31ST

ANNUAL REPORT

2007-2008

NILACHAL REFRACTORIES LIMITED

NILACHAL REFRACTORIES LIMITED

BOARD OF DIRECTORS
As on 30-06-2008

Mr. Vijay Kumar Agarwal
Chairman

Mr. Tej Bahadur Sing
Managing Director

Mr. Bhagwati Prasad Jalan
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

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

NOTICE

The THIRTY FIRST ANNUAL GENERAL MEETING OF NILACHAL REFRACTORIES LIMITED will be held at Hotel Sishmo, Bhubaneswar on Tuesday (day), the 30th September, 2008 at 12.30 PM to transact the following business:

AS ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts for the year ended on 31st March, 2008 and with the reports of the Directors thereon.
2. To appoint a Director in place of Mr.Kamal Prakash, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Mr. Saket Agarwal, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Mr. Vimal Prakash, who retires by rotation and being eligible offers himself for reappointment.
5. To appoint a Director in place of Mr. Niraj Jalan, who retires by rotation and being eligible offers himself for reappointment.
6. To appoint Statutory Auditors and to fix their remuneration.

Kolkata,
Dated: 30th June, 2008
Regd. Office:
Plot No. P/597, BJB Nagar, Lewis Road,
Bhubaneswar-751014

By Order of the Board of Directors

Pragya Jhunjhunwala
Company Secretary

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 to the Company's Registered Office, a duly certified copy of the Board Resolution authorizing their representative to attend and vote at the AGM.**
3. Register of Members and Share Transfer Books of the Company will be closed from 25th September, 2008 to 30th September, 2008 (both days inclusive) in connection with ensuing AGM.

DIRECTORS REPORT

Your Directors hereby present the Thirty First Annual Report together with the Audited Accounts of your Company for the financial year ended on 31st March, 2008.

OPERATING RESULTS

The operating results of your Company for the financial year 2007-08 are as follows:-

		Rupees in Lakhs
1.	Sale of the Products	1082.09
2.	Other Income	47.48
3.	Total Turnover	1129.57
4.	Operating Profit/(Loss) before Interest, Depreciation and amortization of expenses	(278.57)
5.	Less : Interest	(127.78)
-	Less : Depreciation	(14.95)
	Less: Amortization of expenses	82.37)
6.	Profit/(Loss) for the year before Tax	(503.67)
7.	Provision For Tax	
	- FBT	(2.01)
	- Deferred Tax	265.06
8.	Profit/Loss after Tax	(240.62)

DIVIDEND

In view of loss during the year, your Directors regret their inability to recommend any dividend for the year.

OPERATIONS

The total turnover of the Company during the year is Rs. 1129.57 Lakhs. Your Company's operations at its factory located at Dhenkanal had to be shutdown for a period of around 2 months to undertake major changes in the pollution control measures to ensure that the statutory norms are met by the Company.

RAW MATERIALS

Your Company had to face lot of challenges in procuring raw materials during the year both in terms of quality and costs. There has been a steep rise in the prices of main raw material like Bauxite, Coal, Furnace oil and other raw materials during the year.

RESEARCH AND DEVLOPEMENT

There have been no R & D activities during the year under review. However R & D activities are vital for the company in order 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 had 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 endeavoring its best to find alternative market for its products.

Your Company has entered into a technical collaboration with M/s. Clayburn Industrial Group Ltd., Canada who are leaders and names to be reckoned with in the field of development, manufacture and sales of refractory products. The collaboration will help your Company expand its range of products. Your Directors would also wish to take the opportunity to inform the shareholders that a new company has been incorporated as a Joint Venture Company between your company and M/s. Clayburn Industrial Group Ltd., Canada.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant 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 judgments 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 loss 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 the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rule, 1975. As a result, no disclosure in this regard is 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 Auditor's 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.

ACKNOWLEDGEMENT

Your Directors place on record their deep appreciation of the continued cooperation and support extended by all concern and more particularly of the Companies Bankers "Canara Bank" for their enduring support in the hard times of the company.

For and on behalf of the Board of Directors

Kolkata
Dated: 30th June, 2008

Vijay Kumar Agarwal
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 bring 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	2007-08	2006-07
(a) Purchased		
Unit (Kwh)	2153928	1485019
Total Amount	7806756	5863901
Rate/Unit (Rs./Kwh)	3.62	3.95
(b) Own Generation		
(i) Through Diesel Generator		
Unit (Kwh)	34260	57745
Unit per Ltr. of Diesel oil	3.00	2.62
Cost/Unit (Rs.)	11.55	12.78
(ii) Through Steam Turbine Generator	N.A	N.A

(2) Steam Coal Grade "A","B","E" used in Gas Producer.

