	—	(232.86)	3,623.92	619.85	40.12	—	0.08	660.05	2,963.87	3,235.45
GRAND TOTAL (A + B)	14,503.26	—	1,064.14	432.41	(575.67)	14,559.32	6,861.98	631.78	400.88	(226.92)	6,865.96	7,693.36	7,641.28
Previous Year	13,660.26	632.70	458.66	775.34	526.98	14,503.26	6,248.05	573.92	430.20	119.51	6,861.98	462.42	568.47
Capital Work in Progress												8,155.78	8,209.75

Notes :

- (1) Acquired under a lease of 99 years with a renewal option.
- (2) 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.
- (3) The gross block and net block of plant and machinery includes an amount of Rs. 54.23 (Previous year - Rs. 58.49) and Rs. 40.00 (Previous year - Rs. 51.91) respectively in respect of assets held under Hire Purchase Contract.

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

	As at 31st March 2008	As at 31st March 2007
5. INVENTORIES (At lower of cost and net realisable value)		
Stores and Spares	160.57	112.15
Raw Materials and Components	2,434.03	1,884.70
Raw Materials and Components in Transit	63.12	142.05
Work-in-Progress	512.42	421.03
Finished Goods		
- Manufactured Goods	1,255.52	1,251.22
- Trading Goods	80.67	67.36
Stock with third parties		
- Manufactured Goods	229.60	142.23
	<u>4,735.93</u>	<u>4,020.74</u>
6. SUNDRY DEBTORS (Unsecured)		
Debts outstanding for more than six months	435.68	348.56
Other Debts		
- Considered Good	9,579.16	8,030.06
- Considered Doubtful	80.64	159.30
	<u>10,095.48</u>	<u>8,537.92</u>
Less : Provision for Doubtful Debts	80.64	159.30
	<u>10,014.84</u>	<u>8,378.62</u>
7. CASH AND BANK BALANCES		
Cash in hand	8.87	18.57
With Scheduled Banks		
- On Current Accounts	648.60	979.84
- On Dividend Accounts	42.06	92.37
- On Fixed Deposit Accounts (as margin on Letter of Credit and Bank Guarantee)	43.98	40.00
Remittance in Transit	27.06	67.91
	<u>770.57</u>	<u>1,198.69</u>
8. LOANS AND ADVANCES (Unsecured, Considered Good)		
Advances recoverable in cash or in kind or for value to be received	565.08	688.24
Accrued Export benefits under DEPB Scheme	505.01	293.58
Balance with Customs and Excise Authorities	362.90	246.63
Other Deposits	88.92	59.70
Fringe Benefit Tax	Refer Schedule 9	Refer Schedule 9
Advance Tax/Tax Deducted at Source	Refer Schedule 9	Refer Schedule 9
	<u>1,521.91</u>	<u>1,288.15</u>

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

(Rs. in lacs)

	As at 31st March 2008		As at 31st March 2007	
9. CURRENT LIABILITIES AND PROVISIONS				
Liabilities -				
Outstanding dues of small, medium and micro enterprises for Goods* (Note 12 on Schedule 14)	180.13		119.55	
Others				
- For Goods	2,526.62		2,157.20	
- For Expenses	2,363.65		1,849.05	
Advance Received from Customers	11.07		1.21	
Investor Education and Protection Fund shall be credited by Unpaid Dividend**	42.06		92.37	
Other Liabilities	262.25		228.04	
Interest accrued but not due on Loans	—	5,385.78	11.12	4,458.54
Provisions -				
Taxation (Net of Advance Income Tax/Tax Deducted at Source Rs. 2,424.27, Previous year - Rs. 2,355.90)	196.44		91.36	
Fringe Benefit Tax (Net of Advance Fringe Benefit Tax Rs. 93.62, Previous year - Rs. 63.78)	2.70		0.22	
Proposed Dividend	692.21		605.68	
Tax on Proposed Dividend	117.64		102.94	
Employee Benefits	9.27	1,018.26	10.25	810.45
		6,404.04		5,268.99

* Previous year figure re-grouped for small, medium and micro enterprises identified during the current year based on information available with the Company.

