



NILACHAL REFRACTORIES LIMITED

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

NOTICE

The THIRTY THIRD ANNUAL GENERAL MEETING OF NILACHAL REFRACTORIES LIMITED will be held at Hotel Shismo, Bhubaneswar on Thursday (day), the 30th September, 2010 at 12.30 PM to transact the following business:

AS ORDINARY BUSINESS

1. To receive consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2010 the Balance Sheet as on that date and the report of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Sushil Kumar Agarwal who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Mr. Raj Kumar Bajoria who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Mr. Prabash Kumar Gupta who retires by rotation and being eligible offers himself for reappointment.
5. To appoint a Director in place of Mr. S. C. Mishra who retires by rotation and being eligible offers himself for reappointment.
6. To appoint Statutory Auditors and fix their remuneration

Kolkata,
Dated: 12th August, 2010
Regd. Office:
Plot No. P/597, BJB Nagar, Lewis Road,
Bhubaneswar-751014

By Order of the Board of Directors

Bhagwati Prasad Jalan
Chairman

NOTES;

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

Register of Members and Share Transfer Books of the Company will be closed from 25th September, 2010 to 30th September, 2010 (both days inclusive).



DIRECTORS REPORT

Your Directors hereby present the Thirty Third Annual Report together with the Audited Accounts of your Company for the financial year ended on 31st March, 2010.

OPERATING RESULTS

The operating results of your Company for the financial year 2009-2010 are as follows:-

	2009-10	2008-09
	Rupees in Lakhs	
1. Sale of the Products	3221.26	1478.64
2. Other Income	76.18	71.66
3. Total Turnover	3297.44	1550.30
4. Operating Profit/(Loss) before Interest, Depreciation and amortization of expenses	666.10	154.40
5. Less: Interest	115.35	128.71
Less: Depreciation	30.24	15.92
Less: Amortization of expenses	16.00	82.37
6. Profit/(Loss) for the period	504.51	(72.60)
7. Provision for Deferred Tax	122.18	
8. Profit/(Loss) after Tax	382.33	

As can be observed from above the Company's top line grew by Rs.1747.15 lakhs and in % terms a increase of 112.70 % . Consequently the bottom line of the Company turned to black from red and was pegged at Rs.382.33 lakhs. Your Directors are hopeful that barring unforeseen circumstances the results of the Company would further improve. Your Directors also wish to inform that the Company has undertaken plans for expansion of the product line by setting up new modern manufacturing facility. The same is expected to be completed by the year 2012. During the year the Company also converted the unsecured loan amounting to Rs. 990 lakhs taken from Promoters and its associates to 9,90,000 numbers of 0% redeemable Preference Shares having face value of Rs. 100/- each. During the year the Company has increased its authorized capital from Rs.800.00 lakhs to Rs.4000.00 lakhs.

DIVIDEND

In view of brought forward accumulated losses, your Directors does not recommend any dividend for the year.

RAW MATERIALS

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

RESEARCH AND DEVELOPMENT

There is no R & D activities during the year under review. R & D activities are vital for our product to cope with the competitive market condition. But, due to paucity of fund the company could not undertake the same. However the company will start the same in the coming future.

INTERNAL AUDIT

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

ACCOUNTING POLICIES

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

FUTURE PROSPECTS

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

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



PARTICULARS OF EMPLOYEES

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

ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE ETC.

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

AUDITORS REPORT

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

AUDITORS

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

ACKNOWLEDGEMENT

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

For and on behalf of the Board of Directors

Kolkata

Dated: 12th August, 2010

Bhagawati Prasad Jalan
(Chairman)



ANNEXURES TO DIRECTORS REPORT

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

A. CONSERVATION OF ENERGY:

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

FORM – A

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

A. Power & Fuel consumption

1. Electricity	2009-10	2008-09
(a) Purchased		
Unit (Kwh)	2575116	2628492
Total Amount	8853306	9232680
Rate/Unit (Rs./Kwh)	3.44	3.51
(b) Own Generation		
(i) Through Diesel Generator		
Unit (Kwh)	92400	60780
Unit per Ltr. of Diesel oil	2.38	3.00
Cost/Unit (Rs.)	13.67	11.77
(ii) Through Steam Turbine Generator	N.A	N.A



(2) Steam Coal Grade 'B' and E used in Gas Producer.

Quantity (Tonnes)	7377	7541
Total Cost (Rs.)	28738592	25116279
Average Rate (Rs./MT)	3896	3335

(3) Furnace Oil & L.D Oil

Quantity (KL)	245 KL	319KL
Total Amount (Rs.)	5700118	7627680
Average Rate	23266	23911

(4) LSHS Other Internal Generation

N.A	N.A
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B. Consumption per unit of production.

(i) Refractories Produced (MT)	26234.000	12835.000
(ii) Electricity (KWH/Tonne)	102	210
(iii) Furnace oil & L.D oil (Litres/Tonne)	9.34	24.85
(iv) LSHS (Kg/Tonne)	N.A	N.A
(v) Steam Coal (Gross) Grade B & E (Kg/Tonne)	281	588
(vi) Net Coal after dust (Kg/Tonne)	258	425

C. Technology Absortion:-

NIL	NIL
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D. Foreign Exchange earning & outgo.

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

The Company is exploring new export markets in North America, Europe, Middle East, Australia etc.

- (ii) Total foreign exchange used and earned

Foreign exchange used :-	Rs. 2,22,92,985.00
Foreign exchange earned	Rs. 11,15,138.00

ANNEXURE –A

MANAGEMENT DISCUSSION & ANALYSIS

1. Industry structure and developments:

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

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



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

2. Opportunity, threats, risks and concerns:

Consequent upon technology advancement in steel making processes, major opportunity lies in manufacturing of continuous casting refractories, special monolithics viz. Castables, Plastic based ramming mass and gunning materials, etc. The Company has already taken initiatives in some of these areas which has started bearing positive results.

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

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

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

1. The turnover from refractories items is Rs.3221.26 lacs during the year under review.

2. Outlook:

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

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

3. Internal control system and their adequacy:

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

For & on behalf of the Board of Directors

Kolkata
Dated: 12th August, 2010

Bhagawati Prasad Jalan
(Chairman)

ANNEXURE – B

CORPORATE GOVERNANCE

I. Company's philosophy on code of Corporate Governance

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

II. Board of Directors

a) Composition

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

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

b) Meeting and attendance:

During the year 2009 – 10 Six Board Meetings took place on the following dates:

25th April, 2009
30th June, 2009
31st July, 2009
31st October, 2009
07th December, 2009
31st January, 2010

During the year 2009-10 an Extra Ordinary General Meeting of the Shareholders was held on 04.01.2010 at Bhubaneswar to consider increasing the authorized share capital, allotment of Preference shares and amendment in the Memorandum & Articles of Association of the Company which was duly approved by the Shareholders.