Quantity (Tonnes)	7468	9528
Total Cost (Rs.)	20122669	18305340
Average Rate (Rs./MT)	2695	1921

(3) Furnace Oil & L.D Oil

Quantity (KL)	204KL	396.5 KL
Total Amount (Rs.)	3799824	5676514
Average Rate	18627	14316

(4) LSHS Other Internal Generation	N.A	N.A

B. Consumption per unit of production.

(i) Refractories Produced (MT)	11183.000	14011.330
(ii) Electricity (KWH/Tonne)	196	110
(iii) Furnace oil & L.D oil (Litres/Tonne)	18.24	28.29
(iv) LSHS (Kg/Tonne)	N.A	N.A
(v) Steam Coal (Gross) Grade A,B,E (Kg/Tonne of Bricks)	668	680
(vi) Net Coal after dust (Kg/Tonne of Bricks)	518	374.01
C. Technology Absorption:-	*NIL*	*NIL*

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 has successfully started EXPORTING ITS PRODUCTS TO Australian market and exploring possibilities for exports to other markets as well.

(ii) Total foreign exchange used and earned

Foreign exchange used:	Rs. 31,11,141.00
Foreign exchange earned	Rs. 30,12,618.00

ANNEXURE –A

MANAGEMENT DISCUSSION & ANALYSIS

1. Industry structure and developments:

Indian economy witnessed 9.3% growth in FY 2007-08, compared to 8.4% in the previous year which has provided all-round growth in the manufacturing sector. The pace of growth is on an increase and likely to continue for sometime. There is a lot of effort on the part of Government to provide all support to a sustained growth in the Indian economy. Your Directors believe that the growth of Indian economy will grow at a steady pace in days to come which will have a positive impact on the fortunes of your Company.

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 substantial 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 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, slide gate refractories, special monolithics viz. castables, plastic based ramming mass and gunning materials, etc. The Company is planning to put up facilities to manufacture most of these products.

Demand for refractories has increased substantially due to increased steel production in India. The future of the Company is bright with huge steel 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 reorganization 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.

3. The turnover from refractories items is Rs. 1129.57 lacs during the year under review.

4. Outlook:

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

There are many small and large Steel Plants coming up in the district of 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.

5. 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 strict internal control system commensurate with the size and nature of its business.

For & on behalf of the Board of Directors,
Vijay Kumar Agarwal
(Chairman)

Kolkata
Dated: 30th June, 2008

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.Vijay Kumar Agarwal Chairman	Non-Executive Director	-	-
2. Mr.B.P.Jalan	- do -	-	-
3. Mr.Sushil Kr.Agarwal	- do -	-	-
4. Mr.T.B.Singh Managing Director	Executive Director	-	-
5. Mr.Vimal Prakash	Non-Executive Director	-	-
6. Mr.Kamal Prakash	- do -		-
7. Mr.Saket Agarwal	- do -	-	-
8. Mr.Niraj Agarwal	- do -	-	-
9. Mr. Rajkumar Bajoria	Independent Director	-	-
10. Mr.S.C.Mishra	- do -	-	-
11. Mr.P.K.Gupta	- do -	-	-

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

b) Meeting and attendance:

During the year 2007 – 08 seven Board Meetings took place on the following dates:

30th June, 2007
31st July, 2007
29th September 2007
8th October, 2007
31st October, 2007
31st January, 2008
17th March, 2008

Attendance of Directors at Board Meeting and Annual General Meeting (29th September, 2007)

Name of the Director	No. of Board Meetings Attended	Whether attended the AGM
Mr.Vijay Kumar Agarwal	7	Yes
Mr. B.P.Jalan	5	No
Mr.Sushil Kumar Agarwal	5	No
Mr. T.B.Singh	7	Yes
Mr.Vimal Prakash	4	No
Mr.Kamal Prakash	5	Yes
Mr.Saket Agarwal	3	No
Mr.Niraj Jalan	3	No
Mr.Raj Kumar Bajoria	4	No
Mr.S.C.Mishra	3	No
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 :-

a) the appointment of Statutory Auditors of the Company,

b) 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

c) it acts as a link between the management, Internal Auditors, Statutory auditors and the Board of Directors,

d) 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:

Name of the Member	*Designation*	*Nature of Membership*
1. Mr.Raj Kumar Bajoria	Director	Independent Non-Executive
2. Mr.S.C.Mishra	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 2007-08, the Audit Committee met thrice i.e. on 29.06.2007, 30.10.2007 & 30.01.2008.

Members of Audit Committee	*No. of Meetings held*	*No. of Meetings Attended*
Mr Raj Kumar Bajoria	3	3
Mr.S.C.Mishra	3	3
Mr.P.K.Gupta	3	3

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 remuneration committee.

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 EOGM.

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 Chief Executive Officer (CEO) 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 :-

Year	*Location*	*Date*	*Time*
2005	Hotel Sishmo, Bhubaneswar	25.07.2005	12.30 PM
2006	Hotel Sishmo, Bhubaneswar	28.09.2006	12.30 PM
2007	Hotel Sishmo, Bhubaneswar	29.09.2007	12.30 PM

No special resolution was adopted through postal ballot.

vii) EOGM 03.09.07.

This Company has called 1 (One) Extra Ordinary General Meeting during the financial year 2007 – 08 on 03.09.2007. In the above meeting Change in the capital clause and consequently Articles 6 of the company was considered.

viii) Disclosures

Disclosures on materially significant related party transaction of the Company of material nature with its promoters, the director 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.

ix) 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.

x) General Information for Shareholders

1. Date, time and Venue of the Annual General Meeting of the Company. September 30th, 2008 at 12.30 PM at Hotel Sishmo, Bhubaneswar, Dist.Khurda, Orissa.

