

## Report of the Directors' to the Shareholders of IFGL Refractories Limited

Your Directors are pleased to present the Sixteenth Annual Report together with the Profit and Loss Account for the financial year ended on 31st March, 2005 and Balance Sheet as on that date.

### Financial Performance

Performance of your Company for financial year ended on 31st March, 2005 has been satisfactory and as follows :

	(Rs. in lacs)	
Sales		11,292.20
Income from Service Charge (Net)		5.95
Other Income		89.31
		<u>11,387.46</u>
Less : Total Expenses	9,042.92	
Interest	37.52	9,080.44
		<u>2,307.02</u>
Gross Profit after Interest but before Depreciation and Taxation		2,307.02
Less : Depreciation		385.54
		<u>1,921.48</u>
Profit before Tax		1,921.48
Less : Provision for Current Tax		680.00
		<u>1,241.48</u>
Profit after Current Tax and before Deferred Tax		1,241.48
Less : Provision for Deferred Tax		46.27
		<u>1,195.21</u>
Profit after Tax		1,195.21
Add : Profit brought forward from previous year		595.73
		<u>1,790.94</u>

Total Income and Profit before Tax has increased by 21.94% and 41.57% respectively compared to previous year ended on 31st March, 2004. Above financial performance is unprecedented and the best achieved till date by your Company.

In recognition of the outstanding performance in exports, CAPEXIL conferred a Special Award to your Company for the year 2003-04. Furthermore, the Export House status granted under the EXIM policy 2003-07 continues for the year as well.

Your Company's philosophy is to enhance customers' satisfaction and stakeholders value. In continuation of said philosophy, your Directors are pleased to recommend payment of Dividend at the rate of 15% i.e. Rs. 1.50 per Equity Share for financial year 2004-2005. Dividend recommended is higher by 20% i.e. Rs. 1.50 per Equity Share compared to Dividend of 12.5% i.e. Rs. 1.25 per Equity Share paid for financial year 2003-2004 and is subject to necessary approvals including approval of the shareholders at the ensuing Annual General Meeting.

### Future Outlook

During financial year 2004-2005 bullish trend in the Steel Industry, both in India and abroad, continued. All apprehensions to the contrary were belied. The Indian economy is doing well and efforts for infrastructure building are on in full stream. Consumption of Steel is increasing and is evident by price increases effected by the Steel producers from time to time. Your Directors are of the view that aforesaid trend will continue in coming next few years barring unforeseen circumstances.

Your Company had imported technical know-how from Krosaki Harima Corporation of Japan for new generation of Slide Gate Equipment (including components) and operating Refractories therefor. Said technologies have been fully absorbed during financial year 2004-2005 and your Company has started commercial production of said new Products on and from 1st February, 2005.

Facilities for Ceramic based Prosthetic Implants, Orbital Implants and Hydroxyapatite Granules for Dental applications based on Know-how acquired from the Central Glass and Ceramic Research Institute, Kolkata have been fully implemented and commercial production commenced in September, 2004. Test marketing has been started and said Products are slowly and gradually gaining acceptability.

### Delisting of Equity Shares

Applications made by your Company to Stock Exchanges at Bhubaneswar and Kolkata for delisting of its Equity Shares continue to remain pending with them.

## **Directors' Report (Contd.)**

### **Corporate Governance**

In continued pursuit of your Company's philosophy to enhance customers satisfaction and stakeholders value by practising the principles of good Corporate Governance, "Code of Conduct of the Board of Directors and Senior Management Personnel" and "Risk Assessment and Minimization Procedure" have been framed and put in place. Authority has also been delegated to the Company Secretary to attend to share transfer formalities at least once in a fortnight and report compliance thereof to the Shareholders/Investors Grievance Committee of the Board of Directors. A detailed report on Corporate Governance compliance duly certified by the Company's Statutory Auditors forms part of this Report as Annexure 'A'. The Management Discussion and Analysis Report also form part of this Report of your Directors as Annexure 'B'.

### **Directors' Responsibility Statement**

Your Directors, in terms of Section 217(2AA) of the Companies Act, 1956 (the Act), state that :

- a) in preparation of statement of accounts for the financial year under review, the applicable Accounting Standards have been followed and in case of departures therefrom, proper explanations relating thereto have been given in the Notes forming part thereof.
- b) Accounting Policies selected have been applied consistently and judgements and estimates made are reasonable and prudent as they give true and fair view of state of affairs of the Company at the end of the financial year under review and of the profit and loss of the Company for that period.
- c) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- d) Annual Accounts have been prepared on a going concern basis.

Your Company's Statutory Auditors, Messrs Price Waterhouse, Chartered Accountants have audited the statement of accounts in accordance with generally accepted Accounting Standards and practices as indicated in their Report.

### **Directors**

Director due to retire by rotation are Mr B P Bajoria and Mr T Ohashi, who, being eligible, offer themselves for re-election for further period.

Appointment of Mr S K Bajoria as Managing Director of your Company expired on 31st March, 2005. Appointment of Mr P Bajoria as Director & Chief Executive was superseded by a new contract on and from that date. Based on recommendations of the Remuneration Committee, both of them have been re-appointed on and from 1st April, 2005 as Managing Director and Director & Chief Executive respectively of your Company, subject to your approval. Resolutions to be passed in this regard together with Explanatory Statement wherein particulars of remuneration, allowances, perquisites etc payable to them are given, form part of the Notice of your ensuing Annual General Meeting. Your Directors recommend that said proposed resolutions are unanimously passed as under their leadership, your Company has attained unprecedented heights of performance and profitability.

### **Particulars of Employees**

Particulars of remuneration paid in excess of limit specified for the purpose of Section 217(2A) of the Act read with the Companies (Particulars of Employees) Rules, 1975, amended to date are given in Annexure 'C'.

### **Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988**

Information in accordance with provision of Section 217(1)(e) of the Act read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 regarding conservation of energy, technology absorption and foreign exchange earnings and outgo is given in Annexure 'D'.

### **Auditors' Report**

The Auditors in their Report have referred to the Notes forming part of accounts, which are self explanatory.

### **Auditors**

Messrs Price Waterhouse, Auditors will retire at the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment.

### **Acknowledgement**

During financial year under review Industrial Relations continued to remain cordial. Your Directors sincerely appreciate continued support received from all concerned particularly from the shareholders, financial institutions, banks and all the employees.

On behalf of the Board of Directors

Kolkata, 14th April, 2005

P Bajoria  
Director & Chief Executive

S K Bajoria  
Managing Director