Attendance of Directors at Board Meeting and Annual General Meeting (30th September, 2009)

Name of the Director	No. of Board Meetings Attended	Whether attended the AGM
Mr. Bhagwati Prasad Jalan	6	No
Mr. Vijay Kumar Agarwal	6	No
Mr. Sushil Kumar Agarwal	2	No
Mr. Vimal Prakash	5	No
Mr. Kamal Prakash	2	No
Mr. Niraj Jalan	2	No
Mr. Saket Agarwal	2	No
Mr. Suresh Prasad Nepak	4	Yes



Mr. Raj Kumar Bajoria	6	Yes
Mr. S.C Mishra	3	Yes
Mr. P.K Gupta	3	No

III. Audit Committee

(i) Brief description of the terms of reference:

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

- The appointment of Statutory Auditors of the Company.
 - Provide Board with additional assurance as to reliability of financial information and statutory financial statements and as to the adequacy of internal accounting and control systems, including setting up of terms of reference for Internal Auditors.
 - It acts as a link between the Management, Internal Auditors, Statutory Auditors and the Board of Directors.
 - Company's compliance with the legal and statutory requirements.
- (ii) The Audit Committee, presently consists of 3 (three) Independent Members. The following Directors are the present Members of the Committee:

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

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

(iii) Meetings held and attendance during the year.

During the financial year 2009-10, the Audit Committee met four times i.e. on 30.06.2009, 30.07.2009, 31.10.2009 & 31.01.2010.

<i>Members of Audit Committee</i>	<i>No. of Meetings held</i>	<i>No. of Meetings Attended</i>
Mr.S.C.Mishra	4	4
Mr R. K. Bajoria	4	4
Mr.P.K.Gupta	2	2

iv) **Remuneration Committee:**

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

No sitting fee has been paid to any Director.

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

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

(v) **Code of Conduct**

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

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

<i>Year</i>	<i>Location</i>	<i>Date</i>	<i>Time</i>
2007	Hotel Sishmo, Bhubaneswar	29.09.2007	12.30 P.M
2008	Hotel Sishmo, Bhubaneswar	30.09.2008	12.30 P.M
2009	Hotel Sishmo, Bhubaneswar	30.09.2009	12.30 P.M

No special resolution was adopted through postal ballot.

vii) Disclosures

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

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

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

viii) Means of Communication:

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

ix) General Information for Shareholders

1. Date, time and Venue of the Annual General Meeting of the Company.
September 30th, 2010 at 12.30 PM at Hotel Sishmo, Bhubaneswar, Dist.Khurda, Orissa
2. Financial Calender 2010 – 11 Proposed Board Meeting Dates.

Unaudited Provisional Financial Results.

For Quarter ending 30-06-2010	Last week of July, 2010
For Quarter ending 30-09-2010	Last week of October, 2010
For Quarter ending 31-12-2010	Last week of January, 2011

Audited Accounts Last week of May, 2010.

3. Book Closure Date 25th September to 30th September, 2010
4. Dividend : Due brought forward accumulated losses no dividend has been declared.
5. Listing on Stock Exchanges
The Calcutta Stock Exchange Association Ltd.,
7, Lyons Range, Kolkata – 700 001

The Stock Exchange, Mumbai, Code No. 502294.
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai – 400 001

The Company has paid listing fees to Calcutta Stock Exchange upto Financial year 2010 – 11. Listing fees of Mumbai Stock Exchange has been paid upto financial year 2010–11. The Company's shares are not actively traded in Stock Exchanges.

6. Share Transfer System

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

During the year ended 31st March, 2010, 800 Nos. shares under 3 Nos. Transfers were effected. The share Transfer Committee met once during the financial year 2009 – 10.



7. Shareholding Pattern as on 31st March, 2010.

Sl.No.	Category	No. of shares	Percentage of Shareholding(%)
1.	Promoters	6057254	88.29
2.	Banks, Financial Institutions and Insurance Companies	389946	5.68
3.	Mutual Funds	-	-
4.	Private Corporate Bodies (Excluding Promoters)	2050	0.03
5.	Indian Public	412200	6.00
6.	NRI/OCBs	-	-
7.	GRDs	-	-
Total		6861450	100

8. Distribution of Shareholding as on 31st March, 2010.

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

Address for correspondence:

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

The Managing Director
Nilachal Refractories Ltd., Plot No.P/597, BJB Nagar, Lewis Road,
Bhubaneswar 751 014
Tel No. 0674-2433317, 2433389, Fax No.0674-2433317
Dated: 12th August, 2010

For and on behalf of the Board of Directors

Bhagwati Prasad Jalan
(Chairman)

To:
The Board of Directors,
Nilachal Refractories Ltd.,
Regd. Office: Plot No.P/597, BJB Nagar, Lewis Road, Bhubaneswar-751014, Orissa.

Dear Sirs,

I do hereby certify that all the Members of the Board of Directors of the Company and the Senior Management Personnel have affirmed their compliance with the Conduct laid down by the Board of Directors of the Company in their meeting held on 12.08.2010

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

Dated: 12th August, 2010
Place: Kolkata

Suresh Prasad Nepak
(Managing Director)



AUDITORS REPORT

TO THE MEMBERS OF NILACHAL REFRACTORIES LTD

1. We have audited the attached balance sheet of Nilachal Refractories Limited, as at 31st March, 2010, the Profit & Loss account and also the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis of our opinion.
3. As required by the companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
- 4.1 The Board of Industrial and Financial Reconstruction had declared the Company to be a sick Company and vide its Order dated 06/12/2005 and has approved the rehabilitation scheme and accordingly a change of Management had taken place with effect from 19/12/2005. The manufacturing process was started from April 2006. The sanctioned rehabilitation scheme has been implemented by the new Management. The financial statements have been drawn on assumption of "Going Concern" concept.
- 4.2 *The liability for Gratuity and leave salary payable to the staffs has been made as per actual liability as on 31st March '2010 and not as per actuarial valuation and the liability has not been deposited in separate fund.*
5. Further to our comments in the Annexure referred to above and subject to note 4.2 above and read together with other notes in the schedule annexed to the financial statements for the year, we report that:
 - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.