** No amount is due as on 31st March 2008 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 2008		Year ended 31st March 2007	
10. OTHER INCOME				
Commission	2.18		0.62	
Dividend from Mutual Funds	—		1.41	
Profit/(Loss) on Sale/Redemption of Current Investments	—		0.11	
Liabilities no longer required written back	98.37		11.14	
Bad Debt Recovery	29.79		—	
Miscellaneous Income	48.73		106.62	
		179.07		119.90
11A. (INCREASE)/DECREASE IN FINISHED GOODS AND WORK IN-PROGRESS				
Opening Work-in-Progress	421.03		299.74	
Opening Finished Goods	1,393.45	1,814.48	1,791.09	2,090.83
Less : Closing Work-in-Progress	512.42		421.03	
Closing Finished Goods	1,485.12	1,997.54	1,393.45	1,814.48
		(183.06)		276.35

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT (Contd.)

(Rs. in lacs)

	Year ended 31st March 2008	Year ended 31st March 2007
11B. RAW MATERIALS AND TRADING GOODS		
Raw Materials Consumed*	17,428.90	14,333.72
Opening Stock of Trading Goods	67.36	74.58
Add : Purchases of Trading Goods	<u>1,158.90</u>	<u>690.22</u>
	1,226.26	764.80
Less : Closing Stock of Trading Goods	<u>80.67</u>	<u>67.36</u>
	<u>1,145.59</u>	<u>697.44</u>
	<u>18,574.49</u>	<u>15,031.16</u>
* Net of Rs. 798.61 (Previous year - Rs. 449.58), being duty benefit pertaining to exports.		
12. MANUFACTURING AND OTHER EXPENSES		
Consumable Stores and Spares	625.15	514.36
Power and Fuel	1,048.71	937.72
Repairs and Maintenance		
- Plant and Machinery	223.21	239.38
- Buildings	35.69	32.77
- Others	<u>80.37</u>	<u>65.85</u>
	339.27	338.00
Rent	259.37	203.84
Rates and Taxes	64.84	66.85
Insurance	181.80	208.52
Postage, Telephone, Telex etc.	161.25	151.91
Travelling and Conveyance	792.19	747.71
Packing and Material Handling Expenses	1,628.50	1,243.79
Delivery and Forwarding Expenses	1,393.03	1,165.54
Professional Fees	282.45	276.34
Processing Charges	158.38	145.55
Royalty	152.78	181.99
Commission	802.36	573.84
Service Charges	241.93	116.09
Directors' Sitting Fees	2.16	2.41
Foreign Exchange (Gain)/Loss (net) (Note 11 on Schedule 14)	234.06	(191.56)
Bad Debts/Advances written off	65.56	275.97
Loss on Sale/Discard of fixed assets (net)	(34.07)	25.20
Other Expenses	<u>837.04</u>	<u>772.18</u>
	<u>9,236.76</u>	<u>7,756.25</u>
13. PAYMENTS AND PROVISIONS FOR EMPLOYEES		
Salaries and Wages	4,397.39	4,021.60
Staff Welfare Expenses	171.12	200.53
Contribution to Provident and Other Funds		
- Gratuity Fund	20.00	25.00
- Provident Fund and Employees Pension Schemes	180.64	94.97
- Superannuation Fund	43.57	42.55
- Leave Encashment	2.62	0.68
- Employees State Insurance Fund etc.	<u>58.97</u>	<u>19.98</u>
	305.80	183.18
	<u>4,874.31</u>	<u>4,405.31</u>

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

1. These Consolidated Financial Statements (CFS) are prepared to comply in all material aspects with all applicable accounting principles in India, the applicable accounting standards notified under Section 211(3C) of the Companies Act, 1956 and other relevant provisions of the Companies Act, 1956.

2. a) Principles of Consolidation

The CFS 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" notified under Section 211(3C) of the Companies Act, 1956 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 CFS 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 3 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 2007. These subsidiaries have been consolidated using the financial statements for the year ended on that date adjusted for management account movements to 31st March 2008.