2. Financial Calendar 2008-09 Board Meeting to be taken on record

Unaudited Provisional Financial Results.

For Quarter ending 30-06-2008	Last week of July, 2008
For Quarter ending 30-09-2008	Last week of October 2008
For Quarter ending 31-12-2008	Last week of January 2009

Audited Accounts Last week of June, 2009.

3 Book Closure Date 25th September to 30th September, 2008

4 Dividend : Since the Company is incurring 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 both the Stock Exchanges upto financial year 2007-08.
The Company's shares are not actively traded in Stock Exchanges.

6. Share Transfer System

Share Transfer is normally affected 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, 2008, 187523 Nos. shares under 23 Nos. Transfers were affected. The share Transfer Committee met 2 times during the financial year 2007-08.

7. Shareholding Pattern as on 31st March, 2008.

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	NRIs/OCBs	-	-
7	GRDs	-	-
	Total	6861450	100

8 Distribution of Shareholding as on 31st March, 2008.

Range	Number of	% to Total	Total shares	% to Total
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 Vice-Chairman & 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: 30th June 2008

For and on behalf of the Board of Directors
Vijay Kumar Agarwal
(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 Code of Conduct laid down by the Board of Directors of the Company in their meeting held on 30-06-2008.

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: 30-06-2008
Place: Kolkata

Amitava Choudhury
Chief Executive Officer

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, 2008, 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 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 statement have been drawn on assumption of "Going Concern" concept.

4.2. The Compensation to permanent employees who had opted for retirement under the Voluntary Separation Scheme of the Company, was being amortised over fifty months. The present management, as per scheme approved by Hon'ble BIFR has opted to amortise the unamortized amount as on 31st March 2005 over forty eight months.

4.3. The liability for Gratuity and leave salary payable to the staffs has been made as per actual liability as on 31st March 2008 and not as per actuarial valuation and the liability has not been deposited in separate fund as suggested by AS 15 issued by ICAI.

5. Further to our comments in the Annexure referred to above and subject to note 4.3 above and subject to notes in the schedule "O" 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 purposes of our audit.

b. In our opinion, proper books of account as required by law has been kept by the company so far as appears from our examination of 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 211of 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 2008 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, 2008;

   ii. In the case of profit and loss account, of the loss 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

(Subhas Mukhopadhyay)
Partner
Membership Number : 050384

Kolkata
Dated : 30th June 2008

ANNEXURE TO AUDITOR'S REPORT FOR THE YEAR ENDED 31ST MARCH, 2008 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) None of the fixed assets have been disposed off during the year.

(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 are 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.674.50 lakh and repaid a sum amounting to Rs.49.50 lakh retaining a balance of Rs.625.00 lakh involving 7 parties in all apart from loan brought forward amounting to Rs.140 lakhs.

(b) The rate of interest 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) The transactions made in pursuance of such contracts or arrangements have been made at a price which are reasonable having regard to the prevailing market price at the relevant time.

(vi) Persuant 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 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.

xi) a) The Company is not regular in deposit of undisputed statutory dues of Provident Fund, Employees' State Insurance and Service Tax and no deposit have been made under investor education and protection fund during the year under consideration and the arrear of statutory dues on the last day of the financial year concerned for a period of more than six months from the date they became payable is Rs.39,359 (Rs.9862) against Service tax including cess thereon.

(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	Assistant Commissioner of Commercial Tax, Range-II, Orissa, Cuttack (Entry Tax)	0.79
2002-03	Assistant Commissioner of Commercial Tax, Range-II, Orissa, Cuttack (Sales Tax)	24.10

(x) The accumulated losses of the company are more than fifty percent of its net worth. The company has incurred cash losses during the financial year covered by our audit and also in the immediately preceding financial year.

(xi) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to a financial institution or bank.

(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 by the company during the year.

(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) The Company has not made any preferential allotment of shares during the year.

(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

(Subhas Mukhopadhyay)
Partner
Membership Number : 050384

Kolkata
Dated : 30th June 2008

BALANCE SHEET AS AT 31st MARCH '2008

Schedule		(Rupees)	Current Year (Rupees)	Previous Year (Rupees)
	SOURCES OF FUNDS			
A	SHARE CAPITAL		**70,232,625**	70,232,625
B	RESERVE & SURPLUS		**1,500,000**	1,500,000
	TOTAL SHARE HOLDER'S FUNDS		**71,732,625**	71,732,625
	LOANS			
C	a. Secured	**81,596,722**		89,360,493
D	b. Unsecured	**76,500,000**		14,000,000
	c. Total Loans		**158,096,722**	103,360,493
	TOTAL FUNDS EMPLOYED		**229,829,347**	175,093,118
	APPLICATION OF FUNDS			
E	FIXED ASSETS			
	a. Gross Block		**98,305,490**	93,872,952
	b. Less: Depreciation		**76,268,507**	74,773,810
	c. Net Block		**22,036,983**	19,099,142
	DEFERRED TAX		**30,789,277**	4,283,402
	CURRENT ASSETS, LOANS & ADVANCES			
F	a. Inventories	**40,355,532**		48,130,285
G	b. Sundry Debtors	**24,770,330**		13,142,648
H	c. Cash & Bank Balances	**1,095,549**		2,864,697
	d. Interest Accrued	**9,485**		84,237
I	e. Loans & Advances	**6,324,273**		8,148,727
	f. Total Current Assets		**72,555,169**	72,370,594
	Less : CURRENT LIABILITIES & PROVISIONS:			
J	a. Current Liabilities	**61,378,520**		71,238,140
K	b. Provisions	**1,174,500**		502,593
			62,553,020	71,740,733
	NET CURRENT ASSETS		**10,002,149**	629,861
L	MISCELLANEOUS EXPENDITURE		**8,236,893**	16,473,788
	PROFIT & LOSS ACCOUNT		**158,764,045**	134,606,925
	TOTAL APPLICATION OF FUNDS		**229,829,347**	175,093,118