- b. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of our books.
- c. The balance sheet, profit & loss account and cash flow statement dealt with by this report are in agreement with the books of account.
- d. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the companies Act, 1956.
- e. On the basis of written representations received from the directors and taken on record by the Board of Directors we report that none of the directors is disqualified as on 31st March, 2010 from being appointed as a director of the company in terms of section 274(1)(g) of the companies Act, 1956
- f. In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the schedules and notes thereon and attached thereto give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i. In the case of balance sheet, of the state of affairs of the company as at 31st March, 2010;
 - ii. In the case of profit and loss account, of the profit for the year ended on that date; and
 - iii. In the case of cash flow statement, of the cash flows for the year ended on that date.

For P. Mukhopadhyay & Co.
Chartered Accountants
(Registration no. 302085E)

(Sankar Prasad Mukhopadhyay)
Partner
Membership Number : 050779

Kolkata
Dated : 12/08/2010



ANNEXURE TO AUDITORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2010 OF NILACHAL REFRACTORIES LIMITED.

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

- i) (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The assets have been physically verified by the management during the year where no material discrepancies were noticed.
- (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the company and such disposal, in our opinion, has not affected the going concern status of the Company.
- (ii) (a) The inventory has been physically verified during the year by the management where no material discrepancies were noticed.
- (b) The procedure of physical verification of inventory followed by the management is reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The company is maintaining proper record of inventory.
- iii) (a) It is reported to us that the company has not granted any loan, secured or unsecured to companies, firms or other parties covered under section 301 of the Companies Act, 1956. The company pursuant to order of the hon'ble BIFR has brought in further unsecured loan from the promoters amounting in total to Rs.920.65 lakh involving 13 parties and has repaid a sum amounting to Rs.581.00 lakh involving 5 parties and has converted Rs.990.00 lakh into 0% redeemable preference shares involving 10 parties retaining a balance of Rs. 310.00 lakh at the year end.
- (b) No interest has been charged on such loans and other terms and conditions of the loans brought in are, prima facie, not prejudicial to the interest of the company.
- (c) The principal has been partly repaid during the year under consideration as per mutual understanding and since the promoters are trying to revive the unit of the company no amount is considered to be overdue.
- (iv) In our opinion and according to the information and explanations given to us and considering the status of the company mentioned elsewhere in this report, there are adequate internal control system commensurate with the size of the company and the nature of its business for the purchases of inventory and fixed assets and for the sale of goods and services. During course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- v) a) According to the information and explanation given to us, the particulars of contracts and arrangements referred in section 301 of the companies Act, 1956 other than as mentioned in clause (iii) above has been entered in the register maintained under that section.

- b) In our opinion and according to the information and explanations given to us, where each of such transactions is in excess of Rs.5 lakhs in respect of any party, the transactions have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time.
- (vi) Pursuant to the order of the Hon'ble BIFR the new promoters have brought in unsecured loans. In the opinion of the Directors, since the said amount brought in by the Promoters in compliance with the order of the Hon'ble BIFR, the same is not covered under Public Deposit pursuant to clause 2(b) (xi) of the Companies (Acceptance of Deposits) Rules, 1975.
- (vii) The company has an internal audit system by external agency, commensurate with its size and nature of its business.
- viii) Maintenance of cost records has not been prescribed by the Central Government under section 209(1) (d) of the Companies Act, 1956 in respect of the company.
- (ix) a) *The Company is not regular in deposit of undisputed statutory dues of Provident Fund, Employees' State Insurance and Service Tax and as regards to other statutory dues like Income Tax, Sales Tax, Wealth Tax, Costum Duty, Excise Duty, Cess and Investor Education and Protection Fund, no irregularities in deposit of undisputed dues were noticed. The arrear of statutory dues on the last day of financial year concern for a period of more than six months from the date they became payable is Rs. NIL*
- (b) According to the information and explanations given to us, there are no disputed dues of income tax, wealth tax, service tax, customs duty, excise duty, and cess except demands raised on sales tax and entry tax assessment which have been disputed and have not been deposited as below:

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



- (x) The accumulated losses of the company are more than fifty percent of its net worth at the year end. The company has not incurred cash loss during the year covered under this audit and had not incurred cash loss in the immediately preceding year.
- (xi) As per the records and documents produced before us, we are of opinion that the company has not defaulted in repayment of dues to the Bank against term loan.
- (xii) The company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The provisions of any special statute applicable to chit fund or a nidhi/mutual benefit fund/society are not applicable to the company.
- (xiv) The company is not dealing in or trading in shares, securities, debentures and other investments
- (xv) As reported to us the company has not given any guarantee for loans taken by others.
- (xvi) No Term Loan was taken during the year under Audit.
- (xvii) According to the information and explanations given to us the fund brought in is being utilized for revival of the company as per sanctioned rehabilitation scheme of Hon'ble BIFR and on an overall examination of the balance sheet of the company, we report that no funds raised on short term basis have been used for long term investment.
- (xviii) During the year the Company has converted part of unsecured loan into 9,90,000 Nos. zero % Redeemable Preference Shares of Rs.100/- each, at par, on preferential basis, to parties and companies covered in the Register maintained under section 301 of the Companies Act 1956 and in our opinion, the price at which the shares have been issued is not prejudicial to the interest of the Company.
- (xix) The company has not issued any debenture during the year.
- (xx) The company has not raised money by public issue during the year.
- (xxi) According to the information and explanations given to us during the course of our audit no fraud on or by the company has been noticed or reported during the year.

For P Mukhopadhyay & Co.
Chartered Accountants
(Registration no. 302085E)

