
Auditors' Report to the Board of Directors of IFGL Refractories Limited

We have audited the attached Consolidated Balance Sheet of IFGL Refractories Limited (IFGL) and its subsidiary (the Group), as at 31st March, 2006, the Consolidated Profit and Loss Account 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 management and have been prepared by the IFGL management on the basis of separate Financial Statements and other financial information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.

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 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 the management, as well as evaluating the overall Financial Statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the Financial Statements of the subsidiary, whose Financial Statements reflect total assets of Rs. 8,749.59 lacs as at 31st March, 2006, the total revenue of Rs.10,069.52 lacs and cash flows amounting to Rs.1,087.47 lacs for the year then ended. These Financial Statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the reports of other auditors.

We report that the Consolidated Financial Statements have been prepared by the IFGL management in accordance with the requirements of Accounting Standard 21 on "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.

Based on our audit and on consideration of report of other auditors on separate Financial Statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached Consolidated Financial Statements give a true and fair view in 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 Refractories Limited Group as at 31st March, 2006;
- (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.

Kolkata, 15th May, 2006

S K Deb
Partner
Membership Number-13390
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

Consolidated Balance Sheet as on 31st March 2006

	Schedule	As at 31st March 2006 (Rs. in lacs)	
SOURCES OF FUNDS			
Shareholders' Fund			
Capital	1	3,461.05	
Reserves and Surplus	2	2,440.26	
Minority Interest		8.54	
Loan Funds			
Secured Loans	3A	8,268.55	
Unsecured Loans	3B	646.91	
Deferred Tax Liabilities (Net) (Note 11 on Schedule 14)		485.33	
Total		<u>15,310.64</u>	
 APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	4	13,660.26	
Less : Depreciation		<u>6,248.05</u>	
Net Block		7,412.21	
Capital Work-in-Progress		<u>4.04</u>	7,416.25
Current Assets, Loans and Advances			
Inventories	5	3,651.56	
Sundry Debtors	6	6,849.29	
Cash and Bank Balances	7	1,206.84	
Loans and Advances	8	<u>789.73</u>	
		<u>12,497.42</u>	
Less : Current Liabilities and Provisions			
Liabilities	9	3,685.12	
Provisions		<u>917.91</u>	
		<u>4,603.03</u>	
Net Current Assets		<u>7,894.39</u>	7,894.39
Total		<u>15,310.64</u>	<u>15,310.64</u>
 NOTES ON ACCOUNTS			
	14		

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

The Schedules referred to above and the attached notes form part of the Balance Sheet.

S K Deb
Partner
Membership Number-13390
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants
Kolkata, 15th May, 2006

R Agarwal
Company Secretary

P Bajoria
Director & Chief Executive

On behalf of the Board of Directors

S K Bajoria
Managing Director

Consolidated Profit and Loss Account for the year ended 31st March 2006

	Schedule	Year ended 31st March 2006 (Rs. in lacs)	
INCOME			
Turnover (Gross)		23,930.93	
Less : Excise Duty		<u>858.59</u>	
Turnover (Net)			23,072.34
Income from Service Charges (Net)			10.39
Other Income	10		<u>58.27</u>
			<u>23,141.00</u>
EXPENDITURE			
(Increase)/Decrease in Finished Goods and Work-in-Progress	11A	(328.61)	
Raw Materials and Trading Goods	11B	11,325.35	
Manufacturing and Other Expenses	12	5,563.01	
Payments and provisions for Employees	13	2,891.58	
Interest (Note 7 on Schedule 14)		323.84	
Depreciation		<u>535.64</u>	
			<u>20,310.81</u>
Profit before Tax			2,830.19
Less : Provision for Current Tax (Note 10 on Schedule 14)			<u>933.76</u>
Profit after Current Tax and before Deferred and Fringe Benefit Tax			1,896.43
Less : Provision for Deferred Tax			(0.70)
Less : Provision for Fringe Benefit Tax			<u>37.00</u>
Profit after Tax			1,860.13
Less : Minority Interest			<u>2.89</u>
Profit after Tax and after Minority Interest			1,857.24
Add : Profit brought forward from previous year			1,138.09
Profit available for Appropriation			<u>2,995.33</u>
Less : Transferred to General Reserve		116.19	
Proposed Dividend		605.68	
Tax on Proposed Dividend		<u>84.95</u>	
			<u>806.82</u>
Balance carried to Balance Sheet			<u>2,188.51</u>
Earning per Share			
Basic and Diluted (Rs.)			<u>5.37</u>
(Note 3 on Schedule 14)			

NOTES ON ACCOUNTS

14

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

The Schedules referred to above and the attached notes form part of the Profit and Loss Account.