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 Limited (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 (TMRL)	Peoples Republic of China	100%	31st December
Monotec Refratarios Ltda (MRL)	Brazil	95%	31st December
Goricon Metallurgical Services Limited (GMSL)	United Kingdom	100%	31st March
Goricon LLC (GLLC)	United States of America	100%	31st March
Tianjin Monocon Aluminous Refractories Company Limited (TMARL)	Peoples Republic of China	100%	31st December

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

3. 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 2008, 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. 217.77 (Previous year - Rs. 206.33) and Rs. 2,939.44 (Previous year - Rs. 3,343.50) 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.

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

		2007-2008	2006-2007
Profit after Tax and Minority Interest attributable to the Equity shareholders	A	2,848.77	2,623.74
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.)		10	10
Basic/Diluted EPS (Rs.)	A/B	8.23	7.58
5. Estimated amounts of Capital Commitments (net of advances) outstanding as at 31st March 2008 and not provided for is Rs. 24.09 (Previous year - Rs. 270.15)			
6. 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]		44.06	56.70
ii) Income Tax matters under dispute		15.88	—
iii) Excise Duty matters under dispute		—	0.50
iv) Others (Water Tax)		4.40	4.40
7. Outstanding Bank Guarantees (net of margin money)			
		363.79	377.87

8. 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 has been paid in earlier year to RPFC from the Parent Company's Superannuation 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 has however, demanded contribution also for persons who ceased to be employees of the Parent Company in said period.

RPFC had raised a demand of Rs. 27.26 in March 1998 on the Parent Company towards contribution under EPS, 95 for the period 16th November 1995 to 31st January 1998, which has been stayed by the Hon'ble Orissa High Court in a petition filed before them by the Parent Company. The matter continues to be sub-judice and pending before the aforesaid Hon'ble Orissa High Court.

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

	2007-2008	2006-2007
9. (a) Interest paid/payable is net of Interest Received [Tax Deducted at Source Rs. 0.22 (Previous year - Rs. 0.43)], as detailed below :		
Interest on Bank Deposits	18.59	13.86
Interest on Customers' Overdue Bills	9.58	5.93
Interest from Employees and Others	2.58	0.20
Interest on Income Tax Refunds	1.02	1.38
Total	31.77	21.37

(b) Interest paid/payable includes interest on Fixed Loans during the year Rs. 508.96 (Previous year - Rs. 486.95)

(c) No interest was capitalised during the year.

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

	2007-2008	2006-2007
Tax Impact of -		
Accrued expenses deductible when paid	(31.69)	(56.58)
Difference between tax depreciation and book depreciation	382.63	447.63
Other Items	55.46	89.83
Total	406.40	480.88 *

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

Note : Deferred tax charge for the year includes Rs. 11.01 (Previous year - Rs. 17.98) on account of exchange fluctuations due to re-statement of year end deferred tax assets and liabilities.

11. The Group enters into specific derivative contracts as part of its overall strategy to manage the level of exposure to fluctuations in foreign currencies to mitigate or offset the risk that arises from its normal business activity. The Company recognises mark to market loss on outstanding derivative transactions entered into by the Company against its underlying foreign currency related exposures.

Exchange (gain)/loss as disclosed in Schedule 12 comprises of :

Particulars	2007-2008	2006-2007
Year end reinstatement of Foreign Currency Receivables/Payables	(35.79)	89.41
Realised (Gains)/Losses (Net)	2.14	(280.97)
Mark to Market loss on Derivatives	267.71	—
Total	234.06	(191.56)

12. Balance including interest thereon due to Micro and Small Enterprises as defined under The Micro, Small and Medium Enterprises Development Act, 2006 (as identified based on the available confirmations) is Rs. 180.13 (Previous year - Rs. 119.55). No interest has been paid during the year. The amount of interest payable for the period of delay in making payment beyond the appointed day is Rs. 3.83 (Previous year - Rs. 1.40) and interest accrued and remaining unpaid at the year end is Rs. 3.83 (Previous year - Rs. 1.80)

14. NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS (Contd.)
(All figures are in Rs. in lacs)
13. Related Party Disclosures of Parent Company 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)
Fellow Subsidiaries	<ul style="list-style-type: none"> ● Heritage Health Services Private Limited (HHSPL) ● Bajoria Financial Services Private Limited (BFSPL) ● IFGL Bio Ceramics Limited (IFGL BCL) ● Ganges Art Gallery Private Limited (GAGPL)
II) Others	
Key Management Personnel	S K Bajoria (Managing Director) P Bajoria (Director & Chief Executive)
Relative of Key Management Personnel	B P Bajoria, father of S K Bajoria
Enterprises in which Key Management Personnel has significant influence	Coris Heritage Asia Pacific Private Limited (CHAPPL) Heritage Insurance Brokers Private Limited (HIBPL)

(b) Particulars of Transactions during the year

Sl	Nature of Transactions	Holding Company				Fellow Subsidiaries			Key Management Personnel			Relative of Key Management Personnel		Enterprise in which a key management personnel has significant influence		
		BHPL	HHSPL	IFGL	BCL	Total	S K Bajoria	P Bajoria	Total	HIBPL	CHAPPL	Total				
i)	Sale of Finished Goods	-	-	3.26	3.26	-	-	-	-	-	-	-	-	-	-	-
		(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
ii)	Rent for Office Premises	6.08	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		(6.08)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
iii)	Maintenance Charges	10.89	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		(10.89)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
iv)	Reimbursement of Expenses	13.65	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		(13.39)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
v)	Recovery of Expenses	0.39	0.79	-	0.79	-	-	-	-	-	-	-	0.94	0.39	1.33	-
		(0.50)	(5.86)	(-)	(5.86)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(3.28)	(0.48)	(3.76)	(-)
vi)	Interest	49.33	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		(51.10)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(0.02)	(-)	(0.02)	(-)
vii)	Sitting Fees	-	-	-	-	-	-	-	-	-	-	0.40	-	-	-	-
		(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(0.40)	(-)	(-)	(-)	(-)
viii)	Loan taken during the year	300.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		(150.00)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(20.00)	(-)	(20.00)	(-)
ix)	Loan repaid during the year	325.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		(150.00)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(20.00)	(-)	(20.00)	(-)
x)	Director's Remuneration	-	-	-	-	109.80	105.63	215.43	-	-	-	-	-	-	-	-
		(-)	(-)	(-)	(-)	(106.56)	(101.78)	(208.34)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
	Total	705.34	0.79	3.26	4.05	109.80	105.63	215.43	0.40	0.40	0.40	0.40	0.94	0.39	1.33	1.33
		(381.96)	(5.86)	(-)	(5.86)	(106.56)	(101.78)	(208.34)	(0.40)	(0.40)	(0.40)	(0.40)	(43.30)	(0.48)	(43.78)	(43.78)
Year end Balances																
i)	Unsecured Loan	575.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		(609.29)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
ii)	Sundry Creditors	0.33	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
iii)	Sundry Debtors	-	-	2.67	2.67	-	-	-	-	-	-	-	-	-	-	-
		(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
iv)	Loans and Advances	-	0.79	-	0.79	-	-	-	-	-	-	-	-	0.34	0.34	-
		(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(0.33)	(0.33)	(-)
v)	Other Liabilities	-	-	-	-	28.35	28.35	56.70	-	-	-	-	-	-	-	-
		(-)	(-)	(-)	(-)	(27.37)	(27.37)	(54.74)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)

Figures in brackets relate to previous year.

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

14. Segment Information for the year ended 31st March 2008 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 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 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.
- III) **Segment Revenues, Result and Other Information.**