Kolkata
Dated: 12/08/2010

(Sankar Prasad Mukhopadhyay)
Partner
Membership Number : 050779



NILACHAL REFRACTORIES LIMITED

BALANCE SHEET AS AT 31st MARCH '2010

Schedule		Current Year	Previous Year
SOURCES OF FUNDS		(Rupees)	(Rupees)
A	SHARE CAPITAL	169,232,625	70,232,625
B	RESERVE & SURPLUS	1,500,000	1,500,000
	TOTAL SHARE HOLDER'S FUNDS	170,732,625	71,732,625
	LOANS		
C	a. Secured	77952022	83,602,025
D	b. Unsecured	31000000	96,035,000
	c. Total Loans	108,952,022	179,637,025
	TOTAL FUNDS EMPLOYED	279,684,647	251,369,650
APPLICATION OF FUNDS			
E	FIXED ASSETS		
	a. Gross Block	103,201,698	102,896,465
	b. Less: Depreciation	76,745,529	77,860,850
	c. Net Block	26,456,169	25,035,615
	d. Capital Work-in- Progress	2,682,941	
	Sub Total	29,139,110	25,035,615
	DEFERRED TAX	21,317,629	33,535,885
	CURRENT ASSETS, LOANS & ADVANCES		
F	a. Inventories	81,552,450	59,531,731
G	b. Sundry Debtors	85,440,256	28,071,070
H	c. Cash & Bank Balances	8,701,815	2,745,004
	d. Interest Accrued	624,281	76,321
I	e. Loans & Advances	16,668,700	9,135,982
	g. Total Current Assets	192,987,502	99,560,108
	Less: CURRENT LIABILITIES & PROVISIONS:		
J	a. Current Liabilities	87,226,280	69,040,034
K	b. Provisions	1,579,956	1,110,940
	NET CURRENT ASSETS	88,806,236	70,150,974
	NET CURRENT ASSETS	104,181,266	29,409,134
L	MISCELLANEOUS EXPENDITURE	-	-
	(To the extent not written off or adjusted)		
	PROFIT & LOSS ACCOUNT	125,046,642	163,389,016
	TOTAL APPLICATION OF FUNDS	279,684,647	251,369,650

O SIGNIFICANT ACCOUNTING POLICIES AND NOTES OF ACCOUNTS

Subject to our report of even date attached

For and on behalf of the Board of Directors
S. P. Nepak B. P. Jalan Kamal Prakash
Managing Director Director Director

For P. Mukhopadhyay & Co.
Chartered Accountants
Registration No. 302085E

Kolkata
Dated : 12th Aug. 2010

(Sankar Prasad Mukhopadhyay)
Partner
Membership Number : 050779



NILACHAL REFRACTORIES LIMITED

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH '2010

Schedule	INCOME	Current Year (Rupees)	Previous Year (Rupees)
M	SALE OF PRODUCTS AND OTHER INCOME	329,743,677	155,029,563
	EXPENDITURE		
N	MANUFACTURING AND OTHER EXPENSES	263,134,327	139,590,389
	DEPRECIATION	3,023,889	1,592,344
	INTEREST	11,534,590	12,870,589
L	MISC. EXPENDITURE WRITTEN OFF		
	(Refer Note 1.8 to Schedule "O")	1,600,000	8,236,893
	TOTAL EXPENDITURE	279,292,806	162,290,215
	PROFIT/(LOSS) FOR THE YEAR (1-6)	50,450,871	(7,260,652)
	PROVISION FOR DEFERRED TAX	(12,218,256)	2,746,608
	PROVISION FOR FBT		(197,886)
	PROFIT/(LOSS) AFTER TAX	38,232,615	(4,711,930)
	PREVIOUS YEAR ADJUSTMENTS	109,756	86,959
	PROFIT/(LOSS) BROUGHT FORWARD	(163,389,013)	(158,764,045)
	PROFIT/(LOSS) CARRIED OVER TO BALANCE SHEET	(125,046,642)	(163,389,016)
	Earning Per Share		
	Basic	5.59	(0.67)
	Diluted	5.59	(0.67)
O	SIGNIFICANT ACCOUNTING POLICIES AND NOTES OF ACCOUNTS		

Subject to our report of even date attached

For and on behalf of the Board of Directors
S. P. Nepak B. P. Jalan Kamal Prakash
Managing Director Director Director

Kolkata
Dated : 12th Aug. 2010

For P. Mukhopadhyay & Co.
Chartered Accountants
Registration No. 302085E

(Sankar Prasad Mukhopadhyay)
Partner
Membership Number : 050779



CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH' 2010

		Current Year	Previous Year
A. CASH FLOW FROM OPERATION ACTIVITIES	(Rupees)	(Rupees)	(Rupees)
Net profit as per Profit & Loss Account		50,560,627	(7,371,580)
Less: Depreciation Provision no longer require W/o	4,139,211		-
Interest earned	632,243		191,439
		4,771,454	191,439
Net profit before Tax and before extraordinary items		45,789,173	(7,563,019)
Add: Depreciation	3,023,889		1,592,344
Amortised Miscellaneous Expenses	1,600,000		8,236,893
		4,623,889	9,829,237
Operating profit before			
Working capital change		50,413,062	2,266,218
Change in:			
Trade & Other Receivables	(65,449,860)		(6,179,285)
Inventories	(22,020,719)		(19,176,199)
Trade Payables & Other Liabilities	18,655,262		7,597,954
Deferred Revenue Expenditures	(1,600,000)		-
		(70,415,317)	(17,757,530)
Net Cash used/generated in Operating Activities		(20,002,255)	(15,491,312)
B. CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Fixed Assets and Capital WIP	(7,128,385)		(4,590,975)
Sale of Fixed Assets	4,140,211		-
Interest received	632,243		191,439
Net Cash used/generated in Investing Activities		(2,355,931)	(4,399,536)
C. CASH FLOW FROM FINANCING ACTIVITIES			
Receipt of Call money of Share Capital		99,000,000	
Receipt of Investment money			
Proceeds from Secured Borrowings	(5,650,003)		2,005,303
Proceeds from Unsecured Borrowings	(65,035,000)		19,535,000
		(70,685,003)	21,540,303
Repayment of Secured Borrowings	-		-
Repayment of Unsecured Borrowings	-		-
Net Cash used/generated in Financing Activities		28,314,997	21,540,303
NET INCREASE IN CASH & CASH EQUIVALENT (A+B+C)		5,956,811	1,649,455
Cash & Cash equivalent at start of the year		2,745,004	1,095,549
Cash & Cash equivalent at close of the year		8,701,815	2,745,004

For and on behalf of the Board of Directors

S. P. Nepak
(Managing Director)

B. P. Jalan
(Director)

Kamal Prakash
(Director)

AUDITORS' CERTIFICATE

We have verified the above cash flow statement of Nilachal Refractories Ltd., derived from the audited financial statements for the year ended 31st March 2010 and found the same to be drawn in accordance therewith and also with the requirements of clause 32 of listing agreements with the stock exchanges.