S K Deb
Partner
Membership Number-13390
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants
Kolkata, 15th May, 2006

R Agarwal
Company Secretary

P Bajoria
Director & Chief Executive

On behalf of the Board of Directors

S K Bajoria
Managing Director

Consolidated Cash Flow Statement for the year ended 31st March 2006

	Year ended 31st March 2006 (Rs. in lacs)	
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit before tax and extra-ordinary items		2,830.19
Adjustments for :		
Depreciation	535.64	
Interest Expenses (Net)	326.02	
Dividend Income	(3.12)	
Effect of Foreign Exchange Translation	(53.53)	
Liabilities no longer required written back	(38.06)	
Unrealised Foreign Exchange (Gain)/Loss	164.43	
Interest on Income Tax Refund	(2.18)	
Loss on Sale/Discard of assets (net)	<u>3.99</u>	<u>933.19</u>
Operating Profit before Working Capital changes		3,763.38
Adjustments for :		
Trade and other receivables	(3,948.26)	
Inventories	(2,532.33)	
Trade payables	<u>3,089.76</u>	<u>(3,390.83)</u>
Cash generated from operations		372.55
Fringe Benefit Tax Paid	(37.53)	
Interest received on Income Tax Refund	2.18	
Direct Taxes refunded/(paid)	<u>(866.90)</u>	<u>(902.25)</u>
Cash flow before extra-ordinary items		(529.70)
Extra-ordinary items		<u>—</u>
Net Cash from Operating Activities		(529.70)
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets	(5,570.41)	
Proceeds from sale of Fixed Assets	3.20	
Interest received	14.01	
Dividend received	<u>3.12</u>	<u>(5,550.08)</u>
Net Cash used in Investing Activities		(5,550.08)
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Interest paid	(330.85)	
Dividend paid	(510.93)	
Dividend tax paid	(72.81)	
Proceeds from Long Term borrowings	7,904.50	
Repayments of Long Term borrowings	(440.00)	
Increase in cash credit facilities	754.51	
Repayment of Deferred Sales Tax	<u>(78.18)</u>	<u>7,226.24</u>
Net Cash from Financing Activities		7,226.24
Net increase in cash and cash equivalents (A+B+C)		1,146.46
Cash and Cash equivalents (Opening Balance) - See Note 2 below		60.38
Cash and Cash equivalents (Closing Balance) - See Note 2 below		<u>1,206.84</u>

Consolidated Cash Flow Statement (Contd.)

Notes :

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

	As at 31st March 2006	As at 31st March 2005
(2) Cash and Cash Equivalents		
Cash and Cheques in hand	11.11	2.30
With Scheduled Banks -		
On Current Accounts	718.80	12.58
On Dividend Accounts	23.62	15.39
On Fixed Deposit Accounts	406.09	30.11
(As margin on Letters of Credit and Bank Guarantees)		
Remittance in Transit	47.22	—
	<u>1,206.84</u>	<u>60.38</u>

- (3) This being the first year of Consolidation, previous year's comparative figures have not been given.

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

S K Deb
Partner
 Membership Number-13390
 For and on behalf of
PRICE WATERHOUSE
Chartered Accountants
 Kolkata, 15th May, 2006

On behalf of the Board of Directors

R Agarwal
Company Secretary

P Bajoria
Director & Chief Executive

S K Bajoria
Managing Director

Schedules forming part of the Consolidated Balance Sheet

As at
31st March 2006
(Rs. in lacs)

1. CAPITAL		
Authorised		
3,99,95,000 Equity Shares of Rs. 10/- each		3,999.50
500 Redeemable Preference Shares of Rs. 100/- each		0.50
		4,000.00
Issued, Subscribed and Paid-up		
3,46,10,472 Equity Shares of Rs.10/- each, fully paid up		3,461.05
Notes : Of the above shares -		
1. 1,83,20,973 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
General Reserve		
At the commencement of the year	81.28	
Add : Transfer from Profit and Loss Account	116.19	197.47
Foreign Exchange Translation Adjustment Account		49.28
Profit and Loss Account		2,188.51
		2,440.26
 3. LOAN FUNDS		
A. SECURED LOANS		
Cash Credit/Packing Credit/Demand Loan		
From State Bank of India (Note 1 below)		1,235.51
Term Loan		
From State Bank of India (Note 2 below)		3,000.00
From ICICI Bank UK Ltd., UK (Note 3 below)		4,028.43
Term Loan from Other Banks (Repayable within one year - Rs. 3.94) (Secured by hypothecation of vehicles purchased with the loan)		4.61
		8,268.55
B. UNSECURED LOANS		
From Bodies corporate		600.00
Interest accrued and due on unsecured loans		9.18
Deferred Sales Tax (Repayable within one year - Rs. 30.64)		37.73
		646.91

