

DIRECTORS' REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS REPORT TO THE SHAREHOLDERS

Dear Shareholders

Your Directors are pleased to present the Nineteenth Annual Report together with Profit and Loss Account for financial year ended on 31st March 2008 and Balance Sheet as on that date.

Financial Performance of your Company for the year ended on 31st March 2008 on stand-alone and consolidated basis have been as follows :

(Rs. in Millions)

	Stand-alone		Consolidated	
Sales (Net of Excise Duty)		1,713.42		3,780.07
Other Income		8.19		17.91
		<u>1,721.61</u>		<u>3,797.98</u>
Less : Total Expenses	1,364.73		3,244.31	
Interest	53.79	1,418.52	81.61	3,325.92
Gross Profit after Interest but before Depreciation and Taxation		<u>303.09</u>		<u>472.06</u>
Less : Depreciation		41.40		63.18
Profit before Tax		<u>261.69</u>		<u>408.88</u>
Less : Provision for Current Tax		90.00		126.38
Profit after Current Tax and before Deferred Tax and Fringe Benefit Tax		<u>171.69</u>		<u>282.50</u>
Add : Provision for Deferred Tax		0.05		6.35
Less : Provision for Fringe Benefit Tax		3.23		3.23
Profit after Tax		<u>168.51</u>		<u>285.62</u>
Less : Minority Interest		—		0.74
Profit after Tax and Minority Interest		<u>168.51</u>		<u>284.88</u>
Add : Profit brought forward from previous year		268.80		398.07
Profit available for appropriation		<u>437.31</u>		<u>682.95</u>

Total Income, Profit before Tax and Profit after Tax on stand-alone basis are higher by Rs. 206.70 Millions (13.64%), Rs. 9.09 Millions (3.60%) and Rs. 4.60 Millions (2.81%) respectively compared to that of previous year ended on 31st March 2007. Similarly Total Income, Profit before Tax and Profit after Tax and Minority Interest on consolidated basis are higher by Rs. 559.04 Millions (17.26 %), Rs. 36.83 Millions (9.90%) and Rs. 22.50 Millions (8.58%) respectively. Earning per Share on stand-alone and consolidated basis is Rs. 4.87 and Rs. 8.23 compared to Rs. 4.74 and Rs. 7.58 relating to previous year ended on 31st March 2007.

Your Directors are of the view that financial performance achieved is satisfactory, despite strengthening of the Indian

Rupee and the Pound Sterling against the Dollar, coupled with a substantial increase in raw material cost.

In their continued pursuit of distributing maximum possible profits to the shareholders, your Directors have recommended, subject to your and other necessary approvals, a **Dividend of 20% i.e. Rs. 2 per Equity Share** for financial year 2007-2008. This is higher compared to 17.5% paid for the previous year.

Your Company along with its subsidiaries are primarily engaged in manufacturing specialised refractories and operating systems for the Steel Plants. During the year ended 31st March 2008, your Company continued to be a prominent player of specialised Refractories.

DIRECTORS' REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS REPORT (Contd.)

Manufacturing locations of your Company are its primary locations and the **Segment Revenue, Segment Results and Capital Employed, on consolidated basis, in terms of Accounting Standard 17** of the Institute of Chartered Accountants of India (ICAI) are as follows :

(Rs. in Millions)

	Year ended 31st March 2008	Year ended 31st March 2007
Segment Revenue		
India	1,713	1,508
Outside India		
Asia (excluding India)	376	278
Europe	1,263	1,023
Americas	632	637
Total	3,984	3,446
Less : Inter Segment Adjustment	204	219
Total Segment Revenue	3,780	3,227
Segment Results (Profit before tax)		
India	316	295
Outside India		
Asia (excluding India)	47	59
Europe	91	77
Americas	52	21
Total (Profit before interest)	506	452
Less : Inter Segment Adjustment	5	25
Less : Interest Expenses (Net)	82	70
Add/(Less) : Unallocable Items	(10)	15
Profit before tax	409	372

(Rs. in Millions)

	As at 31st March 2008	As at 31st March 2007
Segment Capital Employed (Assets - Liabilities)		
India	1,008	847
Outside India		
Asia (excluding India)	114	110
Europe	399	432
Americas	177	191
Total	1,698	1,580
Less : Inter Segment Adjustment	13	36
Less : Unallocated Assets/(Liabilities)	715	759
Total Capital Employed	970	785

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Your Company received **CAPEXIL's Special Export Award for Refractories**, for fifth consecutive year, for financial year 2006-2007. During financial year 2007-2008, your Company effected exports (including indirect) aggregating to Rs. 1,010.54 Millions, which is higher by Rs. 140.06 Millions (16.09%) than that for financial year 2006-2007.