For P. Mukhopadhyay & Co
Chartered Accountants
Registration No. 302085E

(Sankar Prasad Mukhopadhyay), Partner
Membership Number : 050779

Kolkata, Dt. 12th Aug, 2010



SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE "A": SHARE CAPITAL

Current Year
(Rupees)

Previous Year
(Rupees)

AUTHORISED

29500000 (P.Y. 78,50,000) Equity shares of Rs.10/- each	295,000,000	78,500,000
15000(P.Y.15,000) 11% redeemable cumulative Preference Shares of Rs.100/- each	1,500,000	1,500,000
1035000(P.Y.-NIL) 0% redeemable preference shares of Rs.100/- each	103,500,000	-
Total	400,000,000	80,000,000

ISSUED AND SUBSCRIBED

69,00,000 (P.Y.-6900000) Equity shares of Rs.10/- each	69,000,000	69,000,000
15,000(P.Y.-15000) 11% Redeemable Cumulative Preference shares of Rs.100/- each	1,500,000	1,500,000
990000 (P.Y.-NIL) of 0% Redeemable Preference Shares of Rs.100/- each	99,000,000	-
Total	169,500,000	70,500,000

PAID UP

68,61,450(P.Y.-6861450) Equity shares of Rs.10/- each fully paid in Cash	68,614,500	68,614,500
14,980(P.Y.-14980) 11% Redeemable Cumulative Preference shares of Rs.100/- each fully paid in Cash	1,498,000	1,498,000
990000(P.Y.-NIL) of 0% Redeemable Preference Shares of Rs.100/- each fully paid in Cash	99,000,000	-
	169,112,500	70,112,500
Add: Forfeited Share Amount (Originally Paid Up)	120,125	120,125
	169,232,625	70,232,625

SCHEDULE "B": RESERVE & SURPLUS

Central Subsidy	1,500,000	1,500,000
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SCHEDULE "C": SECURED LOAN

a. Term Loan with Canara Bank* (Secured by hypothecation of plant & machinery)	35,184,168	48,920,769
b. Cash credit with Canara Bank (Secured by book debt, hypothecation of stock of Raw Material, Stores, Finished goods and Goods in process and first charge on the Fixed Assets of the Company both present and future)	42,767,854	34,681,256
* Rs 137.00 Lakh (P.Y Rs 134 Lakh) payable within a year	77,952,022	83,602,025



**SCHEDULE “D”:
UNSECURED LOAN**

a. Unsecured Loan from Promoters			
Body Corporates	25,000,000		
Individuals	6,000,000	31,000,000	96,035,000
		31,000,000	96,035,000

**SCHEDULE “E”:
SCHEDULE OF FIXED ASSETS AS ON 31st MARCH’2010**

Description	Gross Block at cost as at 31.03.2009 (Rs)	Addition/ During the Year (Rs)	Deletion During the Year (Rs)	Gross Block at cost as at 31.03.2010 (Rs)	Total Depreciation Upto 31.3.2009 (Rs)	Depreciation for the Year (Rs)	Depreciation/ Amortization/ Impairment Adjustment for the Year (Rs)	Total Depreciation Upto 31.3.2010 (Rs)	Net Block as on 31.03.2010 (Rs)	Net Block as on 31.03.2009 (Rs)
Land* & Site Development	1,751,851	-	-	1,751,851	-	-	-	-	1,751,852	1,751,852
Buildings	20,403,799	-	-	20,403,799	11,865,982	527,459	-	12,393,441	8,010,358	8,537,817
Plant & Machineries	72,552,878	3,408,325	4,140,211	71,820,992	59,607,767	1,952,074	4,139,211	57,420,630	14,400,362	12,945,111
Furnitures, Fittings & Equipments	4,774,208	313,201	-	5,087,409	3,660,802	387,818	-	4,048,620	1,038,788	1,113,405
Vehicles	3,413,729	723,918	-	4,137,647	2,726,299	156,538	-	2,882,837	1,254,809	687,430
TOTAL	102,896,465	4,445,444	4,140,211	103,201,698	77,860,850	3,023,889	4,139,211	76,745,528	26,456,169	25,035,615
PREVIOUS YEAR	38,305,490	4,590,975	-	102,896,465	76,268,507	1,592,344	-	77,860,850	25,035,615	22,036,983
Capital Work-in-Progress	-	2,682,941	-	2,682,941	-	-	-	-	2,682,941	-
TOTAL	102,896,465	7,128,385	4,140,211	105,884,639	77,860,850	3,023,889	4,139,211	76,745,528	29,139,110	25,035,615

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

**SCHEDULE “F”:
INVENTORIES**

	Current Year (Rupees)	Previous Year (Rupees)
a. Raw Material, Coal & Fuel (At Cost)	27,948,919	15,077,314
b. Work-in-process (At Estimated Cost)	11,017,512	10,095,319
c. Finished Goods (At lower of cost and net realisable value)	38,530,011	31,360,659
d. By-Product (At net realisable value)	222,000	215,000
e. Stores & Spares (At Cost)	3,452,478	2,783,439
f. Packing Material (At Cost)	381,530	-
Total	81,552,450	59,531,731



SCHEDULE “G”:
SUNDRY DEBTORS (UNSECURED)

(Refer note 7 of Schedule “O”)

a. Due for more than six months (Considered good unless otherwise mentioned)	11,246,796	7,530,119
Less : Provision for doubtful debt (included in ‘a’ above)	1,002,537	1,002,537
	10,244,259	6,527,582
b. Due for less than six months (considered good)	75,195,997	21,543,488
Total	85,440,256	28,071,070

SCHEDULE “H”:
CASH & BANK BALANCES

A. Cash in hand	118,965	65,781
B. Balance with Scheduled Banks		
a. In Current Accounts	116,714	620,906
b. In Deposit Accounts*	8,466,136	2,058,317
Total	8,701,815	2,745,004
* Lying with Bank as Margin Money		

SCHEDULE “I”:
LOANS & ADVANCES

(Unsecured but considered good unless otherwise stated)

a. Pre-paid expenses & Recoverable Dues	344,061	221,668
b. Advance for Capital Goods	6,936,920	-
c. Other Sundry Advances	7,038,905	6,500,282
(Recoverable in cash or kind or for value to be received)		
d. Deposit of Security and Earnest Money	2,439,863	2,505,081
	16,759,749	9,227,031
Less: Prov. for Irrecoverable Advance	91,049	91,049
Total	16,668,700	9,135,982



SCHEDULE “J”:
CURRENT LIABILITIES & PROVISIONS

(Refer Note 7 and 9 to Schedule “O”)

a. Sundry Creditors			
MSME Enterprises	1105780		854,131
Others	65880544	66,986,324	61,689,054
b. Liabilities for Expenses		3,799,883	4,045,812
c. Statutory Liabilities		3,073,537	1,196,155
d. Security Deposits Received		648,023	648,023
e. Advance Received from Customers		12,718,513	606,859
Total		<u>87,226,280</u>	<u>69,040,034</u>