Notes :

- (1) Secured by hypothecation of stocks of raw materials, stock in process, finished goods, consumables, spares and tools, book debts and other liquid assets, both present and future and by a charge on all the fixed assets of the Company including land and buildings and other immovable properties situated at Sector 'A' and 'B' of Kalunga Industrial Estate, near Rourkela.
- (2) Secured by a charge over all the fixed assets of the Company including land and buildings and other immovable properties of the Company situated at Sector 'A' and 'B' of Kalunga Industrial Estate, near Rourkela and by an extension of charge over the current assets.
- (3) Loans have been taken in Euro and US Dollar currencies and the loan facility is secured by :
 - a) Mortgage of movable and immovable assets (including intangibles) of Monocon International Refractories Limited, UK (MIRL).
 - b) Mortgage of movable and immovable assets of Mono Ceramics Inc., United States of America - a subsidiary of Monocon Overseas Limited (MOL).
 - c) Shortfall undertaking from IFGL Refractories Limited.
 - d) Pledge of IFGL Worldwide Holdings Limited's (IWHL) holding in IFGL Monocon Holdings Limited (IMHL).
 - e) Pledge of IMHL's holding in MIRL.
 - f) Pledge of MIRL's holding in MOL.
 - g) Non-disposal undertaking from IWHL for its holding in subsidiaries in China and Brazil.

Schedules forming part of the Consolidated Balance Sheet
4. FIXED ASSETS

(Rs. in lacs)												
	GROSS BLOCK - AT COST					DEPRECIATION					NET BLOCK	
	As at 31.03.05	Acqui- sition (Note 2 below)	Additions during the year	Deductions during the year	Total as at 31.03.06	Upto 31.03.05	Acqui- sition (Note 2 below)	For the year	Deductions during the year	Total upto 31.03.06	As at 31.03.06	As at 31.03.05
TANGIBLE												
Land - Lease hold (Note 1 below)	34.76	—	—	—	34.76	0.86	—	0.43	—	1.29	33.47	33.90
- Freehold	1.29	127.78	—	—	129.07	—	—	—	—	—	129.07	1.29
Buildings	783.00	1,136.93	73.91	—	1,993.84	236.32	311.88	44.16	—	592.36	1,401.48	546.68
Plant and Machinery	3,639.40	2,330.69	899.66	—	6,869.75	2,071.49	1,848.19	396.50	—	4,316.18	2,553.57	1,567.91
Computers	111.65	209.24	19.41	—	340.30	81.39	182.35	19.86	—	283.60	56.70	30.26
Furniture and Fixtures	99.77	238.38	1.52	—	339.67	59.20	226.16	15.05	—	300.41	39.26	40.57
Equipments	32.96	190.34	10.88	—	234.18	16.17	38.06	15.66	—	69.89	164.29	16.79
Vehicles	55.20	90.84	50.87	13.02	183.89	12.08	77.28	13.96	6.10	97.22	86.67	43.12
Sub total - A	4,758.03	4,324.20	1,056.25	13.02	10,125.46	2,477.51	2,683.92	505.62	6.10	5,660.95	4,464.51	2,280.52
INTANGIBLE (Acquired items)												
Goodwill												
- arising on Amalgamation	503.06	—	—	—	503.06	503.06	—	—	—	503.06	—	—
- arising on Consolidation	—	2,881.64	—	—	2,881.64	—	—	—	—	0.00	2,881.64	—
Technical Know-how Fees	142.53	—	7.57	—	150.10	54.02	—	30.02	—	84.04	66.06	88.51
Sub total - B	645.59	2,881.64	7.57	—	3,534.80	557.08	—	30.02	—	587.10	2,947.70	88.51
Total : (A+B)	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	7,412.21	2,369.03
Capital Work-in-Progress											4.04	24.23
											7,416.25	2,393.26

Notes - (1) Acquired under a lease of 99 years with a renewal option.
(2) Refer Note 1(b) on Schedule 14.