	India	Europe	Asia Excluding India	Americas	Total of Reportable Segments
External Sales (Net of Excise Duty)	16,724.57 14,898.34	11,867.17 9,100.22	3,743.79 1,903.97	5,465.21 6,366.96	37,800.74 32,269.49
Inter Segment Sales	409.67 183.55	760.35 1,126.30	14.74 875.17	854.11 —	2,038.87 2,185.02
Other Income	— 37.33	— —	— —	— —	— 37.33
Segment Revenues	17,134.24 15,119.22	12,627.52 10,226.52	3,758.53 2,779.14	6,319.32 6,366.96	39,839.61 34,491.84
Segment Result	3,154.83 2,955.60	905.30 767.01	474.82 593.42	518.72 207.62	5,053.67 4,523.65
Segment Assets	12,897.27 10,571.60	6,275.58 6,642.95	1,785.05 1,522.25	2,134.99 2,210.12	23,092.89 20,946.92
Segment Liabilities	2,820.63 2,097.73	2,280.54 2,327.72	648.22 422.35	363.61 298.72	6,113.00 5,146.52
Capital Expenditure (Net)	839.96 479.72	89.41 69.87	13.54 464.05	15.18 9.45	958.09 1,023.09
Depreciation	414.01 367.58	104.01 110.45	43.21 36.90	70.55 58.99	631.78 573.92
Non cash expenses other than depreciation	61.18 159.49	— 108.41	— —	4.38 8.07	65.56 275.97

14. NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS (Contd.)
(All figures are in Rs. in lacs)
IV) Reconciliation of Reportable Segments with the Financial Statements

	Revenues	Net Profit	Assets	Liabilities @
Total of Reportable Segments	39,839.61 34,491.84	5,053.67 4,523.65	23,092.89 20,946.92	6,113.00 5,146.52
Corporate - Unallocated (Net)/Adjustments	179.09 82.57	(148.74) (103.15)	2,106.14 2,149.03	9,389.54 10,095.58
Inter Segment Sales	(2,038.89) (2,185.02)	— —	— —	— —
Interest (Net)	— —	(816.16) (700.05)	— —	— —
Provision for Taxation				
- Current	—	(1,263.77)	—	—
	—	(1,124.60)	—	—
- Fringe Benefit	—	(32.32)	—	—
	—	(27.00)	—	—
- Deferred	—	63.47	—	—
	—	63.52	—	—
As per Financial Statements	37,979.81 32,389.39	2,856.15 2,632.37 @@	25,199.03 23,095.95	15,502.54 15,242.10

@ Excluding Shareholders' Funds and Minority Interest.

@@ Profit after Taxation and before Minority Interest.

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

	Total
India	7,077.12 6,427.91
United Kingdom	5,586.44 4,040.88
Europe other than United Kingdom	8,045.04 6,231.52
Asia excluding India	4,223.65 4,008.63
Americas	7,614.36 7,434.78
Others	5,254.13 4,125.77
Total Sales	37,800.74 32,269.49

Figures in Bold type relate to current year.

14. NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS (Contd.)*(All figures are in Rs. in lacs)***15. Disclosure in respect of Employee Benefits in keeping with Accounting Standard 15**

- A. Effective 1st April 2007, employee benefit obligations have been measured/ valued following the Accounting Standard 15 on 'Employee Benefits' (AS) vis-à-vis erstwhile Accounting Standard 15 on Accounting for Retirement Benefits in the Financial Statements of Employers hitherto followed. Pursuant to adoption of the AS, there is no material impact in the Employee Benefit Charge for the current year as the Group had consistently been measuring the employees defined benefits based on Unit Projection Method and there are no significant changes in the assumptions compared to previous year.
- B. In keeping with the Guidance on implementing Accounting Standard (AS) 15 on Employee Benefits issued by the Accounting Standards Board of the Institute of Chartered Accountants of India (ASB Guidance), employer-established provident fund trusts are treated as Defined Benefit Plans since the Parent Company is obligated to meet interest shortfall, if any, with respect to covered employees. According to the actuary, actuarial valuation can not be applied to reliably measure provident fund liabilities in absence of guidance from Actuarial Society of India. Accordingly, the Parent Company is currently not in a position to provide other related disclosures as required by the aforesaid AS 15 read with the ASB Guidance, however, having regard to the position of the Fund and the return on investments, the Parent Company does not expect any deficiency in the foreseeable future.
- C. In keeping with the Parent Company's gratuity scheme (a defined benefit plan), employees joined after 31st March 2003 are entitled to gratuity benefit (at one half months eligible salary for each completed year of service) on retirement / death / incapacitation / termination and there is no ceiling for employees joined before 31st March 2003.
- D. In keeping with the Parent Company's Superannuation Scheme (applicable to employees joined before 31st March 2004), employees are entitled to superannuation benefit on retirement / death / incapacitation / termination. Superannuation Scheme was amended from Defined Benefit Plan to Defined Contribution Plan effective 1st April 2004 and the benefits under the Defined Benefit Plan were frozen as on 31st March 2004. Necessary formalities/ approvals have been complied with/obtained.
- E. With regard to subsidiaries, including step down subsidiaries, they operate a defined contribution pension scheme for the benefit of the employees and contributions payable are charged to the profit and loss account in the period they are payable. Only Goricon Metallurgical Services Limited (GMSL), a step down subsidiary operates a defined benefit pension scheme. Scheme assets are measured by the actuary at fair values. Scheme liabilities are measured on an actuarial basis using the Projected Unit Method and are discounted at appropriate high quality corporate bond rates. A net surplus is recognized only to the extent that it is recoverable by the Company. The current service costs and costs from settlements and curtailments are charged against operating profit. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme assets are included in finance costs. The scheme is closed effective from 1st April 2003 to new members. The net surplus recognized in the Balance Sheet as at 31st March 2008 is Rs. 198.09 (Previous year - Rs. 299.44).