SCHEDULE “K”:
PROVISIONS

Provision For Gratuity	893,897	576,108
Provision for Leave Encashment	686,059	475,288
Provision for Fringe Benefit Tax	-	59,544
Total	<u>1,579,956</u>	<u>1,110,940</u>

SCHEDULE “L”:
MISCELLANEOUS EXPENDITURE
 (To the extent not written off or adjusted)
(Last Year Employees Separation Compensation)

ROC Expenses (Deffered)	1,600,000	8,236,893
Less: Written off during the year	1,600,000	8,236,893
Balance Carried Forward	<u>-</u>	<u>-</u>



SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	(Rupees)	Current Year (Rupees)	Previous Year (Rupees)
SCHEDULE "M":			
SALE OF PRODUCTS & OTHER INCOME			
1. Sale of Products		341,498,775	164,267,374
Less: Excise Duty	19,073,141		15,249,770
Less: Sales Return	299,638	19,372,779	1,153,687
		322,125,996	147,863,917
2. Other Income:			
a. Sale of Waste Material	4,099,238		5,119,926
b. Interest earned on Deposits (Gross TDS 71,324/- PY 8,440/-)	632,243		191,439
c. Miscellaneous Receipts	2,886,200		1,854,281
		7,617,681	7,165,646
		329,743,677	155,029,563
SCHEDULE "N":			
MANUFACTURING & OTHER EXPENSES			
1. Raw Materials consumed		163,934,488	55,465,356
2. Stores & Spares consumed		5,526,722	3,929,888
3. Coal & Fuel Consumed		34,438,710	32,743,958
4. Payment to & Provision for Employees:			
a. Salaries, Wages & Bonus (Refer to Note 1.12 to Schedule "O")	7,869,956		7,773,073
b. Contribution to PF & Other Funds	3,077,054		2,716,633
c. Workmen & Staff welfare Expenses	712,475		384,498
		11,659,485	10,874,204
5. Operation & Other Expenses			
a. Electricity & Water charges	8,870,059		9,183,301
b. Insurance & Tax	330,033		296,748
c. Rents & Rates	234,531		373,016
d. Conversion & other Mfg. Expenses	22,049,532		18,087,237
e. Repairs to Plant & Machinery	9,452,598		7,638,541
f. Repairs to Buildings	442,206		248,378
g. Other Repairs	99,859		149,519
h. Travelling & Conveyance	1,468,114		1,645,805
i. Telephone & Telex	445,082		367,106
j. Royalty Paid	4,568,169		
k. Other expenses	7,713,284		9,835,597
		55,673,467	47,825,248
6. (Increase)/Decrease in stock of finished goods & work in process)			
a. Closing stock	49,769,523		41,670,978
b. Opening stock	41,670,978		30,422,710
		(8,098,545)	(11,248,268)
Total		263,134,327	139,590,386



SCHEDULE “O”

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

1. ACCOUNTING POLICY

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

1.1. Revenues:

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

1.2. Claims:

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

1.3. Valuation of Inventories:

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

1.4. Fixed Assets:

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

a) Depreciation:

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

b) Impairment of Assets :

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

1.5. Foreign Currency:

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

1.6. Borrowing Cost:

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

1.7. Research and Development Expenditure:

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

1.8. Intangible Assets:

In accordance with Accounting Standard-26 “Intangible Assets” issued by the ICAI expenditure incurred on increase of Authorised Capital have been written off in the year of its incurrence.

1.9. Basis of Preparation of Financial Statements:

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

1.10. Use of Estimates.

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

1.11. Provision, Contingent Liabilities and Contingent Assets :

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

1.12. Retirement Benefits:

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

NOTES ON ACCOUNT

- 1)
 - a) In pursuant to order of the Hon'ble BIFR dt: 06.12.2005 the Rehabilitation Scheme is under implementation.
 - b) Pursuant to Para No. 13.13. (2) of the Order of the Hon'ble BIFR, the new promoters have brought in Unsecured loan amounting to Rs. 920.65 Lacs (P.Y. 330.35 Lacs) to meet the rehabilitation cost. Since the said amount brought in by the Promoters in compliance with the order of the Hon'ble BIFR, the same is not covered under Public Deposit pursuant to Clause 2(b) (xi) of the Companies (Acceptance of Deposits) Rules, 1975.
- 2)
 - a) 11% Redeemable Cumulative Preference shares were redeemable before September 1995 by giving six months notice by such redemption to the holders thereof. However, as per the terms of the Sanctioned Rehabilitation Scheme, the preference Shares are to be continued with roll over option for another 5 years and no interest is payable during such rehabilitation period. Accordingly, no provision for any interest has been made during the year.

Due to non-availability of profit, no provision has been made for payment of dividend to the Preference Shareholders; cumulative from the date of allotment i.e 20th September 1980 upto the due date of redemption amounting to Rs. 41.60 Lacs or the dividend payable thereafter.
 - b) The Company has during the year converted unsecured loan of Rs.990 Lacs taken from Promoters and its Associates in earlier and current years into 990000 numbers of 0% redeemable preference shares of Rs.100/- each.
- 3) The total unsecured loan includes Rs 60.00 Lacs (previous year Rs.205.35) taken from directors of the Company.



- 4) Government of Orissa have acquired 8.73 acres of unutilized portion of land of the Company for which the cost of the land has been proportionately reduced. Since the Government have not intimated the acquisition compensation of the land, surplus/ deficit will be recognized in revenue on receipt of such intimation from the Government.
- 5) Voluntary Retirement Scheme (VRS) was introduced under which terminal date of employment was fixed as 31st July 2002. Provision for unpaid compensation has been made for the employees who have not taken the same. Modified Golden Handshake Schemes containing similar benefits as that of Voluntary Separation Scheme were introduced (in respect of ex-employees who were separated under the Golden Handshake Scheme 3 & 4) wherein cut off date for computation of compensation was kept as 31st July 2002. Provision for unpaid lump sum payment has been made for the ex-employees who have not taken the same.
- 6) The deferred Tax Assets as at 31st March 2010 comprises of the following:

(i) Liabilities	As at 31.03.2010	As at 31.03.2009
For Difference in Depreciation between books and IT	16,53,959	18,06,671
Total of liabilities	16,53,959	18,06,671
(ii) Assets		
For timing difference of expenses	4,88,206	3,24,881
For Losses Under I.T.Act.	2,24,83,382	3,50,17,675
Total of assets	2,29,71,588	3,53,42,556
Net Deferred Tax Assets (ii)–(i)	2,13,17,629	3,35,35,885