As at
31st March 2006
(Rs. in lacs)

5. INVENTORIES

(At lower of cost and net realisable value)

Stores and Spares	87.58
Raw Materials and Components	1,562.93
Raw Materials and Components in transit	31.35
Work-in-Progress	299.74
Finished Goods	
Manufactured Goods	1,440.64
Trading Goods	74.58
Stock with third parties	
Manufactured Goods	154.74
	<u>3,651.56</u>

6. SUNDRY DEBTORS

(Unsecured, Considered Good)

Debts outstanding for more than six months	345.24
Other Debts	6,504.05
	<u>6,849.29</u>

Schedules forming part of the Consolidated Balance Sheet

	As at 31st March 2006 (Rs. in lacs)
7. CASH AND BANK BALANCES	
Cash in hand (includes cheques-in-hand Rs. 0.26)	11.11
With Scheduled Banks -	
On Current Accounts	718.80
On Dividend Accounts	23.62
On Fixed Deposit Accounts	406.09
(As margin on Letters of Credit and Bank Guarantees)	
Remittance in Transit	47.22
	<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	376.83
Accrued Export benefits under DEPB Scheme	265.06
Balance with Customs and Excise Authorities	112.40
Other Deposits	34.91
Advance Fringe Benefit Tax (net of provision Rs. 37)	0.53
Advance Tax/Tax Deducted at Source	Refer Schedule 9
	<u>789.73</u>
9. CURRENT LIABILITIES AND PROVISIONS	
Liabilities -	
Sundry Creditors	2,609.48
Advance received from Customers	17.75
Investor Education and Protection Fund shall be credited by Unpaid Dividend *	23.62
Other Liabilities	1,034.27
	<u>3,685.12</u>
Provisions -	
Taxation	178.97
(Net of Advance Income Tax/Tax Deducted at Source Rs. 1519.85)	
Fringe Benefit Tax	Refer Schedule 8
Proposed Dividend	605.68
Tax on Proposed Dividend	84.95
Employees Benefit	48.31
	<u>917.91</u>
	<u>4,603.03</u>

* No amount is due as on 31st March, 2006 for credit to Investor Education and Protection Fund.

Schedules forming part of the Consolidated Profit and Loss Account

	Year ended 31st March 2006 (Rs. in lacs)	
10. OTHER INCOME		
Commission		0.25
Dividend from Mutual Funds (Tax deducted at source - Nil)		3.12
Liabilities no longer required written back		38.06
Miscellaneous Income		16.84
		<u>58.27</u>
11A. (INCREASE)/DECREASE IN FINISHED GOODS AND WORK-IN-PROGRESS		
Opening Work-in-Progress	178.66	
Opening Finished Goods	<u>1,387.85</u>	1,566.51
Less :		
Closing Work-in-Progress	299.74	
Closing Finished Goods	<u>1,595.38</u>	<u>1,895.12</u>
		<u>(328.61)</u>
11B. RAW MATERIALS AND TRADING GOODS		
Raw Materials consumed*		10,834.35
Opening Stock of Trading Goods	39.52	
Add : Purchases of Trading Goods	<u>526.06</u>	
	565.58	
Less : Closing Stock of Trading Goods	<u>74.58</u>	<u>491.00</u>
		<u>11,325.35</u>
* Net of Rs. 559.84, being duty benefit pertaining to exports.		
12. MANUFACTURING AND OTHER EXPENSES		
Consumable Stores and Spares		552.73
Power and Fuel		689.04
Repairs and Maintenance		
- Plant and Machinery	148.85	
- Buildings	26.02	
- Others	<u>37.09</u>	
Rent		63.40
Rates and Taxes		44.56
Insurance		150.14
Postage, Telephone, Telex etc.		36.79
Travelling and Conveyance		508.38
Packing Expenses		743.89
Delivery and Forwarding Expenses		497.29
Professional Fees		269.91
Processing Charges		114.68
Royalty		50.92
Commission		623.21
Service Charges		131.81
Directors' Sitting Fees		2.84
Foreign Exchange (Gain)/Loss (net)		228.88
Bad Debts/Advances written off		174.99
Loss on Sale/Discard of fixed assets (net)		3.99
Other Expenses		463.60
		<u>5,563.01</u>
13. PAYMENTS AND PROVISIONS FOR EMPLOYEES		
Salaries and Wages		2,591.62
Staff Welfare Expenses		126.75
Contribution to Provident and Other Funds		173.21
		<u>2,891.58</u>