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

15.1 Following are the further particulars with respect to defined benefit plans of the Group

	As at 31st March 2008			
	Gratuity Fund (Funded)	Superannuation Fund (Funded)	Leave Encashment (Unfunded)	Step down subsidiary Retirement Benefit Scheme (Funded)
Reconciliation of the Opening and Closing balances of present value of Defined Benefit obligation				
Present Value of obligation, as at the beginning of the year	171.76	188.96	7.92	2,137.28
Service Cost	13.49	—	1.43	10.48
Interest Cost	12.82	15.68	—	94.31
Actuarial (gains)/losses	18.74	(24.76)	(0.08)	94.31
Benefits paid	(1.68)	(0.03)	—	(963.35)
Exchange differences on foreign plan	—	—	—	(158.31)
Present Value of obligation, as at the end of the year	<u>215.13</u>	<u>179.85</u>	<u>9.27</u>	<u>1,214.72</u>
Reconciliation of the Opening and Closing balances of the Fair Value of Plan Assets				
Fair Value of plan assets at the beginning of the year	182.45	281.37	—	2,436.72
Actual return of plan assets	14.37	23.35	—	104.79
Actuarial gains/(losses)	7.50	5.80	—	—
Contribution by the Company	20.00	—	NA	13.70
Benefits paid	(1.68)	(0.03)	—	(976.19)
Exchange differences on foreign plan	—	—	—	(166.21)
Fair Value of plan assets at the end of the year	<u>222.64</u>	<u>310.49</u>	<u>—</u>	<u>1,412.81</u>
Reconciliation of the Benefit Value of obligation and fair value of the Plan Assets				
Fair Value of plan assets at the end of the year	222.64	310.49	—	1,412.81
Present Value of obligation at the end of the year	215.13	179.85	9.27	1,214.72
Assets/(Liabilities) as per Actuarial valuation	<u>*7.51</u>	<u>**130.64</u>	<u>**(9.27)</u>	<u>***198.09</u>
* Actual amount of Asset in the Balance Sheet Rs. Nil				
** Actual amount of Liabilities in the Balance Sheet Rs. 9.27				
*** Actual amount of Assets in the Balance Sheet Rs. 198.09				
Expense recognised in the Profit and Loss Account				
Current Service Cost	13.49	—	1.43	10.48
Interest Cost	12.82	15.68	—	94.31
Expected return of plan assets	(14.37)	(29.15)	—	(104.79)
Actuarial (gain)/ loss	11.24	(24.76)	(0.08)	94.31
Total Expense as per the Actuarial Valuation	<u>*23.18</u>	<u>**38.23</u>	<u>***1.35</u>	<u>94.31</u>
* Actual Expenses recognised Rs. 20.00				
** Actual Expenses recognised NIL				
*** Actual Expenses recognised Rs. 2.62				

The expenses for the above benefit are disclosed under 'Contribution to Funds' on Schedule 13 to Profit and Loss Account.