- 7) Confirmation of Parties concerned for amount due, receivable from and/or payable to them as per the accounts of the company has not been received. Necessary adjustment, if any, shall be done at the time of settlement of respective account.
- 8) The financial result of the company pertains to operations related to refractories which is the only significant business segment of the Company as per AS-17 issued by the ICAI.
- 9) There are no micro, small and medium enterprises to whom the company owes dues., which are outstanding for more than 45 days as at March 31, 2010 excepting as mentioned below. The above information regarding micro, small and medium enterprises have been determined to the extent such parties have been identified on the basis of information available with the company. The name of MSM Enterprises Units to whom amount in excess of Rs. 1.00 Lacs are due for more than 45 days are given below. :

Name of the Company	Amount (Rs.)
Biswakarma Fabricators	2.92 lacs
Refcem Pvt. Ltd.	4.98 lacs
Shakti Pack Ind. Pvt. Ltd	1.17 lacs

- 10) As per practice followed/adopted, excise duty payable on finished goods held in stock is neither included in expenditure nor considered in valuing such stocks, but is accounted for on clearance of goods from factory. This has however no impact on the Profit & Loss Account of the company.
- 11) Loans and advances include Rs. 6.53 lacs (Previous Year Rs. 8.11 Lacs) collected by Sales Tax & Central Excise authorities against demand not acknowledged by the Company as a debt. The above amounts are included in the figure disclosed under item 12.3.1 of this schedule.
- 12.1) The Company does not acknowledge further claim of landowners against acquired land and the same is being contested in appropriate Court of law.



12.2) Contingent Liabilities not provided.

	2009-10 (Rs.in Lacs)	2008-09 (Rs.in Lacs)
Counter Guarantee for Bank Guarantee issued	103.70	65.31

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

	2009-10 (Rs.in Lacs)	2008-09 (Rs. In Lakhs)
12.3.1 Sales Taxes	96.28	96.28
12.3.2 Water Charges	7.14	7.14
12.3.3 Other Liabilities	24.70	24.70
12.3.4 Orissa Entry Tax	4.17	4.17

13. Miscellaneous expenses include following payment to auditors :

13.1 As Auditors for Statutory Audit	25000	25,000
13.2 For other services Certification	NIL	1000
13.3 Reimbursement of expenses	NIL	NIL

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

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

Licensed Capacity (MT)	28,000	28,000
Installed Capacity (MT)	28,000	28,000
Actual Production (MT)	26,234	12,835

15 Turnover, Opening and Closing Stock :

		2009-10 (MT)	(Rs.in lakhs)	2008-09 (MT)	(Rs.in lakhs)
Turnover	Mortar	11023	1155.59	1145	97.66
	Bricks	14665	2369.35	10758	1545.01

Opening & Closing Stock :

	2009-10 (MT)	2008-09 (MT)
Opening Stock (Bricks)	2673*	1741*
Opening Stock (Mortar)	0	0
Closing Stock (Bricks)	3219*	2673*
Closing Stock (Mortar)	0	0

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

16. Raw Material Consumption

	2009-10		2008-09	
	(MT)	(Rs)	(MT)	(Rs)
Plastic Clay	2632	3119547	2966	3977863
Raw Non-Plastic Clay	6127	5543896	6254	4172698
Salvaged Bricks	4423	41268937	2954	9720437
Bauxite	771	7979082	689	5151733
Molasses	145	1969246	296	2241407
Others	14417	104053780	11413	30201219
Total :	28515	163934488	24572	55465357

Cenvat during the year amounting to Rs. 53,42,161 (Previous Year : Rs.33,37,718) has been adjusted against their respective raw material account.

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

	2009-10		2008-09	
	(Rs.)	(%)	(Rs.)	(%)
Imported Raw Materials	1,23,80,258	8	1804672	3
Indigenous Raw Materials	15,15,54,230	92	53660685	97

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

	2009-10		2008-09	
	(Rs.)	(%)	(Rs.)	(%)
Indigenous stores & spares	55,26,722	100	3929888	100

18. Earning per share

31-03-2010

31-03-2009

Net profit/(-) loss for the period	(Rs.)	38342371	-4624968
Less : Dividend on preference share	(Rs.)	Nil	Nil
Net profit attributable to equity shareholders	(Rs.)	38342371	-4624968
Basic weighted average number of shares		68,61,450	68,61,450
Basic E.P.S	(Rs.)	5.59	-0.67
Diluted weighted average number of shares		68,61,450	68,61,450
Diluted E.P.S	(Rs.)	5.59	-0.67
Nominal value of Equity shares (Basic/Diluted)	(Rs.)	10	10

19.1. Value of Imports

(Calculated on CIF Basis)

2009-2010

2008-2009

Raw Materials 12134210.00 4414374.00

19.2. Expenditure in Foreign Currency (On Cash Basis)

Raw Materials 11322768.00 2182483.00
 Travelling 455046.00 45728.00
 Royalty 2173201.00 NIL
 Advance for Capital Goods 6936920.00 NIL
 Others 1405050.00 NIL



20.1 Earnings in Foreign Exchange

Sales	1115138.00	21848181.00
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20.2 Reimbursement of Expenses Received in Foreign Currency

Travelling	NIL	16729.00
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21. Related Party Disclosures :

21.1 List of Related Parties where control exists :- Nil

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

Name	Nature of Transaction	2009-10 (Amount in Rs.)	2008-09 (Amount in Rs.)
Associated Industrial Furnaces Pvt. Ltd.	Purchase	-	41427.00
Associated Industrial Furnaces Pvt. Ltd.	Sales	3144109.00	-
Chetna Distributors Pvt. Ltd.	Loan Taken	-	10000000.00
Chetna Distributors Pvt. Ltd.	Loan converted into Pref. Shares	10000000.00	-
Eynthia Tie Up Pvt. Ltd.	Loan Taken	27000000.00	-
Eynthia Tie Up Pvt. Ltd.	Loan converted into Pref. Shares	23000000.00	-
Ganapati Industrial Pvt. Ltd.	Loan Taken	-	2000000.00
Ganapati Industrial Pvt. Ltd.	Repayment of Loan	-	2000000.00
Industrial Associates	Purchase	4186880.00	-
Jekay International Track Pvt. Ltd.	Loan Taken	10000000.00	-
Jekay International Track Pvt. Ltd.	Sales	287163.00	-
Jekay Rolling Mill Pvt. Ltd.	Loan Taken	7000000.00	-
Jekay Rolling Mill Pvt. Ltd.	Loan converted into Pref. Shares	7000000.00	-
Metropolitan Commercial Pvt. Ltd.	Loan Taken	2500000.00	-
Metropolitan Commercial Pvt. Ltd.	Loan converted into Pref. Shares	5000000.00	-
Minicraft Enterprise Pvt. Ltd.	Loan Taken	2500000.00	1000000.00
Minicraft Enterprise Pvt. Ltd.	Repayment of Loan	6100000.00	1500000.00
Niraj Jalan	Loan Taken	2000000.00	-
Niraj Jalan	Loan converted into Pref. Shares	2000000.00	-
NRL Clayburn Ltd.	Sales	101429546.00	-
PP Suppliers & Agencies Pvt. Ltd.	Loan Taken	2200000.00	-
PP Suppliers & Agencies Pvt. Ltd.	Loan converted into Pref. Shares	6500000.00	-
Pankaj Jalan	Loan Taken	2500000.00	-