O SIGNIFICANT ACCOUNTING POLICIES And NOTES ON ACCOUNTS

Subject to our report of even date addressed to the members of company to which the Balance Sheet and Profit & Loss A/c are attached

For and on behalf of the Board of Directors

Vijay Kumar Agarwal
Director

Kamal Prakash
Director

For P. Mukhopadhyay & Co.
Chartered Accountants

(Subhas Mukhopadhyay)
Partner
Membership Number : 050384

Kolkata
Dated : 30th June 2008

NILACHAL REFRACTORIES LIMITED

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH '2008

Schedule		Current Year (Rupees)	Previous Year (Rupees)
	INCOME		
M	SALE OF PRODUCTS AND OTHER INCOME	**112,956,467**	75,110,006
	EXPENDITURE		
N	MANUFACTURING AND OTHER EXPENSES	**140,813,490**	82,488,606
	DEPRECIATION	**1,494,696**	1,010,640
	INTEREST	**12,778,237**	10,084,011
	EMPLOYEES' SEPARATION COMPENSATION AMORTISED (Refer Note 1.9 to Schedule '' O")	**8,236,895**	1,764,094
	TOTAL EXPENDITURE	**163,323,318**	95,347,351
	PROFIT/(LOSS) FOR THE YEAR (1-6)	**(50,366,851)**	(20,237,345)
	PROVISION FOR DEFERRED TAX	**26,505,875**	4,283,402
	PROVISION FOR FBT	**(201,688)**	(108,230)
	PROFIT/(LOSS) AFTER TAX	**(24,062,664)**	**(16,062,173)**
	PREVIOUS YEAR ADJUSTMENTS	**(94,456)**	316,633
	PROFIT/(LOSS) BROUGHT FORWARD	**(134,606,925)**	(118,861,385)
	PROFIT/(LOSS) CARRIED OVER TO BALANCE SHEET	**(158,764,045)**	**(134,606,925)**
	Earning Per Share		
	Basic	**(3.52)**	(2.29)
	Diluted	**(3.52)**	(2.29)
O	SIGNIFICANT ACCOUNTING POLICIES And NOTES ON ACCOUNTS		

Subject to our report of even date addressed to the members of company to which the Balance Sheet and Profit & Loss A/c are attached

For and on behalf of the Board of Directors

Vijay Kumar Agarwal
Director

Kamal Prakash
Director

For P. Mukhopadhyay & Co.
Chartered Accountants

(Subhas Mukhopadhyay)
Partner
Membership Number : 050384

Kolkata
Dated : 30th June 2008

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE "A": SHARE CAPITAL	**Current Year (Rupees)**	Previous Year (Rupees)
AUTHORISED		
78,50,000 Equity shares of Rs.10/- each	78,500,000	78,500,000
15,000, 11% Redeemable Cumulative Preference shares of Rs.100/- each	1,500,000	1,500,000
Total	**80,000,000**	80,000,000
ISSUED AND SUBSCRIBED		
69,00,000 Equity shares of Rs.10/- each	69,000,000	69,000,000
15,000, 11% Redeemable Cumulative Preference shares of Rs.100/- each	1,500,000	1,500,000
Total	**70,500,000**	70,500,000
PAID UP		
68,61,450 Equity shares of Rs.10/- each	68,614,500	68,614,500
14,980, 11% Redeemable Cumulative Preference shares of Rs.100/- each	1,498,000	1,498,000
	70,112,500	70,112,500
Add: Forfeited Share Amount (Originally Paid Up)	120,125	120,125
	70,232,625	70,232,625

SCHEDULE "B": RESERVE & SURPLUS		
Central Subsidy	**1,500,000**	1,500,000

SCHEDULE "C": SECURED LOAN		
a. Term Loan with Canara Bank* (Secured by hypothecation of plant & machinery)	**49,698,241**	56,677,675
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)	**31,898,481**	32,682,818
* Rs 60.00 Lakh (P.Y Rs 100 Lakh) payable within a year	**81,596,722**	89,360,493

SCHEDULE "D":
UNSECURED LOAN

a. Unsecured Loan from Promoters	**76,500,000**	14,000,000
	76,500,000	14,000,000