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

15.1 Following are the further particulars with respect to defined benefit plans of the Group

	As at 31st March 2008			
	Gratuity Fund (Funded)	Superannuation Fund (Funded)	Leave Encashment (Unfunded)	Step down subsidiary Retirement Benefit Scheme (Funded)
Category of Plan Assets				
GOI Securities	23.00	75.53		—
Bonds	41.53	83.15		—
State Government / State Government guaranteed securities	19.89	21.02	NA	—
Units of Insurers	137.28	123.18		—
Others (including bank balances)	0.94	7.61		—
Scottish Mutual With Profit Deferred Annuity Policy				1,412.81
	222.64	310.49		1,412.81
Principal Actuarial Assumptions				
Discount rate (per annum) (%)	8.20	8.20	7.50	6.80
Rate of increase in salaries (%)	5.00	NA	10.00	NA
Expected rate of return on plan assets (%)	7.50	8.30	—	4.58
Remaining working life (in Years)	19.29	15.68	15.31	@As per Table below
Pension in payment increases on pension accrued from 6th April 1997 (price inflation with a maximum of 5% p.a)	—	—	—	3.50
Revaluation in deferment (price inflation with a maximum of 5% p.a)	—	—	—	3.50
Methods used	Projected Accrued Benefit Method			Projected Accrued Benefit Method
Actual Return on Plan Assets	21.87	29.15	NA	104.79
@ The mortality assumptions adopted as at 31st March 2008 imply the following future life expectancies :				
Male currently age 40				43 Years
Female currently age 40				46 Years
Male currently age 65				19 Years
Female currently age 65				22 Years

- Discount rate on Superannuation Fund has been determined based upon the market yield available on Government Bonds without considering salaries increase since the pension had been frozen based on salaries as at 31st March 2004 for the period of service upto 31st March 2004 and in case of other funds based upon the market yield available on Government Bonds after considering salaries increase which takes into account inflation, seniority, promotion and other relevant factors.
- Expected rate of return on plan assets is assumed to be same as the discount rate at the beginning of the year as the assets of the fund are primarily invested in Government Bonds.
- Expected return on plan assets of GMSL Retirement Benefit Scheme is determined after taking into consideration composition of the plan assets held, assessed risks of asset management, historical results of the return on plan assets, the Parent Company's policy for plan asset management and other relevant factors. The estimate of future salary increases take into account inflation, seniority, promotion and other relevant reasons.
- Appropriate contribution for 2007-08 have been paid to the Employees Defined Benefit Plan during the year.
- This being the first year of disclosure, previous period's figures have not been furnished.

14. NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS (Contd.)
(All figures are in Rs. in lacs)
16. 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 2008	As at 31st March 2007
Within 1 year	179.63	221.26
More than 1 year up to 5 years	163.48	236.60
More than 5 years	—	4.06
Total	<u>343.11</u>	<u>461.92</u>

Lease rentals recognised in this Profit and Loss Account amount to Rs. 211.30 (Previous year - Rs.197.76).

- 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-imbursment of maintenance charges, increase in future maintenance charges etc. The future minimum lease commitments of the Parent Company is as follows :

	As at 31st March 2008	As at 31st March 2007
Within 1 year	3.04	6.08
More than 1 year up to 5 years	—	3.04
Total	<u>3.04</u>	<u>9.12</u>

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

17. Monotec Refratarios Ltda, a step down subsidiary has received notice from the Brazilian Government to relocate its manufacturing operations by the end of 2008. Appropriate steps are being taken to comply with this Notice.
18. Effective this year estimated useful life for computers in Parent Company have been changed from 6 years to 3 years as a result of which the years depreciation is higher by Rs. 16.43 with corresponding decremental effect on the years profit.
19. Previous years figures have been re-grouped/re-arranged wherever necessary.

Signatures to Schedules 1 to 14

On behalf of the Board of Directors

Kolkata
7th May 2008

R Agarwal
Company Secretary

P Bajoria
Director & Chief Executive

S K Bajoria
Managing Director