14. Notes on Consolidated Accounts

(All figures are in Rs. in lacs)

1. a) The financial statements have been prepared under the historical cost convention and comply with applicable Accounting Standards (AS) issued by the Institute of Chartered Accountants of India (ICAI) and the various provisions of the Companies Act, 1956.
- b) Principles of Consolidation
The Consolidated Financial Statements comprises of the financial statements of IFGL Refractories Limited (parent company) for the year ended 31st March, 2006 and its subsidiary company drawn from the date of its incorporation i.e. 24th August, 2005 up to 31st March, 2006. The Consolidated Financial Statements are prepared in accordance with Accounting Standard 21 on "Consolidated Financial Statements". The Consolidated Financial Statements are prepared on the following basis :
- The financial statements of the parent company and its subsidiary company (subsidiary company and step down 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 fully eliminating intra – Group balances and intra – Group transactions resulting in unrealized profits or losses.
 - The Consolidated Financial Statements are prepared by adopting uniform accounting policies for like transaction and other events in similar circumstances and are presented to the extent possible, except as indicated in the Note 2 below, 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 subsidy (including step down subsidiaries), 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 translation is recognized 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 investments in subsidiary (including step down subsidiaries) 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 in the subsidiary's equity are allocated against the interest of the Group.
 - Monotec Refratarios Ltda and Tianjin Monocon Refractories Company Limited (step down subsidiaries) have an accounting period end of 31st December, 2005. These subsidiaries have been consolidated using the financial statements of the year ended on that date adjusted for management account movements to 31st March, 2006.
- c) 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.	Isle of Man	100%	31st March
Step down subsidiaries			
IFGL Monocon Holdings Limited	United Kingdom	100%	31st March
Monocon International Refractories Limited	United Kingdom	100%	31st March
Monocon Overseas Limited	United Kingdom	100%	31st March
Mono Ceramics Inc	United States of America	100%	31st March
Tianjin Monocon Refractories Co Limited	Peoples Republic of China	100%	31st December
Monocon Taiwan Company Limited	Taiwan	100%	31st March
Monotec Refratarios Ltda	Brazil	95%	31st December

14. Notes on Consolidated Accounts (Contd.)
(All figures are in Rs. in lacs)

- 2) Accounting policies for the Group are same as followed by the Parent Company as indicated in Note 1 of the Schedule 15 of Parent Company's Accounts for the year ended 31st March, 2006, except as follows :

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 of the Companies Act, 1956 of India except in case of Buildings), as indicated below :

Buildings	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

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

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

		2005-2006
Profit after Tax attributable to the Equity shareholders	A	1860.13
Basic/Weighted average of Equity shares outstanding during the year (Nos.)	B	3,46,10,472
Nominal Value of Equity shares (Rs.)		10
Basic and Diluted EPS (Rs.)	A/B	5.37

- 4) Estimated amounts of Capital Commitments (net of advances) outstanding as at 31st March, 2006 and not provided for is Rs. 58.77

- 5) Contingent Liabilities not provided for :

2005-2006

- a) Claims against the Company not acknowledged as debts :
- | | |
|---|-------|
| i) Sales Tax matter under appeal (net of Rs. 5.57 paid under protest) | 56.70 |
| ii) Excise Duty matters under dispute | 0.50 |
| iii) Others | 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). 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 considers it unlikely that the said claim will be payable. | |

- b) Also refer Note 8 below

- 6) Outstanding Bank Guarantees (net of margin money). 281.09

- 7) (a) Interest paid/payable is net of Interest Received (Tax Deducted at Source Rs. 0.12), as detailed below :

	2005-2006
Interest on Bank Deposits	1.48
Interest on Customers' overdue bills	1.83
Interest from Employees and Others	12.88
Total	16.19

- (b) Interest paid on Fixed Loans during the year Rs. 264.59 (Tax Deducted at Source Rs. 7.81).

- (c) No interest was capitalised during the year.