SCHEDULE "E":
SCHEDULE OF FIXED ASSETS AS ON 31st MARCH'2008

Description	Gross Block at cost as at 31.03.2007 (Rs)	Addition/ (Deletions) (Rs)	Gross Block at cost as at 31.03.2008 (Rs)	Total Depreciation Upto 31.3.2007 (Rs)	Depreciation for the Year (Rs)	Depreciation/ Amortisation/ Impairment Adjustment for the Year (Rs)	Total Depreciation Upto 31.3.2008 (Rs)	Net Block as on 31.03.2008 (Rs)	Net Block as on 31.03.2007 (Rs)
Land & Site Development (*)	1,751,851	-	1,751,851	-	-	-	-	1,751,851	1,751,851
Buildings	19,469,836	635,019	20,104,855	10,838,831	504,245	-	11,343,076	8,761,779	8,631,005
Plant & Machineries	64,778,591	3,663,746	68,442,189	58,356,380	518,145	-	58,874,525	9,567,664	6,422,211
Furnitures, Fittings & Equipments	4,458,945	133,920	4,592,866	3,035,231	380,841	-	3,416,072	1,176,794	1,423,714
Vehicles	3,413,729	-	3,413,729	2,543,369	91,465	-	2,634,834	778,895	870,360
TOTAL	93,872,952	4,432,685	98,305,490	74,773,811	1,494,696	-	76,268,507	22,036,983	19,099,141
PREVIOUS YEAR	85,862,920	8,010,032	93,872,952	73,763,170	1,010,640	-	74,773,810	19,099,142	12,099,751

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 (Valued at cost)	**7,587,468**	14,491,449
b.	Work-in-process (Valued at cost)	**8,069,681**	11,375,816
c.	Finished Goods (Valued at lower of cost and net realisable value)	**22,209,779**	18,653,520
d.	By-Product (At net realisable value)	**143,250**	919,500
e.	Stores & Spares (Valued at cost)	**2,345,354**	2,690,000
	Total	**40,355,532**	48,130,285

SCHEDULE "G":
SUNDRY DEBTORS (UNSECURED)

a. Due for more than six months (Considered good unless otherwise mentioned)	**11,103,882**	5,714,669
Less : Provision for doubtful debt (included in 'a' above)	**1,002,537**	1,002,537
	10,101,345	4,712,132
b. Due for less than six months (considered good)	**14,668,985**	8,430,515
Total	**24,770,330**	13,142,648

SCHEDULE "H":
CASH & BANK BALANCES

A. Cash & Stamp in hand	**72,165**	13,079
B. Balance with Scheduled Banks		
a. In Current Accounts	**323,090**	1,510,012
b. In Deposit Accounts (*)	**700,294**	1,341,606
Total	**1,095,549**	2,864,697

* Out of the same Rs.490294 is lying with Bank as Margin Money

SCHEDULE "I":
LOANS & ADVANCES

(Unsecured considered good unless otherwise stated)		
a. Pre-paid expenses & Recoverable Dues	**399,046**	60,571
b. Other Sundry Advances	**3,432,402**	4,271,012
(Recoverable in cash or kind or for value to be received)		
c. Deposit of Security and Earnest Money	**2,583,874**	3,968,074
	6,415,322	8,299,657
Less: Prov. for Irrecoverable Advance	**91,049**	91,049
Less: Club dues Receivable	**-**	59,880
Total	**6,324,273**	8,148,728

SCHEDULE "J":
CURRENT LIABILITIES & PROVISIONS
(Refer Note 7 and 9 to Schedule "O")

a.	Sundry Creditors		**42,996,116**	59,336,337
	SSI	**1105780**	–	–
	Others	**41890335**	–	–
b.	Liabilities for Expenses		**4,653,468**	5,901,549
c.	Statutory Liabilities		**5,412,076**	3,871,212
d.	Security Deposits Received		**638,023**	638,023
e.	Advance Received from Customers		**6,179,074**	1,491,019
f.	Bank Overdraft (Due to excess issue of Cheque)		**1,499,763**	-
	Total		**61,378,520**	71,238,140

SCHEDULE "K":
PROVISIONS

Provision For Gratuity	**457,932**	207,392
Provision for Leave Encashment	**406,650**	186,971
Provision for Fringe Benefit Tax	**309,918**	108,230
Total	**1,174,500**	502,593

SCHEDULE "L":
MISCELLANEOUS EXPENDITURE
(To the extent not written off or adjusted)

Employees' Separation Compensation	**16,473,788**	18,237,882
Less: Amortised during the year	**8,236,895**	1,764,094
Balance Carried Forward	**8,236,893**	16,473,788