Pankaj Jalan	Loan converted into Pref. Shares	2500000.00	-
Piyush Jalan	Loan Taken	2300000.00	-
Piyush Jalan	Loan converted into Pref. Shares	2300000.00	-
Pushpak Dealcom Pvt. Ltd.	Loan Taken	-	6000000.00
Pushpak Dealcom Pvt. Ltd.	Repayment of Loan	18000000.00	-
Pushpak Dealcom Pvt. Ltd.	Loan converted into Pref. Shares	7700000.00	-
Seasons Trading & Investments Pvt. Ltd.	Loan Taken	13000000.00	-
Seasons Trading & Investments Pvt. Ltd.	Repayment of Loan	13000000.00	-
Sri S.P Nepak	Remuneration	718200.00	-
Sri T.B Singh	Remuneration	-	225000.00
Sushil Kumar Agarwal	Loan Taken	6000000.00	3500000.00
Sushil Kumar Agarwal	Repayment of Loan	13000000.00	5000000.00
Unimark International Pvt. Ltd.	Loan Taken	14600000.00	6500000.00
Unimark International Pvt. Ltd.	Loan converted into Pref. Shares	33000000.00	-
Vijay Kumar Agarwal	Loan Taken	465000.00	4035000.00
Vijay Kumar Agarwal	Repayment of Loan	8000000.00	5000000.00

22. Salaries, Wages and Bonus includes Remuneration paid to 1 (One) Whole Time Director (Previous year One whole time Directors) amounting to Rs. 7.18 Lakhs for the financial year 2009 - 10 (Previous year Rs.2.25 Lakhs) as approved by the Shareholders.
23. Estimated amount of contracts remaining to be executed on capital account and not provided for Rs.1875.93 lakhs (Previous year NIL). Advance paid for Capital Goods Rs.69.37 Lacs.
24. Previous year's figures have been regrouped and rearranged wherever necessary.

25. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

25.1 REGISTRATION DETAILS

a) Registration No.	:	000735
b) State Code	:	15
c) Balance Sheet Date	:	31-Mar-10

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

a) Public Issue	:	Nil
b) Right Issue	:	Nil
c) Bonus Issue	:	Nil
d) Private Placement	:	99,000



25.3 POSITION OF MOBILISATION AND DEVELOPMENT OF FUNDS (AMOUNT IN RS. THOUSANDS)

Total Liabilities	:	279,685
Total Assets	:	279,685
A) SOURCES OF FUNDS :		
Paid up Share Capital	:	169,233
Reserves & Surplus	:	1,500
Secured Loans	:	77,952
Unsecured Loans	:	31,000
B) APPLICATION OF FUNDS :		
Net Fixed Assets	:	29,139
Investments	:	-
Deferred Tax Assets	:	21,318
Net Current Assets	:	104,181
Misc. Expenditure	:	Nil
Accumulated Losses	:	125,047

25.4 PERFORMANCE OF COMPANY (AMOUNT IN RS. THOUSANDS)

a) Turn Over (Gross Revenue)	:	329,853
b) Total Expenditure	:	279,293
c) Profit / (Loss) before Tax	:	50,560
d) Profit / (Loss) after Tax	:	38,232
e) Earning Per Share in Rs.	:	5.59
f) Dividend Rate %	:	Nil

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

25.5.1	Item Code No.(ITC Code)	:	69022020
	Product Description	:	Bricks & Shapes, High Alumina
25.5.2	Item Code No.(ITC Code)	:	69029010
	Product Description	:	Fire Clay Bricks & Shapes
25.5.3	Item Code No.(ITC Code)	:	69039040
	Product Description	:	Monolithics/Castables (Fireclay, High Alumina)

Signature to Schedule "A" to "O"

Subject to our report of even date attached

For P, Mukhopadhyay & Co

Chartered Accountants

(Registration No.302085E)

For & on behalf of the Board of Directors

Shankar Prasad Mukhopadhyay

Partner

Membership No.050779

S.P.Nepak
Managing Director

B.P.Jalan
Director

Kamal Prakash
Director

Kolkata

Dated: 12th Aug, 2010



NILACHAL REFRACTORIES LIMITED

BOARD OF DIRECTORS

As on 30-06-2010

Mr. Bhagawati Prasad Jalan

Chairman

Mr. Suresh Prasad Nepak

Managing Director

Mr. Vijay Kumar Agarwal

Mr. Sushil Kumar Agarwal

Mr. Vimal Prakash

Mr. Kamal Prakash

Mr. Saket Agarwal

Mr. Niraj Jalan

Mr. Raj Kumar Bajoria

Mr. S. C. Mishra

Mr. Prabash Kumar Gupta

AUDITORS

P. Mukhopadhyay & Co.

Chartered Accountants

BANKER

Canara Bank

REGISTERED OFFICE

P/597, BJB Nagar, Lewis Road

Bhubaneswar - 751 014

FACTORY

IPITATA Nagar

Dhenkanal - 759 013

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NILACHAL REFRACTORIES LIMITED

PROXY FORM

I/We.....

of in the district of

being a member/members of the above named Company hereby appoint

of in the district of

or failing him

of in the district of

as my/our proxy to vote for me/us on my/our behalf at the Thirty Third Annual General Meeting of the Company to be held on 30th day of September, 2010 and at any adjournment thereof.

Signature

Please
affix Re.1
Revenue
Stamp

NILACHAL REFRACTORIES LIMITED

Member/Proxy*

(in Block letters)

Name of Proxy

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

No. of shares held

I hereby record my presence at the Annual General Meeting to be held on 30th day of September, 2010.

Signed this day of 2010.

Member's/Proxy's Signature **

* Delete whichever is not applicable

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

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



33RD ANNUAL REPORT

2009-2010



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