14. Notes on Consolidated Accounts (Contd.)

(All figures are in Rs. in lacs)

- 8) The Supreme Court vide its Order dated 9th August, 2005 allowed on merit the Appeal of the Commissioner of Central Excise, Bhubaneswar II preferred against an Order passed by the Central Excise and Service Tax Appellate Tribunal (CESTAT) on 28th July, 2000, in favour of the Company whereby a demand of Rs. 263.82 for non-payment of Central Excise Duty on account of additional consideration accruing to the Company from the Advance Intermediate License against the Company was set aside. Since CESTAT had not decided the question of Limitation, the Supreme Court in the said Order remanded the matter back to CESTAT only to consider whether or not the extended period of limitation was available to the Department.

According to legal opinion, the demand raised by the Commissioner of Central Excise, Bhubaneswar II is barred by limitation. Pending decision by CESTAT in this regard, no provision is considered necessary by the management.

- 9) The 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, the Company has started depositing, with effect from April 2004, the contributions under EPS,95 with the RPFC. A sum of Rs. 81.72, comprising of Rs. 21.32 paid to RPFC during the year by way of transfer from Company's Superannuation Fund and Rs. 60.40 paid in earlier year by way of transfer from its Staff Provident Fund towards contribution (as estimated by the Company) under EPS, 95 for the period 16th November, 1995 to 31st March, 2004 in respect of employees continuing in the Company's employment as on 31st March, 2004.

RPFC, however, demanded from the Company the contribution under EPS, 95 in respect of all employees (both past and present) of the 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.

- 10) Provision for Current Tax is net of Rs. 43.04 written back in respect of earlier years.

- 11) 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 (5.84)

Difference between tax depreciation and book depreciation 491.17

Total

485.33

- 12) Turnover (net) includes production scrap sales Rs. 9.59.

- 13) Information given in accordance with the requirements of AS 17 on Segment Reporting issued by ICAI.

Business Segment - The Group is predominantly a manufacturer and trader of Specialised Refractories.

Geographical Segment - The Geographical Segments have been identified as follows :

Sales Revenue by Geographical Area-

- India	5,620.62
- Asia (excluding India)	3,337.48
- Europe	6,360.17
- Americas	4,956.50
- Others	2,797.57

Total

23,072.34

Carrying amount of Segment Assets by geographical location of assets-

- India	8,970.85
- Europe	4,913.51
- Americas	2,373.37
- Asia (excluding India)	774.31

Total

17,032.04

Expenditure on tangible and intangible fixed assets by geographical location of assets-

- India	980.45
- Others	83.37

Total

1,063.82

14. Notes on Consolidated Accounts (Contd.)

(All figures are in Rs. in lacs)

14) Related Party Disclosures

List of Related Parties :

Holding Company

Bajoria Holdings Private Limited

Key Management Personnel

S K Bajoria (Managing Director)

P Bajoria (Director & Chief Executive)

Relatives of Key Management Personnel

B P Bajoria

Enterprises in which key Management personnel has significant influence

Heritage Finance and Trust (India) Private Limited

Heritage Health Services Private Limited

Coris Heritage Asia Pacific Private Limited

Heritage Insurance Agents Private Limited

Bajoria Estate Pvt Ltd

Particulars of transactions during the year ended 31st March, 2006 :

I. Holding Company

2005-2006

i) Rent for office premises and related service charges	16.87
ii) Reimbursement of expenses towards Municipal taxes and Electricity	6.13
iii) Reimbursement of Medical Insurance Premium	4.48
iv) Interest expense	32.49
v) Unsecured loan taken during the year	815.00
vi) Unsecured loan repaid during the year	215.00
vii) Year end balances	
- Unsecured Loan	600.00
- Sundry Creditors	9.46

II. Key Management Personnel

Remuneration	229.85
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III. Relatives of Key Management Personnel

Sitting Fees	0.70
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IV. Enterprises in which Key Management personnel has significant influence

i) Reimbursement/Recovery of expenses	1.11
ii) Year-end balances :	
- Loans and Advances	0.02

15) Operating Lease Commitments - The Group entered into various non-cancellable operating lease agreements in connection with certain properties, plant and equipment and vehicles in the earlier years. 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 2006
Within 1 year	102.50
More than 1 year up to 5 years	77.60
Total	<u>180.10</u>

Lease rentals recognized in this Profit and Loss Account amount to Rs. 57.32.

16) This being the first year of Consolidation, previous year figures have not been given.

Signatures to Schedules 1 to 14.

Kolkata, 15th May, 2006

R Agarwal
Company Secretary

P Bajoria
Director & Chief Executive

S K Bajoria
Managing Director