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		**125,025,563**	83,024,666
Less: Excise Duty		**16,816,833**	11,454,021
		108,208,730	71,570,645
2. Other Income:			
a. Sale of Waste Material	**3,005,005**		2,560,864
b. Interest earned on Deposits (Gross TDS 8440/- PY nil)	**47,116**		48,951
c. Miscellaneous Receipts	**926,064**		502,268
d. Foreign Exchange Fluctuation	**769,552**		427,279
		4,747,737	3,539,362
Total		**112,956,467**	**75,110,007**
SCHEDULE "N":			
MANUFACTURING & OTHER EXPENSES			
1. Raw Materials consumed		**60,874,734**	51,341,655
2. Stores & Spares consumed		**4,487,572**	3,737,657
3. Coal & Fuel Consumed		**23,922,493**	23,981,854
4. Payment to & Provision for Employees:			
a. Salaries, Wages & Bonus (Refer to Note 1.9 to Schedule "O")	**7,663,943**		5,569,588 -
b. Contribution to PF & Other Funds	**2,169,475**		1,554,100
c. Workmen & Staff welfare Expenses	**297,258**		167,834
		10,130,676	7,291,522
5. Operation & Other Expenses			
a. Electricity & Water charges	**7,756,526**		5,873,835
b. Insurance & Tax	**206,800**		274,127
c. Rents & Rates	**219,343**		229,243
d. Conversion & other Mfg. Expenses	**11,925,503**		9,676,590
e. Repairs to Plant & Machinery	**7,258,687**		3,475,402
f. Repairs to Buildings	**111,157**		150,353
g. Other Repairs	**1,105,014**		477,616
h. Travelling & Conveyance	**1,626,483**		803,585
i. Telephone & Telex	**458,286**		280,740
j. Other expenses	**10,204,090**		4,087,728
		40,871,889	25,329,219
6. (Increase)/Decrease in stock of finished goods & work in process)			
a. Closing stock	**30,422,710**		30,948,836
b. Opening stock	**30,948,836**		1,755,536
		526,126	(29,193,300)
Total		**140,813,490**	82,488,607

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.

1.5 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.

1.6 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.

1.7 Borrowing Cost:

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

1.8 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.

1.9 Miscellaneous Expenditure:

Compensation to permanent employees who have opted for retirement under the Voluntary Separation Scheme of the Company had been amortized over fifty months till 31.3.2005. The present management has opted to amortise the unamortized amount as on 31st March 2005 over forty eight months.

Compensation to ex-employees who were earlier separated under the Golden Handshake Schemes under the condition to get a fixed monthly payment for a period of 100 months or till retirement, whichever was earlier, have been paid a lumpsum amount towards full and final settlement under the Modified Golden Handshake Schemes in lieu of the original Schemes, has been amortized over fifty months.

1.10 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.

1.11 **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.

1.12 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.

1.13 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 bought in Unsecured loan amounting to Rs. 765.00 Lacs (P.Y. 140.00 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) Preference shares were redeemable before September 1995 by giving six months notice of 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.

3) The total unsecured loan includes Rs. 230.00 Lacs (previous year NIL) 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 Separation Scheme (VSS) 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 2008 comprises of the following:

(i) Liabilities	As at 31.03.2008
Depreciation	15,59,304
Employees Separation	23,99,683
Total	39,58,987

(ii) Assets	
Disallowances under I.T.Act	2,67,156
Losses Under I.T.Act.	3,44,81,108
Total	3,47,48,264
Net Assets (i) –(ii)	3,07,89,277

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, 2008. 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 SSI Units to whom amount in excess of Rs. 1.00 Lacs are due for more than 30 days are given below. :

Name of the Company	Amount (Rs.)
Biswakarma Fabricators	2.36 lacs
Refcem Pvt. Ltd.	6.26 lacs
Petco Engineering Industries	0.25 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. 8.91 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.

	2007-08 (Rs.in Lacs)	2006-07 (Rs.in Lacs)
Counter Guarantee for Bank Guarantee issued	**20.46**	13.02

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

		2007-08 (Rs.in Lacs)	2006-07 (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	**18000.00**	18,000
13.2	For other services	**NIL**	NIL
13.3	Reimbursement of expenses	**NIL**	NIL

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

Licensed Capacity (MT)	**28,000**	28,000
Installed Capacity (MT)	**28,000**	28,000
Actual Production (MT)	**11,183**	14,011

15 Turnover, Opening and Closing Stock :

		2007-08		2006-07	
		(MT)	**(Rs.in lakhs)**	(MT)	**(Rs.in lakhs)**
Turnover	**Mortar**	**1540**	**107.70**	2682	121.246
	Refractories	**10290**	**1142.55**	9418	594.464

Opening & Closing Stock : (Refractories)

	2007-08 (MT)	2006-07 (MT)
Opening Stock	**2388***	123
Closing Stock (Bricks)	**1741***	2388*

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

16. Raw Material Consumption

	2007-08		2006-07	
	(MT)	(Rs)	(MT)	(Rs)
Plastic Clay	2298	2868233	2373	2511363
Raw Non-Plastic Clay	4833	3873023	8561	8805970
Salvaged Bricks	4950	17606248	2070	6609575
Bauxite	1293	10329486	2414	16634558
Molasses	265	1652268	Nil	Nil
Others	3747	24545476	10645	16780189
Total :	17386	60874734	26063	51341655

Cenvat during the year amounting to Rs. 5238329 (Previous Year : Rs.61,81,513) 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 :

	2007-08		2006-07	
	(Rs.)	(%)	(Rs.)	(%)
Imported Raw Materials	9601943	16	9362325	18
Indigenous Raw Materials	51272791	84	41979330	72