Operational integration and benefits

During the financial year the operation of the Subsidiaries were further integrated, balancing equipment installed and other appropriate steps taken to optimise the production in the manufacturing facilities situated in India, Brazil, China, UK and USA. Commercial production of the new factory in Tianjin, China manufacturing Dart Refractories for Slag Control was started and is now operating satisfactorily. With these steps your Company further increased its market share.

In its quest to serve the Steel Industry with value added products, your Company has adopted the slogan **DEDICATED TO CLEAN STEEL**.

Industry Structure, Developments, Opportunities, Threats, Risks and Concerns and Future Outlook

Based on the projection of International Iron & Steel Industry the global demand for Steel, which has increased substantially, is likely to go up further specially in India and the other BRIC countries. Consequently the demand for Refractories and Operating Systems manufactured by your Company is also likely to increase.

Your Directors in order to take fullest advantage of aforesaid market scenario of the Steel Industry, has decided to set up facilities for manufacture of Continuous Casting Refractories at Kandla Special Economic Zone in Gujarat (India) through IFGL Exports Limited, at an estimated Capital outlay of Rs. 500 Millions. This project is targeted to be completed by September 2009 and will exclusively cater to the export market.

Furthermore, your Directors are also evaluating other opportunities for growth, both organic and inorganic and your Company may augment long term resources, to finance its plan. Barring unforeseen circumstances and escalated affect of factors mentioned hereinbefore, your Directors are of the view that your Company should continue to perform well.

Bio Ceramics

Your Company has also set up facilities for manufacture of Bio Ceramic products namely Orbital Implants, Hip Joint and Dental Granules. However, Licence for manufacture and sale of these Products is yet to be received.

Corporate Governance/Internal Control System and their adequacy

Your Directors continued to practice principles of good Corporate Governance to maximise value of all its stakeholders. Terms of Reference of Audit committee are commensurate with those provided in Clause 49 of the Listing Agreement. Internal Control Systems in vogue are being

strengthened on an on-going basis and the framework thereof is adequate to identify risks, assess and or evaluate impact thereof and take steps for control and mitigation thereof. For the purpose Risk Management Manual and Risks Register have also been adopted, which are being reviewed and updated from time to time. A detailed report on Corporate Governance compliance duly certified by the Company's Statutory Auditors form part of this Report as **Annexure 'A'**.

Accounts of Subsidiary Companies

By an approval dated 2nd April 2008 under Section 212(8) of the Companies Act, 1956 (the Act), the Ministry of Corporate Affairs has exempted your Company from the provisions of Section 212(1) of the Act for financial year 2007-2008 for attachment of statements of accounts of the subsidiaries to its accounts for said financial year. However, a statement having requisite financial information of subsidiary companies form part of the Annual Report. Shareholders of the Company desirous of having complete statement of accounts and related detailed information of subsidiary companies, may send their request therefor either to the Company's registered office or to head and corporate office. Said statement of accounts and related detailed information are being kept for inspection at Head Offices of your Company and subsidiary companies. These will also be available on your Company's website i.e. www.ifglref.com.

Directors' Responsibility Statement

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

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

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

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Consolidated Financial Statements

In accordance with Accounting Standard 21, Consolidated Financial Statements form part of this Annual Report. Consolidated Financial Statements have been prepared based on Financial Statements (including Consolidated) of immediate two levels of Subsidiary Companies i.e. IFGL Worldwide Holdings Limited and IFGL Monocon Holdings Limited, as approved by their respective Boards.

Directors

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

Human Resources and Industrial Relations

Your Directors seek to provide most conducive working environment to its human resource and empower them by periodical trainings on latest techniques and practices. Compensation packages and benefits provided are most competitive and comparable to the best offered in the Refractory Industry in India. During financial year 2007-2008, employees strength of your Company neither increased nor decreased substantially and Industrial Relations remained most cordial.

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

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

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

Auditors' Report

Report of the Auditors, including references made therein to the Notes forming part of the Statement of Accounts, are self explanatory and does not require to be elucidated further.

Auditors

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

Acknowledgement

Your Directors place on record appreciation for continued support received from all concerned particularly from the shareholders, banks and employees.

On behalf of the Board of Directors

S K Bajoria
Managing Director

P Bajoria
Director & Chief Executive

Kolkata
7th May 2008