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

	2007-08		2006-07	
	(Rs.)	(%)	(Rs.)	(%)
Indigenous stores & spares	4487572	100	3737657	100

18. **Earning per share**

		31-03-2008	31-03-2007
Net profit/(-) loss for the period	(Rs.)	**-24157122**	**-15745540**
Less : Dividend on preference share	(Rs.)	**Nil**	**Nil**
Net profit attributable to equity shareholders	(Rs.)	**-24157122**	**-15745540**
Basic weighted average number of shares		**68,61,450**	**68,61,450**
Basic E.P.S	(Rs.)	**-3.52**	**-2.29**
Diluted weighted average number of shares		**68,61,450**	**68,61,450**
Diluted E.P.S		**-3.52**	**-2.29**
Nominal value of Equity shares (Basic/Diluted)		**68,61,450**	**68,61,450**

19.1. **Value of Imports (Calculated on CIF Basis)**

	2007-2008	2006-2007
Raw Materials	3021931.00	13186038.00

19.2. **Expenditure in Foreign Currency (On Cash Basis)**

Traveling	89210.00	NIL

20.1 **Earnings in Foreign Exchange**

Export of Goods Calculated on F.O.B. basis	2804072.00	NIL

20.2 **Reimbursement of Expenses Received in Foreign Currency**

Traveling	208546.00	NIL

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	2007-08 (Amount in Rs.)	2006-07 (Amount in Rs.)
Sri Vijay Agarwal	Interest on Loan	-	186775.00
Sri Vinay Agarwal	Interest on Loan	-	60602.00
Sri Vinay Agarwal	Repayment of Loan	-	2020037.00
Sri B.P Jalan	Interest on Loan	-	593.00
Sri B.P Jalan	Loan taken	-	100280.00
Sri B.P Jalan	Repayment of Loan	-	100280.00
B.P.Jalan & Others(HUF)	Repayment of Loan	-	2938349.00
Sri Karan Agarwal	Interest on Loan	-	15115.00
Sri Karan Agarwal	Repayment of Loan	-	503838.00
Hasti Prasad Jalan & Others (HUF)	Repayment of Loan	-	985636.00
Sri Saket Agarwal	Interest on Loan	-	15115.00
Sri Saket Agarwal	Repayment of Loan	-	503838.00
Sri Susil Kumar Agarwal	Interest on Loan	-	266370.00
Sri Niraj Jalan	Interest on Loan	-	123330.00
Sri Niraj Jalan	Loan taken	-	110750.00
Sri Niraj Jalan	Repayment of Loan	-	4221757.00
B.P Jalan & Others	Interest on Loan	-	88150.00
Hasti Prasad Jalan & Others (HUF)	Interest on Loan	-	29569.00
Smt. Manju Agarwal	Interest on Loan	-	15115.00
Pankaj Jalan & Others (HUF)	Interest on Loan	-	40210.00
Smt. Manju Agarwal	Repayment of Loan	-	503838.00
Pankaj Jalan & Others (HUF)	Repayment of Loan	-	1340299.00
Smt. Parwati Devi Jalan	Interest on Loan	-	26301.00
Smt. Parwati Devi Jalan	Loan taken	-	1000000.00
Smt. Parwati Devi Jalan	Repayment of Loan	-	1000000.00
Sri Piyush Jalan	Interest on Loan	-	188647.00
Sri Piyush Jalan	Loan taken	-	1000000.00
Sri Piyush Jalan	Repayment of Loan	-	6652636.00
P.P Suppliers & Agencies Pvt. Ltd.	Interest on Loan	-	783399.00
Unimark Intrenational (P) Ltd.	Interest on Loan	-	503486.00
Industrial Associates	Sales	39123228.00	61624622.00
Jekay International	Sales	-	1028678.00
Jekay international Track Pvt Ltd	Loan taken	-	7000000.00
Jekay international Track Pvt Ltd	Repayment of Loan	-	7000000.00
Ganapati Industrial Pvt. Ltd.	Sales	-	350125.00
Associated Ind. Furnaces Pvt. Ltd.	Purchase	-	63547.00
Sri P.K Pattanaik	Remuneration	-	240000.00
Sri T.B Singh	Remuneration	297200.00	300000.00
Industrial Associates	Purchases	1162908.00	-

Minicraft Enterprise Pvt Ltd	Loan taken	8375000.00	-
Minicraft Enterprise Pvt Ltd	Repayment of Loan	4275000.00	
Metropolitan Commercial Pvt Ltd	Loan taken	2500000.00	-
P.P.Suppliers & Agencies Pvt Ltd	Loan taken	4300000.00	4156310.00
P.P.Suppliers & Agencies Pvt Ltd	Repayment of Loan	-	22132563.00
Pushpak Dealcom Pvt Ltd	Loan taken	12700000.00	7000000.00
Sushil Kumar Agarwal	Loan taken	11250000.00	3612781.00
Sushil Kumar Agarwal	Repayment of Loan	-	6784851.00
Unimark International :Pvt Ltd	Loan taken	16575000.00	7656310.00
Unimark International :Pvt Ltd	Repayment of Loan	675000.00	8830966.00
Vijay Kumar Agarwal	Loan taken	11750000.00	3071151.00
Vijay Kumar Agarwal	Repayment of Loan	-	5285319.00
Jiwanram Sheoduttrai	Loan taken	-	1000000.00
Jiwanram Sheoduttrai	Repayment of Loan	-	1000000.00

22. Previous year's figures have been regrouped and recasted wherever necessary to confirm to current year layout.

23. Salaries, Wages and Bonus includes Remuneration paid to 1 (One) Whole Time Director (P.Y. Two Directors) amounting to Rs. 2.97 Lakhs for the financial year 2007-08 as approved by the Shareholders (Previous year 5.40)

24. The cost of moulds which were treated as consumption earlier has been capitalized during the year and a sum of Rs 29,64,638/- has been added to Fixed assets for the same.

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

25.1 REGISTRATION DETAILS

a)	Registration No.	:	735
b)	State Code	:	15
c)	Balance Sheet Date	:	31-Mar-08

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	:	Nil

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

	Total Liabilities	:	229,829
	Total Assets	:	229,829
A)	**SOURCES OF FUNDS :**		
	Paid up Share Capital	:	70,233
	Reserves & Surplus	:	1,500
	Secured Loans	:	81,597
	Unsecured Loans	:	76,500
B)	**APPLICATION OF FUNDS :**		
	Net Fixed Assets	:	22,037
	Investments	:	-
	Deferred Tax Assets	:	30,789
	Net Current Assets	:	10,002
	Misc. Expenditure	:	8,237
	Accumulated Losses	:	158,764

25.4 PERFORMANCE OF COMPANY (AMOUNT IN RS. THOUSANDS)

a)	Turn Over (Gross Revenue)	:	112,956
b)	Total Expenditure	:	163,323
c)	Profit / (Loss) before Tax	:	(50,367)
d)	Profit / (Loss) after Tax	:	(24,157)
e)	Earning Per Share in Rs.	:	(3.52)
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 Descrip tion	:	Monolithics/Castables (Fireclay,High Alumina)

Signature to Schedule "A" to "O"

Subject to our report of even date addressed to the members of the company to which the Balance Sheet and Profit & Loss Account are attached

For & on behalf of the Board of Directors

For P. Mukhopadhyay & Co.
Chartered Accountants

Vijay Kumar Agarwal
Director

Kamal Prakash
Director

(Subhash Mukhopadhyay)
Partner
Membership No. 50384

Kolkata
Dated : 30th June, 2008

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH' 2008

		Current Year	Previous Year
A. CASH FLOW FROM OPERATION ACTIVITIES	**(Rupees)**	(Rupees)	**(Rupees)**
Net profit as per Profit & Loss Account		**(50,662,995)**	(19,920,712)
Less : Interest earned	**47,116**		48,951
		47,116	48,951
Net profit before Tax and before extraordinary items		**(50,710,111)**	(19,969,663)
Add: Depreciation	**1,494,696**		1,010,640
Amortised Miscelleneous Expenses	**8,236,895**		1,764,094
		9,731,591	2,774,734
Operating profit before Working capital change		**(40,978,520)**	(17,194,929)
Change in:			
Trade & Other Receivables	**(9,728,476)**		(9,996,825)
Inventories	**7,774,753**		(43,734,294)
Trade Payables & Other Liabilities	**(9,187,713)**		(19,366,264)
Deferred Revenue Expenditures	**-**		-
		(11,141,436)	(73,097,383)
Net Cash used/generated in Operating Activities		**(52,119,956)**	(90,292,312)
B. CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Fixed Assets	**(4,432,537)**		(8,010,034)
Sale of Fixed Assets	**-**		-
Interest received	**47,116**		48,951
Net Cash used/generated in Investing Activities		**(4,385,421)**	(7,961,083)
C. CASH FLOW FROM FINANCING ACTIVITIES			
Receipt of Call money of Share Capital		-	45,000,000
Receipt of Investment money			
Proceeds from Secured Borrowings	**(7,763,771)**		89,360,493
Proceeds from Unsecured Borrowings	**62,500,000**		(36,096,625)
		54,736,229	53,263,868
Repayment of Secured Borrowings	-		-
Repayment of Unsecured Borrowings	-	-	-
Net Cash used/generated in Financing Activities		**54,736,229**	**98,263,868**
NET INCREASE IN CASH & CASH EQUIVALENT (A+B+C)		**(1,769,148)**	**10,473**
Cash & Cash equivalent at start of the year		**2,864,697**	2,854,224
Cash & Cash equivalent at close of the year		**1,095,549**	2,864,697

Vijay Kumar Agarwal
(Director)

Kamal Prakash
(Director)

AUDITOR'S 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 2008 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

(Subhas Mukhopadhyay), Partner
Membership Number : 050384

Kolkata, Dt. 30-06-2008

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 First Annual General Meeting of the Company to be held on 30th day of September, 2008 and at any adjournment thereof.

Signature

Please affix 30 Paise 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, 2008.

Signed this ..... day of ..... 2008.

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.

BOOK POST
(PRINTED MATTER ONLY)

If undelivered, please return to :

NILACHAL REFRACTORIES LIMITED
P/597, BJB Nagar, Lewis Road
Bhubaneswar - 751 014